

N(N)LE Open Net

SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

Log-In Georgia PROJECT (IBRD Loan 9161-GE)

Together with Independent Auditor's Report

For the period from 28 December 2020 to 31 December 2022

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INDEPENDENT AUDITOR'S REPORT

To the Management of N(N)LE Open Net

Opinion

We have audited the special purpose project financial statements of Log-In Georgia Project ("Project") financed by Financing Agreements IBRD Loan Number 9161-GE dated 31 August 2020 ("Loan Agreement") and Government of Georgia, and implemented by N(N)LE Open Net ("ON"), which comprise the statement of cash receipts and payments and the statement of expenditures per components for the period from 28 December 2020 to 31 December 2022, and notes to the special purpose project financial statements, including a summary of significant accounting policies.

In our opinion,

1. the accompanying special purpose project financial statements present fairly, in all material respects, the cash flows for the period from 28 December 2020 to 31 December 2022 in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* ("IPSAS-Cash Basis");
2. funds have been used in accordance with the conditions of the Financing Agreements concluded between the International Bank for Reconstruction and Development ("IBRD") and Georgia, and WB Guidelines, and only for the purposes for which the financing was provided;
3. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Financing Agreements; Interim Unaudited Financial Statements (IUFSS) issued by ON during the Reporting year are in agreement with the underlying books of account;
4. The Designated Accounts used has been maintained in accordance with the provision of the Financing Agreement, and World Bank related guidelines;
5. Goods, Works and Services financed have been procured in accordance with the Financing Agreement and World Bank related guidelines.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Project Financial Statements* section of our report. We are independent of the Project and of the ON in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled out other ethical requirements in accordance with IESBA Code.

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

Other Matter

Data included on pages 5 to 11 of accompanying special purpose project financial statements that are marked as "Unaudited" have not been audited.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist to ON comply with the requirements of IBRD and for providing information to assist in evaluating the Project implementation. As a result, the special purpose project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



Responsibilities of the Management and Those Charged with Governance for the Special Purpose Project Financial Statements

Management of the ON is responsible for the preparation and fair presentation of the special purpose project financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board ("IPSASB") of the IFAC and Loan Handbook for World Bank Borrowers ("WB Guidelines"), and for such internal control as Management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Special Purpose Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is 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 arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose project financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is:



Ivane Zhuzhunashvili (# SARAS-A-720718)
For and on behalf of BDO AUDIT LLC
Tbilisi, Georgia

28 June 2023

Log-In Georgia Project

IBRD Loan Number 9161-GE

STATEMENT OF CASH RECEIPTS AND PAYMENTS

For the period from 28 December 2020 to 31 December 2022

(Amounts are shown in EUR)

Statements of cash receipts and payments is presented as follows:

		Actual			Budget (Unaudited)*	Variance	Project appraisal Document
	Note	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	Cumulative as at 31 December 2022	Cumulative as at 31 December 2022	Cumulative as at 31 December 2022
Opening Working Capital							
Cash and cash equivalents	4	-	-	1,301,386	-	-	-
		-	-	1,301,386	-	-	-
Sources of Funds							
IBRD Loan Number 91610-GE	3	89,250	1,350,000	5,500,000	6,939,250	-	-
Government Direct Payments (Treasury)		-	26,984	182,711	209,695	-	-
		89,250	1,376,984	5,682,711	7,148,945	-	-
Project Expenditures							
1. Goods, works, Non-consulting services, Consulting services, Training and Operating costs under the project	5	-	75,598	5,485,532	5,561,130	11,108,948	(5,547,818)
Front-End Fee	5	89,250	-	-	89,250	89,250	-
TOTAL EXPENDITURES		89,250	75,598	5,485,532	5,650,380	11,198,198	(5,547,818)
Closing Working Capital							
Cash and cash equivalents	4	-	1,301,386	1,498,565	1,498,565	-	-
TOTAL CLOSING WORKING CAPITAL		-	1,301,386	1,498,565	1,498,565	-	-

* The budget figures are updated several times during the year. Planned figures as of 31 December 2022 included in the IFR (Interim Financial Report) have not been audited.

The special purpose project financial statements were approved by the management of N(N)LE Open Net on 28 June 2023 and were signed on its behalf by:

28 June 2023

Mariam Sulaberidze
Director

The notes on pages 8-11 form an integral part of these special purpose project financial statements.

Log-In Georgia Project

IBRD Loan Number 9161-GE

STATEMENT OF EXPENDITURE PER COMPONENT

For the period from 28 December 2020 to 31 December 2022

(Amounts are shown in EUR)

Statement of expenditures per component is presented as follows:

	Note	Actual				Budget (Unaudited)*	Variance	Project appraisal Document
		For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	Cumulative as at 31 December 2022	Cumulative as at 31 December 2022	Cumulative as at 31 December 2022	
Component 1 - Increasing access to broadband		-	18,468	5,362,240	5,380,708	10,568,579	(5,187,871)	68,388,000
Subcomponent 1.1 - Supporting the Open Net Program	5	-	18,468	5,238,942	5,257,410	10,445,281	(5,187,871)	67,116,000
Subcomponent 1.2 - Improving the enabling environment for digital connectivity	5	-	-	123,298	123,298	123,298	-	1,272,000
Component 2 - Promoting the use of broadband-enabled digital services		-	26,998	34,938	61,936	360,408	(298,472)	2,231,000
Subcomponent 2.1 - Improving the enabling environment for digital economy development	5	-	-	-	-	-	-	446,000
Subcomponent 2.2 - Promoting use-cases	5	-	26,998	34,938	61,936	315,765	(253,829)	892,000
Subcomponent 2.3 - Increasing digital inclusion	5	-	-	-	-	44,643	(44,643)	893,000
Component 3 - Project implementation support		-	30,132	88,354	118,486	179,961	(61,475)	692,000
Front-End Fee	5	89,250	-	-	89,250	89,250	-	89,000
Total Project Expenditure		89,250	75,598	5,485,532	5,650,380	11,198,198	(5,547,818)	71,400,000

* The budget figures are updated several times during the year. Planned figures as of 31 December 2022 included in the IFR (Interim Financial Report) have not been audited.

The special purpose project financial statements were approved by the management of N(N)LE Open Net on 28 June 2023 and were signed on its behalf by:

28 June 2023

Mariam Sulaberidze
Director

The notes on pages 8-11 form an integral part of these special purpose project financial statements.

Log-In Georgia Project**IBRD Loan Number 9161-GE****STATEMENT OF FINANCIAL POSITION**

For the period from 28 December 2020 to 31 December 2022

(Amounts are shown in EUR)

Statement of Financial Position is presented as follows:

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
ASSETS			
Cash Balances	4	1,498,565	1,301,386
TOTAL ASSETS		1,498,565	1,301,386
LIABILITIES			
TOTAL LIABILITIES		-	-
Cumulative income			
IBRD Loan Number 9161-GE	3	5,500,000	1,350,000
Government Direct Payments (Treasury)		182,711	26,984
TOTAL FUNDS RECEIVED		5,682,711	1,376,984
Cumulative expenses			
Project expenditures	5	5,485,532	75,598
TOTAL EXPENDITURE		5,485,532	75,598
Foreign exchange difference		-	-
TOTAL NET ASSETS		1,498,565	1,301,386

The notes on pages 8-11 form an integral part of these special purpose project financial statements.

Log-In Georgia Project

IBRD Loan Number 9161-GE

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 28 December 2020 to 31 December 2022

(Amounts are shown in EUR)

1. General information

1.1. The Project

The Financing Agreement IBRD Loan Number 9161-GE was signed on 31 August 2020 between Georgia and the International Bank for Reconstruction and Development ("IBRD"), according to which IBRD provided financing to the Georgia in the amount of 35,700,000 EUR. The Financing Agreement became effective on 24 December 2020.

The financing was provided for the implementation of Log-In Georgia Project.

The payment currency of IBRD Loan Number 9161-GE is Euro (EUR).

The Closing date of IBRD Loan Number 9161-GE was initially set 31 December 2025.

Loan Project Data is as follows:

Project Data	EUR (million)
Original Loan Amount	35.7
Total Disbursements as of 31 December 2022	6.94
Project Effectiveness Date	Dec 24, 2020
Closing date	Dec 31, 2025

1.2. The Project objectives

The objective of the Project is to increase access to affordable broadband internet, and to promote its use by individuals and enterprises, in selected rural settlements.

The Project consists of the following parts:

Part A: Increasing access to broadband

1. Support Georgia's Open Net Program to develop national infrastructure offering open access, wholesale, broadband-telecommunications services.
2. Support the improvement of Georgia's enabling environment for digital infrastructure development in accordance with the National Broadband Development Strategy, including through the (i) development of the legal and policy framework and support to institutional coordination, (ii) development of the regulatory framework, (iii) deployment of mechanisms to support broadband cost reduction, and (iv) measures to attract investment.

Part B: Promoting the use of broadband-enabled digital services

1. Support the improvement of Georgia's enabling environment for the development of a digital economy, including through the development of the legal, regulatory, and policy framework, and designing of measures to attract investment as per the upcoming National Digital Economy Development Strategy.
2. Support the increased use of broadband connectivity in selected rural settlements by promoting specific use-cases of broadband connectivity, including through stakeholder and citizen engagement, coordination between digital services providers, platform providers, and other public agencies and entities, and mobilization of facilitators to increase coordination, and training and outreach activities.
3. Support targeted interventions to boost digital inclusion for vulnerable groups, including through training programs to address digital exclusion, a pilot program to provide accessible technologies to facilitate digital accommodations, and monitoring of Project activities with a focus on analyzing their impact on vulnerable groups.

Part C: Project implementation support

Support Project implementation and management activities, including carrying out the following: (i) financial management and procurement; (ii) monitoring and evaluation; and (iii) other tasks related to overall administration, environmental and social aspects, and communication and outreach.

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 28 December 2020 to 31 December 2022

(Amounts are shown in EUR)

1. General information (continued)**1.3. The Project Budget**

The project is financed by IBRD Loan 9161-GE, Original Loan Amount is EUR 35,700,000 and by the Government Original Amount is EUR 35,700,000.

IBRD Loan 9161-GE:

Category	Amount of the Loan Allocated (expressed in EUR)	Government (EUR)	Percentage of Expenditures to be financed inclusive of Taxes
(1) Goods, works, non-consulting services, consulting services, and Operating Costs for the Project	35,610,750	35,700,000	100%
(2) Front-end Fee	89,250	-	
TOTAL AMOUNT	35,700,000	35,700,000	

1.4. Project Implementation

The Project is implemented by N(N)LE Open Net ("ON") and is responsible for all project implementations.

ON address is: Georgia, Tbilisi, Mtatsminda district, Anatoli Sobchak strN3/Tabukashvili str N 5

2. Summary of significant accounting policies**2.1. Statement of compliance**

The special purpose project financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Loan Handbook for World Bank Borrowers. The purpose of these special purpose project financial statements is to provide information to the international Bank for Reconstruction and Development (IBRD) to assist them in evaluating the Project implementation.

The principal accounting policies applied in the preparation of these special purpose project financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.2. Cash basis of accounting

Project financing is recognized as a source of project funds when the cash is received. Project expenditures are recognized as a use of project funds when the payments are made.

2.3. Reporting currency

The national currency of Georgia is the Georgian Lari (GEL). These special purpose project financial statements are presented in EUR, in conformity with World Bank Guidelines. All financial information in EUR has been rounded to the nearest EUR unless otherwise stated.

The expenditures made in local currency, Georgian Lari (GEL), are translated into EUR based at the exchange rate prevailing at the date of the transaction as issued by the National Bank of Georgia (NBG).

The closing official rate of the National Bank of Georgia of exchange used for translating balances in GEL to EUR was:

	EUR
Exchange rate as at 31 December 2022	2.8844
Exchange rate as at 31 December 2021	3.5040
Exchange rate as at 31 December 2020	3.2766

2.4. Designated account

Designated account is a designated disbursement account of the Project that is maintained in EUR at the state treasury to ensure the payment of eligible expenditure within defined limits, which do not require individual authorization in accordance to loan agreements.

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 28 December 2020 to 31 December 2022

(Amounts are shown in EUR)

2. Summary of significant accounting policies (continued)**2.5. Methods of withdrawals**

The methods of withdrawal used from the inception of the loan during reporting period were as follows:

Designated account

ON withdraws the eligible amounts from the Designated account and prepares and sends replenishment requests to the World Bank with authorized signatures. The replenishment requests and respective documentation are reviewed by the World Bank and an approved amount is transferred to the Designated account.

2.6. Taxes

According to the Georgian Tax Legislation, the Organization pays all the taxes on unified treasury code applicable for all taxes. Taxes are paid in accordance with the tax regulation of Georgia.

3. Summary of Source of Funds

Funds submitted and approved during the reporting period can be presented as follows:

WB/Trans No	Application Reverence	Date of received payments	Sum
1	Front-end Fee	28-Dec-2020	89,250
2	Advance 1	09-Mar-2021	350,000
3	Advance 2	02-Dec-2021	1,000,000
4	Advance 3	27-Jul-2022	3,000,000
5	Advance 4	21-Nov-2022	2,500,000
			6,939,250

4. Statement of Designated Accounts

Financing Agreement	IBRD Loan 9161-GE
Bank account number	GE65NB0331100001150207
Bank	National Bank of Georgia
Bank location	2 Sanapiro street, Tbilisi, Georgia, 0114
Account currency	EUR

Description	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	Cumulative as at 31 December 2022
1. Opening Balance	-	-	1,301,386	-
2. Add: opening discrepancy	-	-	-	-
3. IBRD advance/replenishment	-	1,350,000	5,500,000	6,850,000
4. Less: Refund to IBRD from DA	-	-	-	-
5. Present outstanding amount advanced to DA	-	1,350,000	6,801,386	6,850,000
6. DA closing balance	-	1,301,386	1,498,565	1,498,565
7. Add: Amount of eligible expenditures paid	-	48,614	5,302,821	5,351,435
8. Service charges (if debited into DA)	-	-	-	-
9. Less: Interest earned (if credited into DA)	-	-	-	-
10. Total advance accounted for	-	1,350,000	6,801,386	6,850,000
11. Closing Discrepancy(5)-(10) to be explained /II	-	-	-	-

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 28 December 2020 to 31 December 2022

(Amounts are shown in EUR)

5. Project Expenditures Implementation Progress

Project Implementation as of 31 December 2022 and 31 December 2021 can be presented as follows:

Project Activities	Cumulative as at 31 December 2022	Cumulative as at 31 December 2021	PAD	Utilized as at 31 December 2022	Utilized as at 31 December 2021
Component 1 - Increasing access to broadband	5,380,513	18,273	68,388,000	7.9%	0.0%
Subcomponent 1.1 - Supporting the Open Net Program	5,257,215	18,273	67,116,000	7.8%	0.0%
Subcomponent 1.2 - Improving the enabling environment for digital connectivity	123,298	-	1,272,000	9.7%	0.0%
Component 2 - Promoting the use of broadband-enabled digital services	61,921	26,984	2,231,000	2.8%	1.2%
Subcomponent 2.1 - Improving the enabling environment for digital economy development	-	-	446,000	0.0%	0.0%
Subcomponent 2.2 - Promoting use-cases	61,921	26,984	892,000	6.9%	3.0%
Subcomponent 2.3 - Increasing digital inclusion	-	-	893,000	0.0%	0.0%
Component 3 - Project implementation support	118,697	30,341	692,000	17.2%	4.4%
Front-end Fee	89,250	89,250	89,000	100.3%	100.3%
Total Project Expenditure	5,650,381	164,848	71,400,000	7.9%	0.2%

6. Financing IBRD Loan Number 9161-GE

Financing provided as of 31 December 2022 and 31 December 2021 can be presented as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Designated Account	1,498,565	1,301,386
Direct Payment	-	-
SOE and Summary Report	5,561,130	75,598
Front-end fee	89,250	89,250
Exchange rate Difference	-	-
Total Source of Funds	7,148,946	1,466,234
Total financing budget	71,400,000	71,400,000
Percentage of finance provided as at 31 December	10.0%	2.1%

7. Commitments and Contingencies

There was not any legal cases during the beginning of the reporting period to special purpose project financial statement issuance date. Management is not aware of any commitments and contingencies which would have a material impact on the special purpose project financial statements for the period from 28 December 2020 to 31 December 2022 and on the funds received and disbursed during the period.

8. Georgian operating environment

ON operations are located in Georgia. Consequently, ON is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The special purpose project financial statements reflect management's assessment of the impact of the Georgian operating environment on the operations of the ON. The future operating environment may differ from management's assessment.

9. Events after the reporting period

After the reporting period there was submitted and approved EUR3,000,000.