Financial Statements

SADE_COMPAGNIE GENERALE DE TRAVAUX D'HYDRAULIQUE Branch in Georgia

31 December 2020

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Grant Thornton

Compilation Report

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To the management of SADE_COMPAGNIE GENERALE DE TRAVAUX D'HYDRAULIQUE Branch in Georgia

We have complied the accompanying financial statements of SADE_COMPAGNIE GENERALE DE TRAVAUX D'HYDRAULIQUE Branch in Georgia (the "Branch Office") based on the information contained in the Branch Office's accounting database, which is maintained by us in accordance to the contract for accounting services # ACC-1044. These financial statements comprise the statement of financial position of the Branch Office as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised) *Compilation Engagements*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Enterprises (IFRS for SMEs). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with IFRS for SMEs.

Paata Shurghaia

Partner

September 30, 2021

Statement of Financial Position

In Georgian Lari	Note	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Assets				
Non-Current Assets				
Property, Plant and Equipment	4	56,784	140,881	146,500
Intangible Assets		1,001	1,676	931
Total Non-Current Assets		**57,785**	**142,557**	**147,431**
Current-Assets				
Prepayments	5	2,464,764	2,631,770	853,645
Prepayment to the state budget		41,990	318,047	-
Inventories		134,595	272,942	264,471
Trade and other receivables	6	23,033,241	18,775,745	16,397,317
Cash and cash equivalents	7	112,262	680,611	639,845
Total Current Assets		**25,786,852**	**22,679,115**	**18,155,278**
Total Assets		**25,844,637**	**22,821,672**	**18,302,709**
Liabilities and Equity				
Equity				
Previous Periods Accumulated Gains (Losses)		(23,614,837)	(7,021,315)	(2,791,105)
Retained Earnings		(12,734,981)	(16,593,522)	(4,230,210)
Total Equity		**(36,349,818)**	**(23,614,837)**	**(7,021,315)**
Non-Current Liabilities				
Borrowings		-	-	-
Long-term Provisions	8	4,058,459	635,963	-
Total Non-Current Liabilities		**4,058,459**	**635,963**	**-**
Current-Liabilities				
Advances Received		5,190,723	5,825,055	6,316,569
Trade and Other Payables	9	52,945,273	36,939,251	18,090,205
Payables to the state budget		-	-	917,250
Short-term Provisions		-	3,036,240	-
Total Current Liabilities		**58,135,996**	**45,800,546**	**25,324,024**
Total Liabilities		**62,194,455**	**46,436,509**	**25,324,024**
Total Liabilities and Equity		**25,844,637**	**22,821,672**	**18,302,709**

Financial Director

Signature

SADE-COMPAGNIE GENERALE DE TRAVAUX D'HYDRAULIQUE
Georgian Branch
404924775

Statement of profit or loss and other comprehensive income

In Georgian Lari	Note	Year ended 31 December 2020	Year ended 31 December 2019
Revenue		4,209,082	2,908,371
Cost Of Sales	10	(11,526,802)	(11,198,317)
Gross Profit		**(7,317,720)**	**(8,289,946)**
General and administrative expenses	11	(945,978)	(6,724,547)
Total Operating Expenses		**(945,978)**	**(6,724,547)**
Operating Profit		**(8,263,698)**	**(15,014,493)**
Other non-operating income		4,916	19,258
Other non-operating expenses		(649,949)	(24,484)
Net foreign exchange gain/(loss)	12	(3,826,148)	(1,573,407)
Profit Before Tax		**(12,734,879)**	**(16,593,126)**
Income tax expense		(102)	(396)
Net profit for the period		**(12,734,981)**	**(16,593,522)**
Other comprehensive income		-	-
Total other comprehensive income for the period		**(12,734,981)**	**(16,593,522)**

Financial Director

Signature

Statement of changes in equity

In Georgian Lari	Accumulated profit/(loss)	Total Equity
As of January 1, 2018	**(2,791,105)**	**(2,791,105)**
Profit/(loss) for the period	(4,230,210)	(4,230,210)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(4,230,210)	(4,230,210)
As of January 01, 2019	**(7,021,315)**	**(7,021,315)**
Profit/(loss) for the period	(16,593,522)	(16,593,522)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(16,593,522)	(16,593,522)
As of December 31, 2019	**(23,614,837)**	**(23,614,837)**
Profit/(loss) for the period	(12,734,981)	(12,734,981)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(12,734,981)	(12,734,981)
As of December 31, 2020	**(36,349,818)**	**(36,349,818)**

Financial Director

Signature

Statement of cash flows

In Georgian Lari	Year ended 31 December 2020	Year ended 31 December 2019
Cash Flows from operating activities		
Profit for the year	(12,734,981)	(16,593,126)
Adjustments to the following articles:		-
Depreciation and Amortization	82,773	78,507
Profit tax expense	102	-
Change in Provisions	386,256	3,672,203
Net foreign exchange gain/(loss)	3,826,148	1,573,407
	(8,439,702)	***(11,269,009)***
Change in Trade and Other Receivables	(3,216,242)	(1,625,156)
Change in Prepayments	167,006	(1,778,125)
Change in Inventories	138,347	(8,471)
Change in Advances Received	(634,332)	(491,514)
Change in Trade and Other Payables	11,049,951	16,423,774
Change in Payables to the State Budget	-	(917,646)
Change in Prepayment to the State Budget	276,057	(318,048)
Change in Other Short-Term Liabilities	-	84,727
Cash Generated from / (used in) Operations	**(658,915)**	**100,532**
Paid interests	-	-
Paid income tax	(102)	-
Net Cash From Operating Activities	**(659,017)**	**100,532**
Cash Flows From Investing Activities		
Purchase of Intangible Assets	-	(1,864)
Purchase of Property, Plant and Equipment	(2,609)	(71,768)
Sale of Property, Plant and Equipment	4,608	-
Net Cash Provided From Investing Activities	**1,999**	**(73,632)**
Cash Flows From Financing Activities		
Proceeds From Borrowings	-	-
Net Cash Provided From Financing Activities	**-**	**-**
Net Increase (Decrease) in Cash and Cash Equivalents	**(657,018)**	**26,900**
Foreign exchange effect on cash	**88,669**	**13,866**
Cash and Cash Equivalents at The Beginning of The Period	680,611	639,845
Cash and Cash Equivalents at The End of The Period	**112,262**	**680,611**

Financial Director

Signature

Notes to the financial statements

1 Nature of operations and general information

SADE-COMPAGNIE GENERALE DE TRAVAUX D'HYDRAULIQUE Branch in Georgia (the “Branch Office”) was registered on 03 January 2012 as a branch in Georgia (registration and tax ID:404924775) by the National Agency of Public Registry in accordance with the Law of Georgia on Entrepreneurs.

The Branch Office’s main activities include construction of engineering facilities.

As at 31 December 2020 and 31 December 2019 Philippe Deparday (ID: 17DD02090) is the director of the Branch Office of Joint Stock Company SADE-COMPAGNIE GENERALE DES TRAVAUX D'HYDRAULIQUE, 562 077 503 /France/.

The average number of employees of the Branch Office during 2020 was 51 employees (2019: 47 employees).

The registered place of the Branch Office is Georgia, City Tbilisi, Vake district, Paliashvili str., N100, Apt. 3.

Business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Georgia have continuing nature. The stability and development of the Georgian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

In March 2020 the World Health Organization has classified the coronavirus (COVID-19), which has exploded in China in December 2019, as pandemic. The coronavirus has already had a significant impact on the global economy and major financial markets.

Continuous measures were introduced by the Government and the National Bank of Georgia to mitigate the impact of the coronavirus on the economy. These measures include, among others, subsidized lending to affected industries and individuals and payment holidays.

The Branch Office’s management considers its current liquidity position to be sufficient for the sustainable functioning. The Branch Office monitors its liquidity position on regular basis and intends to use appropriate liquidity position instruments, if necessary.

These events may have a further significant impact on the Branch Office's future operations and financial stability, the full consequences of which are currently difficult to predict. The future economic and political situation and its impact on the Branch Office's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above on the Branch Office's operations.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards for small and medium-sized entities (“IFRS for SMEs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the Branch Office operates on a going concern basis.

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention.

2.3 Functional and presentation currency

The national currency of Georgia is the Georgian lari (“Georgian lari”), which is the Branch Office’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Branch Office.

These financial statements are presented in Georgian lari (unless otherwise stated).

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 3.2766 Georgian lari for 1 US dollar and 4.0233 Georgian lari for 1 euro as of 31 December 2020 (31 December 2019: 2.8677 Georgian lari for 1 US dollar and 3.2095 Georgian lari for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Vehicles	-	10 years
Office equipment furniture and fixtures	-	4 - 5 years
Other	-	2 - 5 years.

3.3 Impairment of property and equipment

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

3.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition

3.5 Financial instruments

Financial Instruments are initially measured at the transaction price (this includes transaction cost except in the initial measurement of financial assets and liabilities that will be measured at fair value through profit or loss) If however, the arrangement constitutes a financing transaction it is then measured at the present value of the future payments, discounted at a market related interest rate.

After initial recognition they are measured at amortized cost using the effective interest method.

Trade and other receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms receivables are measured at amortized cost using the effective interest method, less provision for impairment. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

Trade and other payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. They are on normal credit terms and do not bear interest.

3.6 Cash and cash equivalents

Cash and bank balances comprise cash on hand and bank accounts.

3.7 Equity

As the Branch Office is not a separate corporation from its head office, it has no charter capital or share capital and the equity section of the Statement of Financial Position includes only the accumulated profits (losses) of the Branch Office. Accumulated profit/(loss) include all current and prior period retained profits.

3.8 Provisions

A provision for restructuring costs and legal claims are recognized in the statement of financial position when the Branch Office has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

3.9 Income tax

Current taxation model effective in Georgia since 1 January 2017 (the “Estonian model of corporate taxation”) implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings. As a result, starting 1 January 2017 companies pay corporate income tax on earnings distribution (profit distributed to shareholders as dividends) and on individual transactions that may be considered as indirect distribution of earnings (benefits, gifts, payments, non-arm’s length cross-border transactions with related parties, expenses not related to economic activities, etc).

The corporate income tax arising from distribution of dividends is recognized as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are distributed. The tax rate is 15/85 of the amount of net distribution.

According to the current concept of corporate income taxation, there are no temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Therefore, deferred tax assets and liabilities, as defined in IAS 12 Income Taxes, are not formed subsequent to 1 January 2017.

3.10 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

(a) wages, salaries and bonuses;

(b) paid annual leaves and paid disability leaves;

When employees render services to the Branch Office during the accounting period, the Branch Office recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Branch Office shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(b) as an expense, unless the amount is included in the cost of an asset.

3.11 Revenue

Revenue comprises the fair value of the consideration received or receivable for the provided service in the ordinary course of the Branch Office’s activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts.

The Branch Office recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Branch Office’s activities, as described below:

Provided Service

The main activities of the Branch Office are the construction of distribution engineering facilities.

4 Property and equipment

Historical cost	Office Equipment	Furniture and Fixtures	Equipment & Tools	Vehicles	Other Fixed Assets	Total
Historical cost 01.01.2019	19,987	6,560	49,215	112,410	39,347	227,519
Additions 2019	25,587	-	70,666	-	-	96,253
Disposals	-	-	(27,204)	-	-	(27,204)
Historical Cost 31.12.2019	**45,574**	**6,560**	**92,677**	**112,410**	**39,347**	**296,568**
Accumulated depreciation						
Accumulated depreciation 01.01.2019	14,611	6,031	5,121	43,538	11,718	81,019
Depreciation 2019	7,797	881	27,534	33,305	7,871	77,388
Accumulated depreciation of disposals 2019	-	-	(2,720)	-	-	(2,720)
Accumulated depreciation 31.12.2019	**22,408**	**6,912**	**29,935**	**76,843**	**19,589**	**155,687**
Net book value						
Net book value 01.01.2019	**5,376**	**529**	**44,094**	**68,872**	**27,629**	**146,500**
Net book value 31.12.2019	**23,166**	**(352)**	**62,742**	**35,567**	**19,758**	**140,881**
Historical cost 01.01.2020	45,574	6,560	92,677	112,410	39,347	296,568
Additions 2020	2,609	-	-	-	-	2,609
Disposals	(13,478)	-	-	-	-	(13,478)
Historical Cost 31.12.2020	**34,705**	**6,560**	**92,677**	**112,410**	**39,347**	**285,699**
Accumulated depreciation						
Accumulated depreciation 01.01.2020	22,408	6,912	29,935	76,843	19,589	155,687
Depreciation 2020	14,901	(352)	37,649	22,031	7,870	82,099
Accumulated depreciation of disposals 2020	(8,871)	-	-	-	-	(8,871)
Accumulated depreciation 31.12.2020	**28,438**	**6,560**	**67,584**	**98,874**	**27,459**	**228,915**
Net book value						
Net book value 01.01.2020	**23,166**	**(352)**	**62,742**	**35,567**	**19,758**	**140,881**
Net book value 31.12.2020	**6,267**	**-**	**25,093**	**13,536**	**11,888**	**56,784**

5 Prepayments and Other Short Term Assets

GEL	As of 31 December 2020	As of 31 December 2019
Prepayments to Subcontractor	2,330,365	2,521,077
Prepaid Insurance	2,348	10,330
Other Prepayments	132,051	100,363
Net Prepayments and Other Short Term Assets	**2,464,764**	**2,631,770**

6 Trade and other receivables

GEL	As of 31 December 2020	As of 31 December 2019
Receivables to Head Office	20,399,812	15,870,281
Trade Receivables	2,630,679	2,902,039
Other Receivables	2,750	3,425
Net Trade and Other Receivables	**23,033,241**	**18,775,745**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. The coverage period of the trade receivables are approximately 1-3 months.

All of the Branch Office's trade and other receivables in the comparative periods have been reviewed for indicators of impairment.

7 Cash and bank balances

GEL	As of 31 December 2020	As of 31 December 2019
Cash at bank in national currency	18,808	56,488
Cash at bank in foreign currency	93,454	624,123
Total Cash and Cash Equivalents	**112,262**	**680,611**

8 Long-Term Provisions

GEL	As of 31 December 2020	As of 31 December 2019
Provision For Bad Debts	1,005,882	-
Provision for Defects Notification Period	635,963	635,963
Provision For Contract Losses And Penalty	2,416,614	3,036,240
Total Long-term Provisions	**4,058,459**	**3,672,203**

9 Trade and other payables

GEL	As of 31 December 2020	As of 31 December 2019
Trade payables	809,450	1,102,997
Liability to Head Office	52,037,918	35,752,967
Wages Payable	97,905	83,287
Total Trade and Other Payables	**52,945,273**	**36,939,251**

All amounts are short-term. The coverage period of the trade payables is approximately 1 month.

10 Cost of sales

GEL	As of 31 December 2020	As of 31 December 2019
Cost of Goods Used	2,688,375	3,190,060
Transportation And Use Of Technique	1,394,237	782,807
Direct Salary	2,781,500	1,935,450
Expenses from Subcontractor	2,388,918	2,531,620
Indirect materials	166,720	192,427
Project Utilities	44,566	20,094
Topographical and Geotechnical expenses	902,604	1,486,731
Project Insurance	24,863	67,135
Project design & consulting exp.	316,797	209,794
Technic Rent Expense	157,406	144,563
Provision for Defects Notification Period	-	635,963
Other Direct Expenses	660,816	1,673
TOTAL	**11,526,802**	**11,198,317**

11 General and Administrative Expenses

GEL	As of 31 December 2020	As of 31 December 2019
Salary Expense	637,409	885,405
Business trip expenses	61,358	104,769
Office rent expenses	180,055	77,419
Stationary cost	48,168	27,890
Internet and mobile telecommunication expense	19,109	17,346
Post office expenses	12,279	9,518
Health Insurance	6,422	5,533
61350400_Printers and devices cost	17,011	14,684
61550100_Other computer expenses	5,710	4,141
Consulting and legal expenses	205,763	166,715
Development costs	40,796	13,917
Depreciation and amortization	82,773	78,507
Low Value Equipment	1,561	1,254
Estimated Loss At Completion	(4,091,753)	3,036,240

Property Tax expenses	1,113	1,328
Provision For Penalty	3,472,127	-
Transportation / Travel expenses	782	3,495
Other expenses	1,288	9,250
Vehicle rent, maintenance and insurance expenses	124,049	48,008
Membership fees	2,312	1,683
Representative Expenses	4,353	78,072
Translation and other Documentary expenses	25,502	4,840
Bank charges	52,463	40,915
Interface overheads expenses	(45,564)	44,825
Interface -Financial /Bank Guarantees	81,011	69,627
Discount for the end of year	(119)	(53,579)
Bad debt expenses	-	1,005,882
Recruitment expenses	-	39,411
Headquarters management fees	-	987,452
TOTAL	**945,978**	**6,724,547**

12 Gain/(loss) from exchange differences

GEL	As of 31 December 2020	As of 31 December 2019
Amortized cost of Financial Assets	1,129,922	767,138
Amortized cost of Financial Liabilities	(4,956,070)	(2,340,545)
Total Profit/Loss from the Net Foreign Exchange gain/(loss)	**(3,826,148)**	**(1,573,407)**