TBILISI HILLS DEVELOPMENT AND CONSTRUCTION LLC

Financial Statements

Together with the Independent Auditor's Report

For the year ended 31st December 2020

Content:

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and management of TBILISI HILLS DEVELOPMENT AND CONSTRUCTION LLC

Opinion

We have audited the financial statements of TBILISI HILLS DEVELOPMENT AND CONSTRUCTION LLC, (hereinafter - the Company) which comprise the statement of financial position as at 31st December 2020, and the statement of comprehensive income, statement of changes in equity and 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 present fairly, in all material respects, the financial position of the Company as at 31st December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia.

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

Emphasis of matter

As it is disclosed in Note 14, the Company's revenue is fully generated from the construction contract signed with the related party.

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 IFRSs, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is Davit Darsavelidze (SARAS-A-735032).

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

August 5, 2021

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
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For and on behalf of BDO Audit LLC

Tbilisi, Georgia

August 5, 2021

TBILISI HILLS DEVELOPMENT AND CONSTRUCTION LLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2020

(In GEL/EUR)

		2020		2019* Restated	
	Note	GEL	EUR	GEL	EUR
Revenue	6	8,913,576	2,509,523	8,788,354	2,785,267
Cost of service rendered	7	(7,740,658)	(2,179,301)	(7,597,289)	(2,407,787)
Gross profit		**1,172,918**	**330,222**	**1,191,065**	**377,480**
Rent income		182,372	51,345	-	-
General and administrative expenses	8	(797,300)	(224,471)	(997,285)	(316,067)
Change of impairment reserve of paid advances	11	23,703	6,673	(136,589)	(43,289)
Operating profit		**581,693**	**163,769**	**57,191**	**18,124**
Financial expenses	9	(910,550)	(256,355)	(330,916)	(104,876)
Foreign exchange (loss)/gain, net		(103,033)	(29,008)	530	169
Loss for the year		**(431,890)**	**(121,594)**	**(273,195)**	**(86,583)**
Other comprehensive income					
Exchange differences on translation in foreign currency		-	(16,634)	-	(9,333)
Total other comprehensive income/(loss) for the year		**-**	**(16,634)**	**-**	**(9,333)**
Total comprehensive loss for the year		**(431,890)**	**(138,228)**	**(273,195)**	**(95,916)**

*See Note 5 for details regarding the restatement as a result of an error.

These financial statements were approved by management on August 5, 2021 and were signed on its behalf by:

Director ______________________ Anastasija Udalova

CFO ______________________ Sergejs Millers

Notes on pages 9-28 are the integral part of these financial statements.

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(In GEL/EUR)

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TBILISI HILLS DEVELOPMENT AND CONSTRUCTION LLC

STATEMENT OF FINANCIAL POSITION

As at 31st December 2020

(In GEL/EUR)

		31.12.2020		31.12.2019* Restated		01.01.2019	
	Note	GEL	EUR	GEL	EUR	GEL	EUR
Assets							
Non-current assets							
Plant and equipment	10	1,849,944	459,808	1,603,415	499,584	1,253,159	408,182
		1,849,944	**459,808**	**1,603,415**	**499,584**	**1,253,159**	**408,182**
Current assets							
Inventory		68,107	16,928	40,956	12,761	90,481	29,469
Trade and other receivables	11	1,524,114	378,822	2,164,346	674,356	1,845,734	601,197
Cash and cash equivalents		70	17	25,533	7,956	5,974	1,946
		1,592,291	**395,767**	**2,230,835**	**695,073**	**1,942,189**	**632,612**
Total assets		**3,442,235**	**855,575**	**3,834,250**	**1,194,657**	**3,195,348**	**1,040,794**
Equity and liabilities							
Equity							
Statutory capital		100	40	100	40	100	40
Retained earnings		57,990	109,062	489,880	230,656	763,075	317,239
Exchange differences on translation in foreign currency		-	(94,664)	-	(78,030)	-	(6,8697)
Total equity		**58,090**	**14,438**	**489,980**	**152,666**	**763,175**	**248,582**
Non-current liabilities							
Borrowed funds	12	2,791,727	693,890	1,881,177	586,128	1,550,261	504,954
		2,791,727	**693,890**	**1,881,177**	**586,128**	**1,550,261**	**504,954**
Current liabilities							
Tax liability		93,409	23,217	905,975	282,279	280,786	91,458
Trade and other payables	13	499,009	124,030	557,118	173,584	601,126	195,800
		592,418	**147,247**	**1,463,093**	**455,863**	**881,912**	**287,258**
Total liabilities							
Total equity and liabilities		**3,442,235**	**855,575**	**3,834,250**	**1,194,657**	**3,195,348**	**1,040,794**

*See Note 5 for details regarding the restatement as a result of an error.

Notes on pages 9-28 are the integral part of these financial statements.

STATEMENT ON CHANGES IN EQUITY

For the year ended 31st December 2020

(In GEL/EUR)

	GEL			EUR			
	Statutory capital	**Retained earnings**	**Total**	**Statutory capital**	**Retained earnings**	**Exchange differences on translation**	**Total**
Balance at 1st January 2019	**100**	**763,075**	**763,175**	**40**	**317,239**	**(68,697)**	**248,582**
Loss for the year	-	(273,195)	**(273,195)**	-	(86,583)	-	**(86,583)**
Exchange differences on translation in foreign currency				-	-	(9,333)	**(9,333)**
Balance at 31st December 2019* Restated	**100**	**489,880**	**489,980**	**40**	**230,656**	**(78,030)**	**152,666**
Loss for the year	-	(431,890)	**(431,890)**	-	(121,594)	-	**(121,594)**
Exchange differences on translation in foreign currency				-	-	(16,634)	**(16,634)**
Balance at 31st December 2020	**100**	**57,990**	**58,090**	**40**	**109,062**	**(94,664)**	**14,438**

*See Note 5 for details regarding the restatement as a result of an error.

Notes on pages 9-28 are the integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31st December 2020

(In GEL/EUR)

	2020		2019	
	GEL	**EUR**	**GEL**	**EUR**
Cash flows from operating activities				
Cash received from the customer	11,220,776	3,159,091	10,453,463	3,312,985
Payments to suppliers	(6,836,044)	(1,924,616)	(6,775,742)	(2,147,416)
Taxes paid	(1,907,729)	(537,101)	(784,668)	(248,683)
Salaries paid	(1,652,047)	(465,116)	(2,063,517)	(653,984)
Rent paid	-	-	(60,550)	(19,190)
Net cash generated from operations	**824,956**	**232,258**	**768,986**	**243,712**
Investing activities				
Purchase of plant and equipment	(835,866)	(235,329)	(746,478)	(236,579)
Net cash used in investing activities	**(835,866)**	**(235,329)**	**(746,478)**	**(236,579)**
Net (decrease)/increase in cash and cash equivalents	**(10,910)**	**(3,071)**	**22,508**	**7,133**
Cash and cash equivalents at the beginning of year	**25,533**	**7,956**	**5,974**	**1,946**
Effect of changes in foreign exchange rate on cash and cash equivalents and translation in foreign currency	(14,553)	(4,868)	(2,949)	(1,123)
Cash and cash equivalents at the end of year	**70**	**17**	**25,533**	**7,956**

Notes on pages 9-28 are the integral part of these financial statements.

1. General information

Tbilisi Hills Development and Construction LLC (the "Company") was established on July 2, 2015. The Company's main operating activity is to rendering construction service.

As at 31st December 2020 and 2019 the Company was 100% owned by partnership Skinest Air (12668192, Estonia). The Company's ultimate controlling party is Oleg Ossinovski (Estonia).

The Company's legal address is village Teleti,Tbilisi,Georgia.

Director of the Company is Anastasija Udalova (Latvia). The supreme managing body of the Company is General Meeting.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB).

In determining the appropriateness of the basis of preparation, the management of the Company has considered the impact of the COVID-19 pandemic on the position of the Company at 31st December 2020 and its operations in the future. The response of governments in dealing with the pandemic has different impact on various operating segments. Pandemic has not had impact on its going concern despite its effect on operations, cash flow and financial position of the Company. The Company has operating profit for the reporting year. It also has positive cash flows from operating activity. The management and shareholders have the intention to further develop the business of the Company in Georgia. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The financial statements have been prepared under the historical cost base.

The reporting period for the Company is the calendar year from January 1 to December 31.

Amounts given in the financial statements are not rounded unless otherwise stated.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the most appropriate application in applying the accounting policies. The estimations are reviewed periodically. The adjustments that led to changes in accounting estimates belong to the financial results of the period when these changes took place. The areas where significant judgements and estimates have been made in preparing the financial statements are disclosed in Note 3.

Significant accounting policies used in preparing the financial statements are disclosed in Note 17.

Adoption of new or revised standards and interpretations

a) New standards, interpretations and amendments effective from 1 January 2020

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31st December 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

These standards have not had a material impact on the Company's financial statements.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

2. Bases of preparation (Continued)

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Company is currently assessing the possible impact of these new accounting standards and amendments on its financial statements. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the Company does not have a convertible debt instruments with conversion feature in equity.

Other standards

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company's financial statements.

3. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an on-going 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.

The estimates and assumptions that 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.

a) Useful lives of plant and equipment

The estimation of the useful life of an item of plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

b) Court disputes

By the end of each accounting year, the Company makes a judgement about current court disputes, to measure the relevance of provision in the financial statements. In the measurement process, management considers current progress of litigation, legislative requirements, probable future loss, opinions of lawyers and other relevant specialists and practical results of such type of disputes. The actual consequences of future periods can vary greatly from the results recorded in the financial statements.

4. Financial Instruments - Risk management

The activities of the Company are exposed to various risks. Risk management is a critical component of its activities. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Everyone within the Company is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent to the Company's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Company's risk management policies in relation to those risks is disclosed below.

Principal financial instruments

The main financial liabilities of the Company include borrowed funds and trade and other payables. The main goal of these financial instruments is the financial support of the Company. The Company has financial assets such as trade and other receivables, cash and cash equivalents.

Principal financial instruments as at 31st December 2020 and 2019 can be presented as follows:

	31.12.2020		31.12.2019	
Financial assets	**GEL**	**EUR**	**GEL**	**EUR**
Cash and cash equivalents	70	17	25,533	7,956
Trade and other receivables	18,411	4,577	381,980	119,016
	18,481	**4,594**	**407,513**	**126,972**
Financial liabilities				
Trade and other payables	499,009	124,030	553,738	172,531
Borrowed funds	2,791,727	693,890	1,881,177	586,128
	3,290,736	**817,920**	**2,434,915**	**758,659**

Fair value measurement

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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

A portfolio of financial assets and liabilities that are not traded in an active market is measured at the fair value using valuation technics. The selected measurement method uses observable market data, minimally based on non-market data and considers all the factors that market participants have taken into consideration when determining price. The best evidence of the fair value of a certain financial instrument at initial recognition is the price of the transaction - the fair value of the consideration paid or received. If a company decides that the fair value at initial recognition differs from the transaction price and the fair value is not supported by the quoted price on the active markets of the similar assets or liabilities, also, its value is not based on the measurement technics that uses only observable market data, in such cases the financial instruments are initially measured at fair value, adjusted for the difference between this value and the transaction price. Any difference between this value and the initial value obtained through the measurement method will be later recognized in profit or loss during the life of the instrument, but no later than the assessment is fully based on the observable market data or when the transaction is closed.

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

Level 1: are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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). This category includes instruments that are evaluated using the following data: quoted market prices at active markets for similar financial instruments; Quoted prices for similar instruments that are less active; Or other methods of evaluation, within which all the important data is directly or indirectly observable, due to market data;

4. Financial Instruments – Risk Management (Continued)

Level 3: measurements are valuations not based on solely observable market data. This category includes all the instruments within which the evaluation methods are not based on the observable data and unobservable inputs have a significant impact on the valuation of the instrument. This category includes instruments that are evaluated based on quoted prices for similar instruments within which significant adjustments or assumptions are required to reflect differences between instruments.

Fair value assessment used for financial instruments accounted at amortized cost - trade and other receivables, trade and other payable and borrowed funds was based on level 3 hierarchy. The fair values in level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. There were no changes in valuation technique for level 3 measurements of assets and liabilities not measured at fair values during the year ended 31st December 2020 and 2019. The fair value of cash and cash equivalents is estimated based on Level 1.

Capital management

The Company manages its capital to ensure that entity will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. Management of the Company reviews the capital structure on a regular basis. Based on the results of this review, the Company takes steps to balance its overall capital structure through the payment of dividends, capital contributions as well as taking of new borrowings or redemption of existing borrowings.

General objectives, policies and processes

Management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Management receives monthly reports from the Company's financial department through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from its trade and other receivables and cash and cash equivalents (excluding cash on hand).

The Company's management has established a credit policy based on certain principles that consider control of outstanding receivables and intensive management of problematic financial assets. For monitoring credit risk, the Company unites users according to their overdue status. To control credit risk, the Company will consider the following factors: finance provider is related party, legal entity other than related party or personnel, the existence of financial difficulties in the past. The carrying amount of financial assets is the maximum credit risk amount (except for cash on hand).

The Company carries out impairment of financial assets in accordance with the requirements of IFRS 9 - "Financial Instruments". For more information, see Note 17.

4. Financial Instruments – Risk Management (Continued)

Currency Risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk as at 31st December 2020 in GEL is presented in the table below:

	GEL	USD	EUR	Total
Financial assets				
Cash and cash equivalents	70	-	-	**70**
Trade and other receivables	18,411	-	-	**18,411**
	18,481	**-**	**-**	**18,481**
Financial Liabilities				
Trade and other payables	423,883	524	74,602	**499,009**
Borrowed funds	-	-	2,791,727	**2,791,727**
	423,883	**524**	**2,866,329**	**3,290,736**
	(405,402)	**(524)**	**(2,866,329)**	

The Company's exposure to foreign currency exchange rate risk as at 31st December 2020 in EUR is presented in the table below:

	GEL	USD	EUR	Total
Financial assets				
Cash and cash equivalents	17	-	-	**17**
Trade and other receivables	4,577	-	-	**4,577**
	4,594	**-**	**-**	**4,594**
Financial Liabilities				
Trade and other payables	105,357	131	18,542	**124,030**
Borrowed funds	-	-	693,890	**693,890**
	105,357	**131**	**712,432**	**817,920**
	(100,763)	**(131)**	**(712,432)**	

The Company's exposure to foreign currency exchange rate risk as at 31st December 2019 in GEL is presented in the table below:

	GEL	USD	EUR	Total
Financial assets				
Trade and other receivable	381,980	-	-	**381,980**
Cash and cash equivalents	25,042	-	491	**25,533**
	407,022	**-**	**491**	**407,513**
Financial Liabilities				
Trade and other payables	553,310	428	-	**553,738**
Borrowed funds	-	-	1,881,177	**1,881,177**
	553,310	**428**	**1,881,177**	**2,434,915**
	(146,288)	**(428)**	**(1,880,686)**	

4. Financial Instruments – Risk Management (Continued)

The Company's exposure to foreign currency exchange rate risk as at 31st December 2019 in EUR is presented in the table below:

	GEL	USD	EUR	Total
Financial assets				
Trade and other receivable	119,016	-	-	**119,016**
Cash and cash equivalents	7,803	-	153	**7,956**
	126,819	**-**	**153**	**126,972**
Financial Liabilities				
Trade and other payables	172,397	134	-	**172,531**
Borrowed funds	-	-	586,128	**586,128**
	172,397	**134**	**586,128**	**758,659**
	(45,578)	**(134)**	**(585,975)**	

The following table details the Company's sensitivity to a 20% increase and decrease in the USD/EUR against the GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates.

Impact on net profit as at 31st December 2020 in GEL based on asset values can be presented as follows:

	GEL/USD 20%	GEL/USD -20%	GEL/EUR 20%	GEL/EUR -20%
Profit/(loss)	(105)	105	(573,266)	573,266

Impact on net profit as at 31st December 2020 in EUR based on asset values can be presented as follows:

	GEL/USD 20%	GEL/USD -20%	GEL/EUR 20%	GEL/EUR -20%
Profit/(loss)	(26)	26	(142,486)	142,486

Impact on net profit as at 31st December 2019 in GEL based on asset values can be presented as follows:

	GEL/USD 20%	GEL/USD -20%	GEL/EUR 20%	GEL/EUR -20%
Profit/(loss)	(86)	86	(376,137)	376,137

Impact on net profit as at 31st December 2019 in EUR based on asset values can be presented as follows:

	GEL/USD 20%	GEL/USD -20%	GEL/EUR 20%	GEL/EUR -20%
Profit/(loss)	(27)	27	(117,195)	117,195

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulties in meeting its current financial obligations as they fall due that may affect adversely the Company's on-going operations and performance. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company controls these types of risks according to the maturity analysis and determines the Company's strategy for the future financial period. To manage liquidity risk, the Company regularly monitors future cash flows, which is the asset/ liability management process.

The maturity analysis of financial liabilities of the Company listed below is based on the remaining contractual obligations.

4. Financial Instruments – Risk Management (Continued)

An analysis of the financial liabilities as at 31st at December 2020 is presented in the following table:

	Less than 1 year (GEL)	Less than 1 year (EUR)	Over 5 years (GEL)	Over 5 years (EUR)
Financial Liabilities				
Trade and other payables	499,009	124,030	-	-
Borrowed funds	-	-	6,668,929	1,657,577
	499,009	**124,030**	**6,668,929**	**1,657,577**

An analysis of the financial liabilities as at 31st at December 2019 is presented in the following table:

	Less than 1 year (GEL)	Less than 1 year (EUR)	Over 5 years (GEL)	Over 5 years (EUR)
Financial liabilities				
Trade and other payables	553,738	172,531	-	-
Borrowed funds	-	-	5,374,571	1,674,582
	553,738	**172,531**	**5,374,571**	**1,674,582**

5. Prior period error

Delivery of construction service was omitted in the financial statement prepared as at 31st December 2019. The error has been corrected by restating each of the affected financial statement line items for the year ended 31st December 2019 (in GEL):

	Amount before restatement	Adjustment	Amount after restatement
Statement of financial position			
Trade and other receivable	1,936,293	228,053	2,164,346
Tax liability	847,707	58,268	905,975
Retained earnings	320,095	169,785	489,880
Statement of comprehensive income			
Revenue	8,464,642	323,712	8,788,354
Cost of service rendered	(7,366,066)	(231,223)	(7,597,289)
Impairment of paid advances	(213,885)	77,296	(136,589)

Correction of error made in the financial statements prepared as at 31st December 2019 (in EUR):

	Amount before restatement	Adjustment	Amount after restatement
Statement of financial position			
Trade and other receivable	603,301	71,055	674,356
Tax liability	264,126	18,153	282,279
Retained earnings	176,846	53,810	230,656
Exchange differences on translation in foreign currency	(77,122)	(908)	(78,030)
Statement of comprehensive income			
Revenue	2,682,674	102,593	2,785,267
Cost of service rendered	(2,334,506)	(73,281)	(2,407,787)
Impairment of paid advance	(67,786)	24,497	(43,289)
Exchange differences on translation in foreign currency	(8,425)	(908)	(9,333)

6. Revenue

Rendering of construction service is the Company's main operating activity. The Company has a construction contract signed with Primera Golf and Residence LLC which is its related party. Current stage of the contract aims the construction of residentials around the golf complex and related utility facilities. Revenue for the reporting year ended 31st December 2020 and 2019 is GEL8,913,576 and GEL8,788,354; EUR2,509,523 and EUR 2,785,267, respectively.

7. Cost of service rendered

Cost of service rendered can be presented as follows:

	2020		2019	
	GEL	**EUR**	**GEL**	**EUR**
Services of subcontractors	(3,797,415)	(1,069,122)	(2,360,978)	(748,258)
Inventory	(1,890,633)	(532,288)	(2,766,221)	(876,690)
Salary	(1,538,996)	(433,288)	(2,106,876)	(667,726)
Depreciation	(513,614)	(144,603)	(363,214)	(115,113)
	(7,740,658)	**(2,179,301)**	**(7,597,289)**	**(2,407,787)**

8. General and administrative expenses

General and administrative expenses can be presented as follows:

	2020		2019	
	GEL	**EUR**	**GEL**	**EUR**
Employee benefit expense	(476,677)	(134,205)	(547,418)	(173,494)
Tax expenses other than income tax	(117,842)	(33,176)	(97,896)	(31,026)
Depreciation charge	(75,723)	(21,319)	(48,130)	(15,254)
Professional services	(42,272)	(11,901)	(64,839)	(20,549)
Communication and utility	(39,102)	(11,009)	(62,821)	(19,910)
Fuel expense	(26,614)	(7,493)	(66,214)	(20,985)
Maintenance and repairment	(11,051)	(3,111)	(23,715)	(7,516)
Other	(8,019)	(2,257)	(86,252)	(27,333)
	(797,300)	**(224,471)**	**(997,285)**	**(316,067)**

9. Finance expenses

Finance expenses can be presented as follows:

	2020		2019	
	GEL	**EUR**	**GEL**	**EUR**
Foreign exchange loss of borrowed funds	(514,226)	(144,774)	(73,097)	(23,167)
Interest expense	(396,324)	(111,581)	(257,819)	(81,709)
	(910,550)	**(256,355)**	**(330,916)**	**(104,876)**

10. Plant and equipment

Plant and equipment can be presented in GEL as follows:

Historical cost	Construction machinery and equipment	Furniture and office equipment	Vehicles	Other	Total
Balance at 31st December 2018	**1,430,507**	**87,092**	**228,969**	**148,125**	**1,894,693**
Additions	698,966	24,917	27,442	10,275	**761,600**
Balance at 31st December 2019	**2,129,473**	**112,009**	**256,411**	**158,400**	**2,656,293**
Additions	835,866	-	-	-	**835,866**
Balance at 31st December 2020	**2,965,339**	**112,009**	**256,411**	**158,400**	**3,492,159**
Accumulated depreciation					
Balance at 31st December 2018	**(482,983)**	**(57,176)**	**(76,374)**	**(25,001)**	**(641,534)**
Depreciation charge	(330,850)	(21,692)	(47,747)	(11,055)	**(411,344)**
Balance at 31st December 2019	**(813,833)**	**(78,868)**	**(124,121)**	**(36,056)**	**(1,052,878)**
Depreciation charge	(507,486)	(22,108)	(48,293)	(11,450)	**(589,337)**
Balance at 31st December 2020	**(1,321,319)**	**(100,976)**	**(172,414)**	**(47,506)**	**(1,642,215)**
Net book value					
Balance at 31st December 2019	**1,315,640**	**33,141**	**132,290**	**122,344**	**1,603,415**
Balance at 31st December 2020	**1,644,020**	**11,033**	**83,997**	**110,894**	**1,849,944**

Plant and equipment can be presented in EUR as follows:

Historical cost	Construction machinery and equipment	Furniture and office equipment	Vehicles	Other	Total
Balance at 31st December 2018	**465,948**	**28,368**	**74,580**	**48,248**	**617,144**
Additions	221,524	7,897	8,695	3,256	**241,372**
Foreign exchange movements	(23,981)	(1,366)	(3,386)	(2,151)	**(30,884)**
Balance at 31st December 2019	**663,491**	**34,899**	**79,889**	**49,353**	**827,632**
Additions	235,331	-	-	-	**235,331**
Foreign exchange movements	(161,779)	(7,059)	(16,159)	(9,982)	**(194,979)**
Balance at 31st December 2020	**737,043**	**27,840**	**63,730**	**39,371**	**867,984**
Accumulated depreciation					
Balance at 31st December 2018	**(157,318)**	**(18,623)**	**(24,877)**	**(8,143)**	**(208,961)**
Depreciation Charge	(104,857)	(6,875)	(15,131)	(3,504)	**(130,367)**
Foreign exchange movements	8,605	925	1,337	413	**11,280**
Balance at 31st December 2019	**(253,570)**	**(24,573)**	**(38,671)**	**(11,234)**	**(328,048)**
Depreciation Charge	(142,877)	(6,224)	(13,597)	(3,224)	**(165,922)**
Foreign exchange movements	68,030	5,699	9,415	2,650	**85,794**
Balance at 31st December 2020	**(328,417)**	**(25,098)**	**(42,853)**	**(11,808)**	**(408,176)**
Net book value					
Balance at 31st December 2019	**409,921**	**10,326**	**41,218**	**38,119**	**499,584**
Balance at 31st December 2020	**408,626**	**2,742**	**20,877**	**27,563**	**459,808**

11. Trade and other receivables

Trade and other receivables can be presented as follows:

	31.12.2020		31.12.2019	
	GEL	**EUR**	**GEL**	**EUR**
Financial receivables				
Trade receivables	27,236	6,770	390,549	121,686
Other receivables	51	13	100	31
Less: expected credit loss	(8,876)	(2,206)	(8,669)	(2,701)
	18,411	**4,577**	**381,980**	**119,016**
Non-financial receivables				
Paid advances	1,810,164	449,919	2,110,737	657,652
Allowance for impairment	(304,461)	(75,674)	(328,371)	(102,312)
	1,505,703	**374,245**	**1,782,366**	**555,340**
	1,524,114	**378,822**	**2,164,346**	**674,356**

Change in impairment allowance can be presented as follows (GEL):

	2020	**2019**
1st January	**(337,040)**	**(200,451)**
Decrease of impairment	23,703	-
Impairment Charge	-	(136,589)
31st December	**(313,337)**	**(337,040)**

Change in impairment allowance can be presented as follows (EUR):

	2020	**2019**
1st January	**(105,013)**	**(65,291)**
Decrease of impairment	6,673	-
Impairment Charge	-	(43,289)
Foreign exchange movements	20,460	3,567
31st December	**(77,880)**	**(105,013)**

The carrying amount of trade and other receivables approximates to their fair values due to their short-term nature.

Additional information about trade and other receivables is disclosed in Note 4.

12. Borrowed funds

Borrowed funds can be presented as follows:

	Interest Rate	31.12.2020 GEL	31.12.2020 EUR	31.12.2019 GEL	31.12.2019 EUR
OU Skinest Air Loan #1	15%	1,649,251	409,925	1,087,358	338,794
OU Skinest Air Loan #2	15%	1,142,476	283,965	793,819	247,334
		2,791,727	**693,890**	**1,881,177**	**586,128**

Principal and interest payables can be presented as follows:

	GEL 31.12.2020	EUR 31.12.2020	GEL 31.12.2019	EUR 31.12.2019
Accrued interest	1,414,545	351,588	787,838	245,471
Principal	1,377,182	342,302	1,093,339	340,657

Reconciliation of borrowed funds as at 31st December 2020 can be presented as follows:

	GEL	EUR
January 1,2020	**1,881,177**	**586,128**
Non-cash flows		
Interest expense	396,324	111,581
Foreign exchange loss of borrowed funds	514,226	144,774
Foreign exchange movements	-	(148,593)
December 31,2020	**2,791,727**	**693,890**

Reconciliation of borrowed funds as at 31st December 2019 can be presented as follows:

	GEL	EUR
January 1st, 2019	**1,550,261**	**504,954**
Non-cash flows		
Interest expense	257,819	81,709
Foreign exchange loss of borrowed funds	73,097	23,167
Foreign exchange movements	-	(23,702)
December 31st, 2019	**1,881,177**	**586,128**

As at 31st December 2018 the Company signed amendment to the loan agreement with OU Skinest Air. According to the amendment, repayment schedule was changed and the borrower should repay the loan amount by 31st December 2026. Also, as a result of the amendment interest accrual principle was changed - interest expense is calculated based on a compound interest, interest is being calculated from the amount of unpaid principal and accumulated interest payable at the beginning of the interest calculation period. The calculation of the interest specified in the amendment should apply retroactively from 1st January 2018.

The carrying amount of borrowed funds approximates to their fair values.

Additional information about borrowed funds is disclosed in Note 4.

13. Trade and other payables

Trade and other payables can be presented as follows:

	31.12.2020		31.12.2019	
	GEL	EUR	GEL	EUR
Financial liabilities				
Trade payables	486,396	120,895	503,271	156,806
Salary payables	4,582	1,996	23,627	7,362
Other payables	8,031	1,139	26,840	8,363
	499,009	**124,030**	**553,738**	**172,531**
Non-financial liabilities				
Contract liabilities	-	-	3,380	1,053
	-	**-**	**3,380**	**1,053**
	499,009	**124,030**	**557,118**	**173,584**

The carrying amount of trade and other payables approximates to their fair values due to their short-term nature.

Additional information about trade and other payables is disclosed in Note 4.

14. Transactions with related parties

Related parties include owners, affiliates and entities under common ownership and control and members of key management personnel. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Details of outstanding balances between the Company and its related parties as at 31st December 2020 are disclosed below:

	GEL			EUR		
	Parent	Other related party	Financial Statement Caption	Parent	Other related party	Financial Statement Caption
Statement of financial position						
Borrowed funds	2,791,727	-	**2,791,727**	693,890	-	**693,890**
Trade and other receivables	-	27,236	**1,524,114**	-	6,770	**378,822**

Details of outstanding balances between the Company and its related parties as at 31st December 2019 are disclosed below:

	GEL			EUR		
	Parent	Other related party	Financial Statement Caption	Parent	Other related party	Financial Statement Caption
Statement of financial position						
Borrowed funds	1,881,177	-	**1,881,177**	586,128	-	**586,128**
Trade and other receivables	-	390,549	**2,164,346**		121,686	**674,356**

Details of transactions between the Company and its related parties for the year ending December 31st, 2020 are disclosed below:

	GEL			EUR		
	Parent	Other related party	Key management	Parent	Other related party	Key management
Statement of comprehensive income						
Revenue	-	8,913,576	-	-	2,509,523	-
General and administrative expenses	-	-	(224,850)	-	-	(63,304)
Finance expenses	(396,324)	-	-	(111,581)	-	-

14. Transactions with related parties (Continued)

Details of transactions between the Company and its related parties for the year ending December 31st, 2019 are disclosed below:

	GEL			EUR		
	Parent	Other related party	Key management	Parent	Other related party	Key management
Statement of comprehensive income						
Revenue	-	8,788,354	-	-	2,785,267	-
General and administrative expenses	-	-	(186,017)	-	-	(58,955)
Finance expenses	(257,819)	-	-	(81,709)	-	-

15. Commitments and contingencies

Legal proceedings - On November 8, 2019, the Company filed the case against Retko LLC claiming penalties for delay in performance of construction works under the service agreement in the amount of EUR 5,649,224 + EUR 2000 per day, 0.3% of 1,383,250 per day and damages in the amount of GEL 161,576. On January 17, 2020 Retko LLC also filed the case against the Company. Retko LLC claims principal amount - EUR 682,451, penalty - EUR 806,656 (daily penalty 0.3% of the overdue amount accrued as of the date of submission of court case), penalty - EUR2,047 (0.3% of overdue amount) per day until the court's final decision enters into force. The case is at the preparatory stage. The parties had unsuccessful decisions to settle the dispute amicably. Since the claim mainly relates to the penalties, given the wide discretion of Georgian courts in this direction, the Company is unable to estimate chances of success. Also, as there is the dispute regarding the quality of the work performed, the Company is also unable to reliably assess the value of the work performed. Based on the above-mentioned circumstances the Company did not recognise asset or provision for penalty.

On 26 December, 2019, and on May 29,2020, Elizbar Omiadze and Guram Vanishvili filed the case against the Company. Monetary claim is remuneration for idle time in the amount of monthly GEL 3,500 and 4,000, respectively, starting from issuing dismissal order till the execution of the court's final decision. The Company is unable to reliably assess the provision as the hearing for those cases are not appointed yet.

Taxes - 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 Company may be assessed additional taxes, penalties and interest. The Company 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 three years.

Construction Warranty - according to the contract signed with Primera Golf and Residence LLC, the Company has the obligation to provide a minimum of two-years warranty to every building or structure erected, device installed and materials used (except for consumable materials) unless specifically agreed otherwise. As the Company have not had experience of any material defects so far, the management of the Company believes that the probability of such defects is less probable and the number of defects cannot be estimated reliably, therefore no provision has been made in these financial statements.

Restriction - The Company is unable to transfer or to use as a collateral, electronic network devices installed by Retko LLC.

16. Events after the reporting period

There were not significant events occurred after the end of an accounting period.

17. Summary of significant accounting policies

Principal accounting policies applied in the preparation of these financial statements are set out below.

17.1 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency' - GEL) as well as in presentation currency – EURO.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Foreign exchange gains and losses that relate to monetary items are presented in the statement of comprehensive income within "Foreign exchange (loss)/gain, net".

The Company uses the average exchange rate of the corresponding reporting period to present transactions in the presentation currency.

The translation difference resulting from the recalculation in the presentation currency (EURO) is presented in other comprehensive income as " Exchange differences on translation in foreign currency".

At 31st December 2020 and 2019 the official exchange rate of National Bank of Georgia used for translating foreign currency balances were:

	31.12.2020	**31.12.2019**
GEL/1 USD	3.2766	2.8677
GEL/1 EURO	4.0233	3.2095
GEL/1 EURO (average)	3.5519	3.1553

17.2 Revenue

Revenue from the sale of goods and services is recognised when the goods are delivered with the amount of consideration the Company expects to receive in exchange for the transfer of goods and services. The Company uses a five-step model for all agreements signed with the customer:

- Identify the contract with the customer
- Identify the separate performance obligation
- Determine the transaction price
- Allocate the transaction price to the performance obligation
- Recognise revenue when (or as) a performance obligation is satisfied

The Company recognizes revenue based on performance obligation. The Company satisfies a performance obligation by transferring control of a promised good or service to the customer.

The Company has one construction contract signed with its related party – Primera Gold and Residence LLC. The subject of the agreement is the construction of fully functional Gold Course with 18 holes with driving and practice area, real estate and housing development including relevant infrastructure on plot located in village Teleti, Gardabani region, cadastral code 81.03.12.065.

Performance obligations and timing of revenue recognition

Revenue from providing services is recognised over time in the accounting period in which the services are rendered. The recognition of revenues over time is carried out on the basis of the evaluation of work completed on a monthly basis. The Company presents Form 2 for the works completed during the period to the customer. Based on this delivery/acceptance acts are approved and signed on a quarterly basis.

The recognition of revenue is carried out through the input method, that is on the basis of the Company's efforts or inputs used to satisfy the performance obligation. This is considered a faithful depiction of the transfer of services as the contract is initially priced on the basis of anticipated costs to complete the projects and therefore also represents the amount to which the Company would be entitled based on its performance to date.

17. Summary of significant accounting policies (Continued)

Construction contract includes warranty which require the Company to repair and remove all defects subject to warranty during the warranty period if the service provided fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Determining the transaction price

The Company's revenue is derived from fixed price contract and therefore the amount of revenue to be earned from the contract is determined by reference to those fixed prices.

The customer pays quarterly fee for the works completed in accordance with Form 2 or delivery/acceptance acts presented by the Company and approved by the customer.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (ie a receivable), before the Company transfers a good or service to the customer, the Company shall present the contract as a contract liability when the payment is made, or the payment is due (whichever is earlier). A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

If the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, the Company shall present the contract as a contract asset, excluding any amounts presented as a receivable. A receivable is the Company's right to consideration that is unconditional.

The Company does not have any material contract asset or liability as of 31st December 2020 and 2019 due to the specification of the construction agreement described above.

Allocating amounts to performance obligations

For the above-mentioned contract, there is a fixed unit price for the work performed, with no any reductions. Therefore, there is no judgement involved in allocating the contract price to each unit of work provided to the customer.

Revenue recognition

The recognised revenues are determined using cost incurred during the reporting month plus profit margin given in the construction agreement.

In some circumstances the Company may not be able to reasonably measure the outcome of a performance obligation, but the Company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The Company used the following release:

Does not consider a significant component of financing when the difference between the dates of transferring of control on the asset and reimbursement from the customer is less than one year; and

Additional expenses for concluding a contract will be recognized as expenses in profit or loss when they are incurred if the duration of the amortization period does not exceed one year.

17.3 Financial instruments

The Company in its financial statements recognizes financial assets and liabilities when becomes a party to the contractual provisions of the instrument.

Financial Assets

The Company recognizes following categories of financial assets: a financial asset measured at amortized costs, financial asset measured at fair value through profit or loss, financial asset measured at fair value through other comprehensive income. The Company management assessed which business model is relevant to Company's financial assets and classified them as follows: a financial asset measured at amortized costs.

17. Summary of significant accounting policies (Continued)

As at 31st December 2020 and 2019 the Company's financial assets are presented by trade and other receivables and cash and cash equivalents in the financial statements. Cash and cash equivalents include cash on bank accounts.

Financial assets at amortized cost

These assets originate when goods and services are delivered to customer. They also include those financial assets which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition they are recognized at fair value plus transaction cost directly related to acquisition and emission of asset and subsequently are measured at amortized cost using the effective interest rate and reduced by impairment loss.

Impairment

According to IFRS 9, The Company should account expected credit losses for all its debt instrument, loans and trade receivables either for 12 months or lifetime period. The purpose of impairment is to recognize expected credit loss for all financial instruments for which credit risks are increased significantly after initial recognition, nevertheless impairment was assessed on a individual or collective basis. The Company considers all reasonable and appropriate information, including forecasts.

The Company uses simplified approach for expected credit loss for trade receivables and contractual assets. According to simplified approach expected credit loss is calculated using migration matrix. Simplified approach recognizes loss for whole portfolio regardless of significant increase of credit risk after initial recognition.

The Company impairment policy is based on following methodology:

- The receivables form related parties are considered separately
- All other trade receivables are grouped since they do not contain individually significant items

Receivables from related parties

The Company individually considers receivables from related parties and takes in account range of factors and individual circumstances, which might be relevant for the Company with respect of related parties. Based on this analysis, the management evaluates expected credit losses using past experience and future expectations. The Company does not recognize impairment loss for receivables related parties since it does not have the past experience for such losses.

Collectively impaired trade receivables

To define the expected impairment loss on collectively estimated trade receivables, trade receivables are grouped according to their credit risk and aging. Trade and other receivables have a similar risk characteristic.

Impairment rates are based on the credit impairment experience of the Company. Historical expected impairment rate will be adjusted by considering current and future macroeconomic factors affecting the Company's customers. The Company considers the Gross Domestic Product and Inflation Rate as the main macroeconomic factors for the country where it operates.

Impairment allowance is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For the receivables carried at amortised cost, such allowance is recorded on a separate allowance account with the loss being recognized in the statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for financial assets. Subsequent recoveries of amounts previously written off are credited in profit or loss.

Impairment of cash and cash equivalents

The Company has estimated the risk of credit losses on cash and cash equivalents as immaterial due to their rapid liquidity. Consequently, the Company does not recognize impairment for above-mentioned assets in accordance with IFRS 9.

17. Summary of significant accounting policies (Continued)

Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired: fair value through profit or loss and other financial liabilities All financial liabilities are grouped in the category of "other financial liabilities". As of 31st December 2020, and 2019, other financial liabilities include borrowed funds and trade and other payables.

Other financial liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method which ensures accrual of interest on the carrying amount of financial liability at constant rate. Interest expenses for any financial liability include the initial transaction costs and any additional charges for the redemption of the obligation.

Financial assets and liabilities are presented on a net basis 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 either settle on a net basis, or to realise the asset and settle the liability simultaneously.

17.4 Interest income and expense

Interest is recorded in relation to all financial instruments at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and expense is recognized in profit and loss.

17.5 Leases

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1st January 2019.

The Company as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Company recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis. The company applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

17. Summary of significant accounting policies (Continued)

17.6 Plant and equipment

Plant and equipment, are stated at cost, less accumulated depreciation and provision for impairment, where required. The cost of an item of plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or devalued amounts to their residual values over their estimated useful lives. Depreciation is charged to the statement of profit or loss. Depreciation is calculated on a straight-line basis at the following useful lives:

Group	Useful lives (year)
Construction equipment	5-10
Furniture and office equipment	5
Vehicles	5
Other	5-10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Changes are accounted for on a perspective basis.

The carrying amount of an item of plant and equipment shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of plant and equipment shall be included in profit or loss when the item is derecognised.

17.7 Impairment of tangible assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognised immediately in profit or loss. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

An entity assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. An impairment loss recognised in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset other than goodwill is recognised immediately in profit or loss.

17. Summary of significant accounting policies (Continued)

17.8 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The main part of the inventory includes construction materials. Movements in inventories are accounted for using average-weighted method.

18.9 Recognition of expenses

Expenses are recognized in the income statement if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed. Expenses are recognized in the income statement immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the balance sheet.

18.10 Taxation

Corporate income Tax

New model of corporate income tax (Profit Tax) is effective from 1st January 2017. According to the new model of corporate income tax, the objects of taxation are following transactions/actual payments:

- Payment of dividends
- Differences between contract price and market price
- Expenses not related to economic activity
- Payments not related to economic activity
- Free of charge supply and gifts
- Representative expenses above limits

Income tax expense is recognized in the period when the Company distributes dividend. In addition to distributing the dividend, another obligating events that generates income tax is recorded in "General and administrative expenses - taxes other than income tax". The current tax liability of the Company is calculated using tax rate which are valid for the reporting period.

Deferred income tax

Owing to the specific nature of the taxation system in Georgia, as at 31st December 2020 and 2019 there are no differences between the carrying amounts and tax bases of the assets and liabilities of companies registered in Georgia (except companies operating in financing sector, including insurance companies) that could result in deferred tax assets or deferred tax liabilities.

Taxes other than income tax

Taxes other than income tax are recognized when obligating events have occurred. The obligating events are an event that raises a liability to pay a tax. Taxes are calculated in accordance with Georgian legislation. Prepaid taxes are recognised as assets.

18.11 Statutory Capital

The amount of Company's authorised statutory capital is defined by the Charter. The changes in the Company's statutory capital (changes in statutory capital, ownership, etc.) shall be made only based on the decision of the Company's shareholders. The authorised capital is recognised as statutory capital to the extent that it was contributed by the owners. Statutory capital is recognized at the fair value of the contribution.

17. Summary of significant accounting policies (Continued)

17.12 Provisions, Contingent Liabilities and Contingent Assets

Contingent assets and liabilities

Contingent liabilities are not reflected in the financial statements, except for the cases when the outflow of economic benefits is likely to origin and the amount of such liabilities can be reliably measured. The information on contingent liabilities is disclosed in the notes to the financial statements with the exception of cases, when the outflow of economic benefits is unlikely.

Contingent assets are not reflected in the financial statements, but the information on them is disclosed when inflow of economic benefits is possible. If economic benefits are sure to occur, an asset and related income are recognized in the financial statements for the period, when the evaluation change occurred.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

17.13 Events after the reporting period

Events after the reporting period and events before the date of financial statements authorization for issue that provide additional information about the Company's financial position. Events after the reporting period that do not affect the financial position of the Company at the balance sheet date are disclosed in the notes to the financial statements when material.