Financial Statements

Coffeeshop Georgia LLC

31 December 2020

Contents

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Compilation Report

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To the management of Coffeeshop Georgia LLC

We have complied the accompanying financial statements of Coffeeshop Georgia LLC (Limited Liability Company) based on the information contained in the company Office's accounting database, which is maintained by us in accordance to the contract for accounting services. These financial statements comprise the statement of financial position of the Company 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

	Notes	31-Dec 2020	31-Dec 2019	31-Dec 2018
Assets				
Non-current assets				
Intangible assets		187,580	219,927	254,729
Property, plant and equipment	1	1,108,516	867,726	1,072,153
Total non-current assets		**1,296,096**	**1,087,653**	**1,326,882**
Current-assets				
Inventory		310,200	267,900	200,526
Prepayments and other short term assets		42,843	36,685	36,814
Tax advance		-	5,448	-
Trade and other receivables	2	6,288	1,232	3,762
Cash and cash equivalents	3	11,375	27,004	33,808
Total current assets		**370,706**	**338,269**	**274,910**
Total assets		**1,666,802**	**1,425,922**	**1,601,792**
Liabilities and equity				
Equity				
Chartered capital		-	-	-
Previous periods accumulated Gains/(Losses)		(598,101)	(431,486)	(140,939)
Current period P/L		(631,322)	(166,615)	(290,547)
Total equity		**(1,229,423)**	**(598,101)**	**(431,486)**
Non-current liabilities				
Borrowings				
Total non-current liabilities		**-**	**-**	**-**
Current-liabilities				
Advances received		-	-	-
Wages payable		15,037	16,231	150
Trade and other payables		144,611	84,450	161,681
Tax liabilities		9,420	-	13,529
Borrowings	4	2,727,157	1,923,342	1,857,918
Accrued interest payables		-	-	-
Total current liabilities		**2,896,225**	**2,024,023**	**2,033,278**
Total liabilities and equity		**1,666,802**	**1,425,922**	**1,601,792**

Director

Signature

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	Notes	31-Dec 2020	31-Dec 2019	31-Dec 2018
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Total liabilities and equity		**1,666,802**	**1,425,922**	**1,601,792**

Director Armen Gevorgyan

Signature

Statement of profit or loss and other comprehensive income

	Notes	Year 2020	Year 2019
Revenue		1,166,933	1,948,424
Cost of sales		(758,820)	(1,148,669)
Gross Profit		**408,113**	**799,755**
Selling and marketing expenses		(15,553)	(13,662)
General and administrative expenses	5	(541,123)	(694,026)
Total Operating Expenses		**(556,676)**	**(707,688)**
Operating Profit		**(148,563)**	**92,067**
Other non-operating income		15,531	16,979
Translation gains (losses)		(336,988)	(132,166)
Other non-operating loss		(161,302)	(140,780)
Profit Before Tax		**(631,322)**	**(163,900)**
Profit tax expenses		**-**	**(2,715)**
Profit for the period		**(631,322)**	**(166,615)**

Director

Signature

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Profit tax expenses		-	**(2,715)**
Profit for the period		**(631,322)**	**(166,615)**

Director Arman Gevorgyan

Signature

Statement of changes in equity

	Charter capital	Accumulated profit/(loss)	Total Equity
As of January 1, 2019	**-**	**(431,486)**	**(431,486)**
Profit/(Loss) for the year	-	(166,615)	(166,615)
Other comprehensive income for the year	-	-	-
Total Comprehensive income for the year	-	*(166,615)*	*(166,615)*
Authorized increase of charter capital	-	-	-
Dividends	-	-	-
Transactions with Owners	-	-	-
As of December 31, 2019	**-**	**(598,101)**	**(598,101)**
Profit/(Loss) for the period (Jan-Sep)		(631,322)	(631,322)
Other comprehensive income for the period	-	-	-
Total Comprehensive income for the year	-	*(631,322)*	*(631,322)*
Authorized increase of charter capital	-	-	-
Dividends	-	-	-
Transactions with Owners	-	-	-
As of October 31, 2020	**-**	**(1,229,423)**	**(1,229,423)**

Director

Signature

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Profit/(Loss) for the year	-	(166,615)	(166,615)
Other comprehensive income for the year	-	-	-
Total Comprehensive income for the year	-	*(166,615)*	*(166,615)*
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Dividends	-	-	-
Transactions with Owners	-	-	-
As of December 31, 2019	**-**	**(598,101)**	**(598,101)**
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Total Comprehensive income for the year	-	*(631,322)*	*(631,322)*
Authorized increase of charter capital	-	-	-
Dividends	-	-	-
Transactions with Owners	-	-	-
As of October 31, 2020	**-**	**(1,229,423)**	**(1,229,423)**

Director Arman Gevorgyan

Signature

Statement of cash flows

	Year 2020	Year 2019
Cash Flows From Operating Activities		
Profit Before Tax	(631,322)	(166,615)
Non-Cash Adjustments:		
Depreciation and amortization	242,001	263,327
	(389,321)	*96,712*
Change in trade and other receivables	(5,056)	2,530
Change in prepayments and other short term assets	(6,158)	129
Change in inventories	(42,300)	(67,374)
Change in advances received	-	-
Change in tax advance	5,448	(5,448)
Change in tax liabilities	9,420	(13,529)
Change in trade and other payables	60,161	(77,231)
Change in wages payable	(1,194)	16,081
Change in accrued interest payables	-	-
Net Cash From / (Used For) Operating Activities	**(369,000)**	**(48,130)**
Cash Flows From Investing Activities		
Purchase of intangible assets		
Purchase of property, plant and equipment	(450,444)	(24,098)
Net Cash Provided From Investing Activities	**(450,444)**	**(24,098)**
Cash Flows From Financing Activities		
Proceeds from borrowings	803,815	65,424
Repayment of borrowings	-	-
Net Cash Provided From Financing Activities	**803,815**	**65,424**
Net Increase (Decrease) in Cash and Cash Equivalents	**(15,629)**	**(6,804)**
Cash and cash equivalents at the beginning of the period	27,004	33,808
Cash and Cash Equivalents at The End of The Period	**11,375**	**27,004**

Director

Signature

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Cash and cash equivalents at the beginning of the period	27,004	33,808
Cash and Cash Equivalents at The End of The Period	**11,375**	**27,004**

Director Arman Gevorgyan

Signature

Notes to the financial statements

1 Nature of operations and general information

Coffeeshop Georgia LLC (the Company) was registered on 30th of June 2017 as a Company in Georgia (registration and tax ID: (439404672) by the National Agency of Public Registry in accordance with the Law of Georgia on Entrepreneurs.

The Company main activities are Restaurants and mobile food service activities.

As at 31 December 2020 and 31 December 2019 Arman Gevorgyan (ID: BA0996485) is the director of the Company Coffeeshop Georgia LLC.

Partners	2020	2019
	%	%
Arman Gevorgyan, **BA0996485**	33.34	33.34
Stopa Tsarukyan, **BA0286043**	33.33	33.33
Onik Martirosyan, **522249392**	33.33	33.33

The average number of employees of the Company Office during 2020 was approximately 37 employees (2019: 41 employees).

The registered place of the Company Office is Georgia, Georgia, Adigeni district, village Untsa, "Gardens.

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 Company Office's management considers its current liquidity position to be sufficient for the sustainable functioning. The Company 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 Company 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 Company 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 Company 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 Company 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 Company Office's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company 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

Charter capital represents contributions by the shareholders to the Company’s charter. The amount of Company’s stated charter capital is determined by the Company’s shareholders. The changes in the Company’s stated capital shall be made only based on the decision of the Company’s shareholders.

Accumulated profit/(loss) include all current and prior period retained profits.

3.8 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.

3.9 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 Company Office during the accounting period, the Company 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 Company 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.

3.10 Revenue

Revenue comprises the fair value of the consideration received or receivable for the provided goods with connected service in the ordinary course of the Company activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts.

The Company 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 Company Office's activities, as described below:

Selling of Goods and Services

The main activities of the Company are the Restaurants and mobile food service activities.

4 Property and equipment

Historical cost	Office Equipment	Kitchen equipment	Furniture and Fixtures	Equipment & Tools	Leasehold improvements	Other Fixed Assets	Vehicle	Total
Historical cost 01.01.2020	10,206	310,810	45,751	303,148	479,532	61,459	-	**1,210,906**
Additions 2020	4,010	27,017	-	-	-	835	474,167	**506,029**
Disposals	-	(208)	-	-	-	-	(55,378)	**(55,586)**
HistoricalCost31.12.2020	**14,216**	**337,619**	**45,751**	**303,148**	**479,532**	**62,294**	**418,789**	**1,661,349**
Accumulated depreciation								
Accumulated depreciation 01.01.2020	248	90,238	31,112	115,123	75,839	30,619	-	**343,179**
Depreciation 2020	249	56,355	18,699	76,985	47,953	18,576	19,757	**238,574**
Accumulated depreciation of disposals	-	-	-	-	-	-	(28,920)	**(28,920)**
Accumulated depreciation 31.12.2020	497	146,593	49,811	192,108	123,792	49,195	(9,163)	**552,833**
Accumulated depreciation31.12.2020	**497**	**146,593**	**49,811**	**192,108**	**123,792**	**49,195**	**(9,163)**	**552,833**
Net book value								
Netbookvalue01.01.2020	**9,958**	**220,572**	**14,639**	**188,025**	**403,693**	**30,840**	**-**	**867,727**
Netbookvalue31.12.2020	**13,719**	**191,026**	**(4,060)**	**111,040**	**355,740**	**13,099**	**427,952**	**1,108,516**

5 Trade and other receivables

Description	As of 31 December 2020	As of 31 December 2019
Trade Receivables	6,288	1,232
Total Trade and Other Receivables	**6,288**	**1,232**

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 two kinds - first one is customers in café, who pay the service and goods fee accordingly and the second types of customers are that are using delivery service - for what the company uses sub-contractors as Glovo and Wolt – which pays their debt after sending the service invoice in approximately 1 week.

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

6 Cash and cash equivalents

GEL	As of 31 December 2020	As of 31 December 2019
Cash on hand	8,049	4,484
Cash at bank in national currency	3,326	22,495
Cash at bank in foreign currency	-	25
Total Cash and Cash Equivalents	**11,375**	**27,004**

7 Borrowings

GEL	31-Dec 2020	31-Dec 2019
Loans payable	2,235,301	1,641,425
Accrued interest payable	491,856	281,917
Total Borrowings	**2,727,157**	**1,923,342**

8 General and Administrative Expenses

GEL	**2020** *GEL*
Rent fee	109,759
Insurance	16,814
Pensions Expenses	38
Physical Person Services Salary	1,946
Cleaning expenses	1,000
Security service fee	7,817
Utilities	52,856
Domain Fee	275
Software Expenses	2,956
Accounting service	21,498
Legal Services Expenses	424
Intermediary services	45,783
Depreciation	250,742
Bank Charges	20,975
Expenses without document	682
Other expense	4,275
Stationary cost	826
Music expenses	721
Communications - expense	1,509
Delivery Service Expenses	149
Loundry expenses	975
Office Supply	3,332
Plants Care Expenses	1,288
Property Tax Expenses	(9,711)
Insurance	3,579
Repair	25
Representation expenses	590
	541,123