

A (A) JSC Property Rights
Governing body on a collective basis -
Intellectual

Association of Property Owners

Special Purpose Financial Reporting

For the year ended December 31, 2024

Intellectual Property Owners Association - IPOA

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Association of Intellectual Property Owners

Special Purpose Financial Statement As of December 31, 2024

	Note	December 31 2024	January 1, 2024
Assets			
Non-current assets			
Property, plant and equipment		24,474	31,669
Total non-current assets		24,474	31,669
Current assets			
Trade and other receivables	5	3,707,112	280,563
Advances paid to suppliers		3,439	1,004
Prepaid taxes		30,226	-
Cash and cash equivalents	6	3,499,576	114,727
Total current assets		7,240,353	396,294
Total assets		7,264,827	427,963
Net assets			
capital reserves		-	-
Accumulated deficit		(1,317,635)	(1,313,301)
Total net assets		(1,317,635)	(1,313,301)
Long-term liabilities			
Loans received	7	1,653,179	1,392,490
Total long-term liabilities		1,653,179	1,392,490
Current liabilities			
Advance received		1,341	-
Trade and other payables	8	6,927,942	299,319
Tax liabilities		-	49,455
Total current liabilities		6,929,283	348,774
Total net assets and liabilities		7,264,827	427,963

Approved for publication and signed on behalf of management on August 4, 2025.

Giorgi Nikolaisvhili
General Director

Natia Kvaratskhelia
Chief Accountant

August 04, 2025
Georgia, Tbilisi

August 04, 2025
Georgia, Tbilisi

Notes to the financial statements on pages 6-23 are an integral part of the special-purpose financial statements.

Association of Intellectual Property Holders

Special Purpose Profit and Loss and Other Comprehensive Income report for the year ended
31 December 2024

	Note	2024
Income	9	1,027,461
Total gross income		1,027,461
Employee compensation and related benefits		(510,957)
Lease expense		(71,194)
Automated content recognition platform expense		(27,787)
Other operating expenses	10	(195,437)
Interest expense		(255,189)
Expense from currency translation, net		(73,966)
Income from conversion		72,700
Other non-operating income, net		30,035
Deficit before tax		(4,334)
Income tax expense		-
Annual deficit		(4,334)
Annual other comprehensive income		-
Total annual deficit		(4,334)

Approved for issue and signed on behalf of management on 04 August 2025.

Giorgi Nikoloishvili
General Director

04 August 2025
Georgia, Tbilisi

Natia Kvaratskhelia
Chief Accountant

04 August 2025
Georgia, Tbilisi

Notes to the financial statements for special purpose are an integral part of the presentation on pages 6-23.

Intellectual Property Owners Association

Report on changes in special purpose pure assets for the year ended
December 31, 2024

	note	statutory capital	accumulated deficit	total
balance at January 1, 2024		~	(1,313,301)	(1,313,301)
total annual deficit		-	(4,334)	(4,334)
paid dividends		-	-	-
balance as of December 31, 2024		~	(1,317,635)	(1,317,635)

approved for publication and signed on behalf of management on August 4, 2025.

Giorgi Nikolashvili Chief
Executive Officer

Natia Kvaratskhelia
Chief Accountant

Georgia, Tbilisi on August
4, 2025

Georgia, Tbilisi on August
4, 2025

Explanatory notes on pages 6-23 are an integral part of the special purpose financial statements.

Intellectual Property Owners Association

Statement of movements of special purpose funds for the year ended December 31, 2024

	Note	2024
Cash flows from operating activities		
Deficit after tax		(4,334)
Adjustments resulting from the following items:		
Depreciation and amortization expense	10	11,156
Gain on foreign exchange operations, net		73,966
Interest expense	7	255,189
Cash generated from operating activities		
Before changes in working capital		335,977
Decrease in trade and other receivables		(3,533,187)
Decrease in trade and other payables		6,580,517
Changes in working capital		3,383,307
Interest received		-
Interest paid		-
Net cash flows from operating activities		3,383,307
Profit from operations		
Cash flows from investing activities		
Proceeds from the sale of fixed assets		(3,960)
Cash and cash equivalents from investing activities		(3,960)
Cash from financing activities		
Loans received	7	5,500
Cash used in financial activities		5,500
Net decrease in cash and cash equivalents		3,384,847
Cash and cash equivalents at beginning of year	6	114,727
Effect of exchange rate changes on cash and cash equivalents on equivalents		2
Cash and cash equivalents at end of year	6	3,499,576

Approved for issue and signed on behalf of management on August 4, 2025.

Giorgi Nikolayshvili General
Director

August 4, 2025 Georgia,
Tbilisi

Natia Kvaratskhelia
Chief Accountant

August 4, 2025 Georgia,
Tbilisi

Notes to the financial statements on pages 6-23 are an integral part of the special purpose financial statements.

Association of Intellectual Property Owners

Notes to the Special Purpose Financial Statements for the Year Ended 31 December 2024

1. Association of Intellectual Property Owners and Its Activities

The Association of Intellectual Property Owners is the only accredited organization in Georgia that manages property rights on a collective basis, established by copyright and related rights holders. The Association is registered as a non-entrepreneurial (non-commercial) legal entity in the legal form of an association, which is registered in the register of entrepreneurs and non-entrepreneurial (non-commercial) legal entities.

The Association exercises its powers in accordance with the legislation of Georgia and universally recognized principles and norms of international law.

The Association protects the property rights and

interests of foreign rights holders in the territory of Georgia,

as well as

similar

organizations

on the basis of

reciprocal representation agreements.

To achieve its objectives, the Association ensures the collection, distribution, and payment of royalties through effective mechanisms (including appropriate software), which ensures its transparency.

Legal address and location. The legal address of the Association is Natia Bashaleishvili St. #21, Tbilisi, 0108, Georgia.

The main place of activity of the Association is Georgia.

Reporting currency. Unless otherwise indicated, this special purpose financial statement is prepared in the national currency - Lari.

Number of employees. As of 31 December 2024 and 1 January, the Association employed 29 and 26 employees, respectively.

During 2024, the Association employed an average of 27 employees.

2. Overview of significant accounting policies

The preparation basis. The special purpose financial statements of the association are prepared in accordance with the principles of fair value, classification, recognition and measurement. The special purpose financial statements are the association's first annual financial statements that comply with the principles of fair value classification, recognition and measurement and are prepared for the purpose of guiding the association to prepare a first full set of financial statements in accordance with IFRS 1 as of December 31, 2025, when the association will prepare its first full set of financial statements.

In preparing these special purpose financial statements, management did not consider the expected standards and interpretations that will be effective when the association prepares its first full set of financial statements as of December 31, 2025.

Continuing operations. The management prepared this special purpose financial statements on the basis of the going concern principle, which in the course of business considers the realization of assets and settlement of liabilities. In making this assessment, management has considered the association's financial position, existing intentions, the profitability of operations and the availability of financial resources, as well as analyzed the impact of market conditions on the association's operations.

Financial instruments - key terminology for measurement. Depending on their classification, financial instruments are represented at fair value or amortized cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction at the measurement date, irrespective of whether that price is directly observable in the market or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the association considers factors that market participants would consider. The best evidence of fair value is a price in an active market. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

In addition, for the purposes of the special purpose financial statements, fair value measurement is categorized into Level 1, Level 2 and Level 3, depending on which components of fair value are observable and the significance of those components.

Components used in determining the total fair value. Categories are: these

- Level 1 components are quoted prices for identical assets or liabilities in an active market (without adjustments) that can be observed at the measurement date;
- Level 2 components are those that differ from Level 1 quoted prices and are observable, either directly or indirectly, for the given asset or liability; and

Association of Intellectual Property Owners

Notes to the specific purpose financial statements (continuation) for the year ended December 31, 2024

- Investigation of Level 3 components for the given asset or liability

A financial instrument is considered to be quoted on an active market if the quoted prices are regularly and readily available on an exchange or from other sources and if these prices represent actual and regularly conducted, bona fide transactions.

To determine the fair value of the financial instrument for which external market price information is not available, valuation techniques such as discounted cash flow models or recent transaction models or consideration of financial data of invested undertakings are used. The use of valuation techniques may involve making assumptions in the aforementioned special-purpose financial statements that are not supported by observable market data, if substituting any of these assumptions with a reasonably possible alternative would lead to materially different profit, revenue, total assets and liabilities.

Transaction costs are those additional costs directly related to acquiring, issuing or disposing of a financial instrument. An incremental cost is a cost that would not have been incurred if the operation had not been carried out. Operating costs include agents (including, for employees who act

in addition to, for employees who act of sales agents on behalf of), for consultants, brokers and dealers, paid fees and commissions, and fees and regulatory fees payable to state regulatory bodies and stock exchanges, and taxes and levies on disposals. Operating costs do not include debt premiums or discounts, financing costs or internal administrative or overhead costs.

Amortized cost is the amount at which financial instruments are measured at initial recognition, less any principal repayments, plus accrued interest and, in the case of financial assets, minus the impairment loss. Accrued interest includes amortization of deferred operating costs at initial recognition and amortization of any premium or discount on coverage using the effective interest rate method. Interest income and accrued interest expenses, including deferred commissions at recognition (if any), are not presented separately and are included in the balance sheet line items.

The effective interest rate method is the method of allocating interest income or interest expense over the relevant period to provide a constant periodic rate of interest on the balance sheet value (effective interest rate).

The effective interest rate is the rate that exactly discounts estimated future cash flows (excluding future credit losses) to the instrument's estimated maturity or shorter period to the instrument's net balance. The EIR reduces cash flows of instruments with variable interest rates by the premium or discount amortization, reflecting credit spread on the specified variable rate, or other variables not tied to market rates. Such premiums or discounts are amortized over the life of the instrument. The present value calculation includes all commissions paid or received between the contracting parties that are part of the effective interest rate.

Intellectual Property Owners Association

Notes to the special purpose financial statements (continued) for the year ended December 31, 2024

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or a share-based instrument of another party.

Classification of financial assets. At initial recognition, the classification determines their subsequent measurement at amortized cost. At initial recognition, the classification of financial assets depends on the terms of the contract and the characteristics of the cash flows that they are capable of receiving and the entity's business model for managing them. The Association measures financial assets at amortized cost if the following two conditions are met:

- The Association holds financial assets with a business model whose objective is to hold financial assets in order to collect their cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). This assessment is called the SPPI test and is performed at the instrument level.

The Association's assessment of the business model was as of the first use date of 'Price 9', January 1, 2024. All financial instruments and their operations of the Association aim to obtain contractual cash flows from the realization of services. This is the main objective and regular activity of the Association. Historically, the Association has never sold the financial instruments it owns. Based on past experience, the purpose of holding all financial instruments is to receive contractual cash flows, and they are classified under the first business model – Hold to Collect (H2C).

The Association's commercial and other receivable cash flows satisfy the SPPI test because the interest rate does not apply to these financial instruments.

Derecognition of financial assets. The Association derecognizes a financial asset when: (a) the asset is settled or its rights to cash flows from the asset have expired otherwise, or (b) the Association has transferred the rights to the cash flows from the financial asset or has transferred substantially all the risks and rewards of ownership.

to the cash flows or entered into a qualifying transfer arrangement, in a contract and together with it (1) transferred substantially all risks and rewards of ownership of the assets or transferred substantially all risks and rewards of ownership and control; however, control was not retained.

Control is retained if the counterparty does not have practical ability to sell the asset to an unrelated third party in the same transaction without imposing additional restrictions.

Classification of financial liabilities. After recognition, financial liabilities are categorized as: (a) financial liabilities at amortised cost that also include financial instruments, and (b) other financial liabilities. Financial liabilities at amortised cost are recognised at fair value, and changes in value are reflected in the income or expenses for the year (as financial income or financial expense) when they arise. Other financial liabilities are recognised at amortised cost.

Initial recognition of financial instruments. Financial assets and liabilities are initially recognized at fair value plus transaction costs. The best evidence of fair value at initial recognition is the transaction price. Profit or loss at initial recognition is recognized only if there is a difference between fair value and the transaction price that can be evidenced by other observable current market transactions in the same instrument or by a measurement method whose data include only observable market indicators.

Discontinuation of recognition of financial liabilities. The association derecognizes a financial liability when it is extinguished or cancelled or expires. When an existing liability is replaced by another liability from the same borrower under substantially changed terms, or the terms of the existing liability are substantially modified, such substitution or modification is accounted for as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amounts is recognized in profit or loss.

Functional currency. The functional currency for all elements of the association's special purpose financial statements is the currency of the economic environment in which the association operates ("functional currency"). The association's functional currency is Georgian Lari ("Lari"). The presentation currency of the association's special purpose financial statements is the national currency - the Lari.

Trade and other receivables. Trade and other receivables are measured at amortized cost using the effective interest method. Possible impairment losses are recognized in profit or loss if there is objective evidence of impairment of the asset.

Impairment of amortized cost financial assets. The association recognizes expected credit losses reserves for all debt instruments at amortized cost. Expected credit losses (ECL) are based on the difference between expected contractual cash flows and all expected cash flows, discounted at an approximate rate of the original effective interest rate. Expected cash flows include cash flows arising from the sale of collateral, embedded in the contract through other instruments that strengthen the credit.

Recognition of expected credit losses (ECL) occurs in two stages. For credits where there has been no significant increase in credit risk since initial recognition, the ECL reserve is for credit losses that may occur over the next 12 months (12-month ECL). For credits where there has been a significant increase in credit risk since initial recognition, the reserve is required for the entire life of the credit (lifetime ECL) regardless of the time of default. For cash and bank balances, the association creates a 12-month ECL.

In group-based measured trade receivables, the association uses a simplified approach to calculate expected credit losses (ECL). Therefore, the association does not monitor credit risk changes, but recognizes loss allowances at each reporting date for the existence of ECL. The association has created a provisioning matrix based on historical credit loss experience and corrected by forward-looking factors specific to borrowers and the economic environment.

Association of Intellectual Property Owners

Notes to the Special Purpose Financial Statements (continued) for the year ended 31 December 2024

Management concluded that determining the credit risk of each loan at initial recognition at the relevant dates requires significant costs and effort. The Association determined the full 'ECL' over its lifetime, i.e., the 'ECL' over the period during which all possible default events may occur over the life of the financial instrument (i.e., stages 2 and 3). Issued loans are classified as stage 2. To calculate the probability of default, the Association uses historical default probabilities from rating agencies.

In all cases, the Association considers that contractual payments overdue by more than 30 days represent a significant increase in credit risk.

A financial asset is considered to be in default if contractual payments are overdue by 90 days. However, in some cases, a financial asset may also be considered in default if internal or external information indicates that it is unlikely the Association will receive the remaining contractual amount in full without considering any credit enhancement mechanisms held by the Association.

Uncollectible (bad) assets are written off against the relevant impairment loss reserve—such amounts are written off after all necessary procedures for asset recovery are completed and the loss amount is determined. Any subsequent recovery of amounts previously written off is credited to the impairment loss account in the profit and loss statement.

Prepaid advances. These are recognized at cost less impairment reserve. A prepaid advance is classified as non-current if the receipt of the related goods or services is not expected within one year, or if the advance is related to an asset that will be classified as non-current at initial recognition. Advances paid for the acquisition of assets are included in the carrying amount of the asset as soon as the Association obtains control over the asset and it is probable that the Association will receive future economic benefits associated with the asset.

Other prepaid advances are expensed in profit or loss upon receipt of the related goods or services. If there are indications that the goods or services related to the prepaid advance may not be received, the carrying amount of the prepaid advance is written off accordingly and the related impairment loss is recognized in the profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include demand deposits placed with banks and other short-term highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are measured at amortized cost using the effective interest rate method.

Cash balances restricted in use, including bank deposits, are excluded from 'cash and cash equivalents' for cash flow reporting purposes. Balances that are restricted from exchange or are to be used to settle obligations at least twelve months after the reporting period are presented as restricted deposits in the statement of financial position.

Value Added Tax. VAT charged on sold goods or services is payable to the tax authorities upon delivery to customers. VAT paid on purchased goods or services is usually recoverable against VAT charged on sales upon receipt of a VAT invoice. Tax authorities allow for net VAT settlement. On sales and purchases

Intellectual Property Owners Association

Notes to the special purpose financial report (continued) for the year ended December 31, 2024

Value-added tax related to the financial position statement is reflected on a net basis. If an impairment reserve for receivables is established, impairment losses are recognized based on the whole amount of the debtor (gross), including VAT.

Loans. Loans are recorded at amortized cost using the effective interest rate.

Trade and other receivables. Trade receivables are recognized when the counterparty fulfils its contractual obligations and such receivables are recorded at amortized cost using the effective interest rate.

Provisions for liabilities and penalties. Provisions for liabilities and penalties represent non-financial obligations of indefinite time and amount. They are recognized when as a result of past events the association has a present legal or constructive obligation, it is probable that resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Reserves are recognized at the present value of the expenses expected to be required to settle the obligation, discounted at the rate reflecting the time value of money and the specific risk of the obligation. The increase in the reserve due to the passage of time is recognized as interest expense.

Foreign currency translation. The association's operating and reporting currency is the Georgian national currency - Lari.

Monetary assets and liabilities in the association's operating currency are translated at the official exchange rate published by the National Bank of Georgia (NBG) at the end of the relevant accounting period. The resulting translation gains and losses arising from the conversion of monetary assets and liabilities are recognised in profit or loss in the period at the official exchange rate at the end of the period. Conversion at the end of the period rate is not used for monetary items measured at historical cost. Revaluation of non-monetary items carried at fair value, including equity investments, is performed using exchange rates at the date of determination of fair value.

As of December 31, 2024 and January 1, the official exchange rate, as defined by the National Bank of Georgia, was:

	December 31 2024	December 31 2023
Lari per 1 US Dollar	2.8068	2.6894
Lari per 1 Euro	2.9306	2.9753

The current Georgian national currency - the Lari is not easily convertible outside Georgia.

Intellectual Property Owners Association

Notes related to the special-purpose financial report (continued) for the year ended December 31, 2024

Revenue recognition. The association acts as an agent between owners and users as an intermediary. Accordingly, revenue recognition occurs only to the extent that

is proportionate to rights management fee (not more than 20%)
management fee for rights collected honorarium/royalty from the amount.
holders Recognition occurs at the moment when the society's obligation is performed
(for example, collection of royalties or providing related services) and the association has the right to the
specified management fee.

With users based on signed contracts or statutory obligations
on obligations, the association recognizes a debtor liability for the full accrued amount of royalties. Although
the main portion of the amount should be remitted to the owners, a debtor arises because the association has
a contractual right

to the respective amount.
Recognition of a debtor liability occurs at the moment of arising of the withdrawal or payment obligation and is
subsequently measured to reflect the likelihood of withdrawal.

When an obligation to pay royalties to owners arises, the association recognizes a creditor
liability for that portion of royalties that does not constitute its revenue. This liability
recognition occurs in parallel with the recognition of the debtor, unless otherwise provided by
the contract. The creditor liability represents the association's fiduciary obligation to transfer
collected funds to the owners.

Collected funds are first offset against the debtor liability, and then transferred to reduce the creditor liability
to the owners.

The association's revenue will reflect only the management commission, and transferred funds
will not appear as expenses to the owners, as they do not belong to the association.

Staff retention and other staff-related expenses. Salaries, wages, annual paid vacations and ,
sick leaves, bonuses and non-monetary benefits are accrued in the year of providing the
related services by the association's employees. The association has no legal or constructive
obligation to pay pensions or similar benefits. Since January 1, 2019, the association has a
statutory obligation to pay 2% of accrued salaries of employees into the pension fund.

Measurement. Financial assets and liabilities are recognized and net amounts are presented in
the statement of financial position only when there is a legally enforceable right to the
recognized amounts and there is an intention to settle the asset and liability on a net basis or
to realize the asset and settle the liability simultaneously.

Adjustments to special-purpose financial statements after use. Any changes to the
special-purpose financial statements after the issuance of the special-purpose financial
statements require confirmation by the association's management, which granted the
authority to prepare these special-purpose financial statements.

3. Use Significant accounting estimates and judgments in accounting procedures

The association uses forecasts and assumptions that affect the amounts presented in special purpose financial statements and the balances of assets and liabilities in the future reporting period. Analysis of forecasts and estimates is performed continuously, based on management's experience and other factors, including expectations for future events that are reasonable under current circumstances. Management also uses assessments (apart from those that involve forecasts) in applying accounting procedures. The estimates that have the most significant impact on the amounts recognized in the special purpose financial statements and the forecast that could cause significant adjustments to the carrying amounts of assets and liabilities in the future financial year include:

Expected credit loss. The association, to recognize expected credit losses arising from clients' payment inability, creates an expected credit loss. In assessing its adequacy, management considers current general economic conditions, trade

receivable aging, historical write-off experience, , of the client creditworthiness and changes in payment terms. Changes in the economy, industry, or client's condition may require modification of the expected credit loss.

Intellectual Property Owners Association

Notes to the special purpose financial statements (continued) for the year ended December 31, 2024

4. Implementation of revised standards and interpretations

The following new and revised standards and interpretations were adopted in 2024:

- Changes in IAS 7 – cash flow statements and IAS 7 – financial instruments: disclosure of financial arrangements with suppliers;
- classification of liabilities as current and non-current (IAS 1) changes);
- Changes in IAS 1 – presentation of financial statements – changes: long-term liabilities under financial conditions;
- Changes in IFRS 16 – leases – lease liabilities on sale and reverse lease in the case.

In the current year the association applied the above changes to the IAS standards and interpretations issued by the respective Board that are effective for the annual period beginning 1 January 2024 or later. Their adoption has not had any material impact on the disclosure of information or on the amounts recognized in the special purpose financial statements.

The association has not yet applied the new and revised IFRS standards listed below that have been issued but have not yet entered into force:

- Changes in IAS 21 – Effects of changes in foreign exchange rates:
There is no option to options 1;
- IFRS 18 – presentation and disclosure in financial statements 2;
- IFRS 19 – subsidiaries without public accountability:
disclosures 2.

1. Effective for annual periods beginning on or after 1 January 2024, earlier application is permitted;
2. Effective for annual reporting periods beginning on or after 1 January 2027, earlier application is permitted;

Management does not expect that applying these amendments will have a material impact on the association's special-purpose financial statements.

Association of Intellectual Property Owners

Notes to the financial statements (continued) For the year ended
December 31, 2024

5. Trade and other receivables

As of December 31, 2024 and January 1, 2024, the balances of trade and other receivables include the following:

	December 31, 2024	January 1, 2024
Trade receivables	3,707,112	280,563
Total trade and other receivables	3,707,112	280,563
Expected credit loss	-	-
Total trade and other receivables, net	3,707,112	280,563

6. Cash and cash equivalents

As of December 31, 2024 and January 1, 2024, the balances of cash and cash equivalents include the following:

	December 31 2024	January 1, 2024
Cash in hand	454	454
Cash at bank	3,499,122	114,273
Total cash and cash equivalents	3,499,576	114,727

7. Received loans

As of December 31, 2024 and January 1, 2024, the loan balances include the following:

		31		December 2024	January 1 2024
	Currency	Interest Rate	Maturity		
Aleksandre Gvarishvili	Lari	18.25%	30/04/2027	1,653,179	1,392,490
Total borrowed funds				1,653,179	1,392,490

Loan maturities:

	31 December 2024	January 1 2024
Up to one month	-	-
From one to three months	-	-
From three to twelve months	-	-
Total due within one year	-	-
from one to five years	1,653,179	1,392,490
more than five years	-	-
Total borrowed funds	1,653,179	1,392,490

Intellectual Property Owners Association

Notes on financial reporting (continued) for the year ended
December 31, 2024

The table below shows changes in liabilities arising from financial activities, including monetary and non-monetary changes.

	1 January 2024	Cash joints Financial from operations	interest change	Current Difference with changes received profit	31 December 2024
Loans received	1,392,490	5,500	255,189	-	1,653,179

8. Trade and other payables

As of December 31, 2024 and January 1, 2024, the balances of trade and other payables include the following:

	December 31, 2024	January 1, 2024
Trade payables	301,270	288,603
Accrued royalties	6,626,672	10,716
Total trade and other liabilities	6,927,942	299,319

9. Revenue

Revenue consists of:

	2024
Management fee	1,027,461
Total revenue	1,027,461

10. Other operating expenses

Other operating expenses consist of:

	2024
Professional and other consulting services	53,077
Advertising expenses	28,475
Utilities expenses	19,280
Postal service expense	19,241
Legal services expense	14,549
Depreciation and amortization expense	11,156
Bank commission expenses	10,767
Communication expenses	7,180
Stationery expenses	6,899
Operating expenses	3,111
Computer service expenses	657
Other	21,045
Total other operating expenses	195,437

11. Contingent and Assumed Liabilities

Legal proceedings. Periodically and in the ordinary course of business, claims may be brought against the Association. As of the reporting date, management is not aware of any claims against the Association that could affect its financial position.

Tax legislation. There are articles in the Georgian tax legislation that can be interpreted in different ways. Therefore, if any specific action, based on management's judgment of the Association's activities, is not accepted by the tax authorities, the Association may be assessed additional taxes, fines, and penalties. The Association believes that it has paid all taxes required by law and that creating additional reserves in the special purpose financial statements is not necessary. Tax authorities have access to information for three years.

Operating environment. Georgia, as a developing market, is characterized by risks that do not exist in most developed markets, including economic, political, social, legal, and legislative risks. The rules and laws affecting the economic situation in Georgia are still subject to rapid changes. The interpretation of tax and regulatory legislation in Georgia can vary. Georgia's future economic direction depends significantly on the effectiveness of fiscal and monetary measures implemented by the government, alongside legislative, regulatory, and political developments.

In the past two years, several legislative changes have been implemented in Georgia, mainly related to the country's plans for closer ties with the European Union. The legislative changes made in 2024 and 2023 served as a kind of roadmap for the Georgia-EU Association Action Plan, and many other reforms are expected in parallel.

During the same period, due to the global and geopolitical situation in the world, there were high financial risks, specifically: geopolitical environment; prices, supply (e.g., transaction) disruptions and investment climate; inflation; high operating costs; increased regulatory requirements; cybersecurity and various technological threats; exchange rate fluctuations and risks of international cooperation. Therefore, it is impossible to predict in advance all events that may affect Georgia's economy and, accordingly, how they will impact the Association's future financial position. Management believes that all necessary measures are being taken to ensure the sustainability and support of the Association's activities.

12. Financial Risk Management

Risk management in the Association is carried out in relation to financial, operational, and legal risks. Financial risk includes market risk (including currency risk, interest rate risk, and other price risks), credit risk, and liquidity risk. The main objectives of financial risk management are: setting risk limits and then maintaining risk indicators within those limits. Operational and legal

Association of Intellectual Property Owners

Notes to the financial statements (continued) for the year ended
December 31, 2024

The objective of risk management is to ensure proper functioning of internal procedures to minimize operational and legal risks.

Credit risk. Credit risk affects the Association. Credit risk means the risk of financial loss to one party of a financial instrument if the other party fails to fulfill its obligations on time. Credit risk arises from products sold on credit by the Association to counteragents and from other transactions with counteragents within the group that generate financial assets.

The maximum exposure to credit risk for the Association is shown in the balance sheet in the carrying amounts of financial assets by class of assets.

	December 31	
	2024	January 1, 2024
Trade and other receivables	3,707,112	280,563
Cash and cash equivalents	3,499,576	114,727
Total credit risk	7,206,688	395,290

Market risk. Market risk affects the Association. Market risk arises from (a) foreign currency, (b) interest-bearing assets and liabilities, and (c) open positions in equity instruments, which are affected by general and specific market changes. Management sets limits on the acceptable level of risk and performs daily monitoring of this limit. At the same time, using this approach does not exclude losses in the market in case of more significant changes beyond these limits.

The impact below market risks is based on a change in one factor while all other factors remain constant. In practice, this is unlikely to occur, and changes in one factor may be interrelated with others. An example is changes in interest rates and exchange rates.

Currency risk. Currency risk is defined as the risk that the value of a financial instrument may change with fluctuations in the exchange rate of foreign currencies. The Association carries out certain transactions denominated in foreign currencies. The Association does not use instruments designed to manage currency risk exposure.

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Notes to the financial statements (continued) for the year ended 31 December 2024

The Association's foreign currency denominated monetary assets and liabilities at 31 December 2024 and 1 January 2024 are as follows:

	31 December 2024		1 January 2024	
	USD 1 = 2.8068 GEL	EUR 1 = 2.9306 GEL	USD 1 = 2.6894 GEL	EUR 1 = 2.9753 GEL
Financial assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	-	-	-	-
Total financial assets	-	-	-	-
Financial liabilities				
Borrowings received	-	-	-	-
Trade and other liabilities	-	-	-	-
Total financial liabilities	-	-	-	-
Total net position	-	-	-	-

The above analysis includes only monetary assets and liabilities. It is considered that non-monetary assets do not generate any significant currency risk.

The table below presents the association's sensitivity to a 20% appreciation/depreciation of foreign currencies against the functional currency as of December 31, 2024 and January 1. The analysis was conducted on monetary units denominated in the respective currencies as of the reporting date.

As of December 31, 2024:

	USD impact		EUR impact	
	USD/GEL + 20%	USD/GEL - 20%	EUR/GEL + 20%	EUR/GEL - 20%
Profit/(loss)	-	-	-	-

January 1, 2024:

	USD impact		EUR impact	
	USD/GEL + 20%	USD/GEL - 20%	EUR/GEL + 20%	EUR/GEL - 20%
Profit/(Loss)	-	-	-	-

This risk is calculated relative to monetary balances denominated in currencies other than the association's functional currency.

Intellectual Property Owners Association

Notes on financial reporting (continued) for the year ended
December 31, 2024

Capital risk. . The association manages capital to ensure that the association can continue to operate as a going concern, and by optimizing the balance between debt and equity, maximize their return.

The association monitors capital with net debt to capital ratio. Net debt is calculated as total borrowings (including current and long-term borrowings, as shown in the statement of financial position) less cash and cash equivalents. Total equity is calculated as 'capital', as shown in the statement of financial position, plus net debt.

	December 31, 2024	January 1, 2024
Total borrowings (Note 7)	1,653,179	1,392,490
Cash and cash equivalents (Note 6)	(3,499,576)	(114,727)
net borrowings	~	1,277,763
Total net assets	(1,317,635)	(1,313,301)
Net borrowings to net assets ratio	~	~

Interest rate risk. The association does not use instruments designed to manage interest rate risk. However, some of the association's financial assets and liabilities are fixed-rate, and therefore the risk is small.

Liquidity risk. Management monitors sufficient cash resources as well as access to sources of financing and the ability to meet all obligations. The association currently provides flexibility by maintaining the supplier's credit limit.

Cash flow projections are prepared by the association's operating department and aggregated by the finance department. The finance department monitors the liquidity requirements needed to ensure adequate cash resources for operating activities.

Accounts payable to suppliers is covered with cash resources beyond working capital, which is recorded as short-term liabilities. The association intends to minimize the remaining credit payable using cash raised from realized profits, and to be able to cover other unsecured creditors without deterioration.

The table below shows remaining contractual maturities of financial assets and liabilities as of December 31, 2024 and January 1, 2024.

The amounts shown in the maturity table are contractualized
Undiscounted cash flows. Such undiscounted cash flows differ from the amounts shown in the statement of financial position, as the balance shown in the statement of financial position is based on discounted cash flows. The conversion of amounts paid in foreign currency is done at the spot rate at the end of the accounting period.

Association of Intellectual Property Owners

Notes to the financial statements (continues) for the year ended 31 December 2024

Analysis of the maturity of financial assets and liabilities as at 31 December 2024 and 1 January 2025:

As at 31 December 2024:

	up to 6 months	from 6 to 12 months	1 year or more	Total
Assets				
Cash and cash equivalents	3,499,576	-	-	3,499,576
Trade and other receivables	3,707,112	-	-	3,707,112
Total future receivable amounts, including excluding principal and interest amounts	7,206,688	-	-	7,206,688
Liabilities				
Trade and other payables	6,927,942	-	-	6,927,942
Borrowings	-	-	2,115,860	2,115,860
Total future payments, including principal and interest payments	6,927,942	-	2,115,860	9,043,802
Liquidity deficit	278,746	-	(2,115,860)	(1,837,114)
Total liquidity deficit	278,746	278,746	(1,837,114)	

January 1, 2024:

	up to 6 months	6 to 12 months	to more than 1 year	Total
Assets				
Cash and cash equivalents	114,727	-	-	114,727
Trade and other receivables	280,563	-	-	280,563
Total future receivables, including principal and interest components	395,290			395,290
Liabilities				
Trade and other payables	299,319	-	-	299,319
Borrowings received	-	-	2,115,860	2,115,860
Tax liabilities	49,455	-	-	49,455
Total future payments, including principal and interest payments	348,774	-	2,115,860	2,464,634
Liquidity deficit	46,516	-	(2,115,860)	(2,069,344)
Total liquidity deficit	46,516	46,516	(2,069,344)	

13. Balances and dealings with related parties

Generally, parties are considered related if they are under common control or one party has the ability to control the other party or has significant influence or joint control over financial and operational decision making. In considering each possible relationship of a related party, emphasis is placed on the substance of the relationship and not merely its legal form.

Intellectual Property Owners Association

Notes to financial statements (continued) for the year ended
December 31, 2024

As of December 31, 2024, balances with related parties are as follows:

	Owners	Key/Principal Management	Other
Loans received	-	-	1,653,179

Related party transactions and items of expenses and income for the year ended December 31, 2024:

	Owners	Key/Principal Management	Other
Interest expense	-	-	255,189

As of January 1, 2024, balances with related parties are as follows:

	Owners	Key/Principal Management	Other
Loans received	-	-	1,392,490

14. Subsequent events

There were no material subsequent events after the reporting period that would require disclosure in the special purpose financial statements.