Financial Statements and Compilation Report

Permanent Establishment of SAFEGE SJSC

31 December 2021

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Grant Thornton

Compilation Report

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To the management of Permanent Establishment of SAFEGE SJSC in Georgia

We have complied the accompanying financial statements of Permanent Establishment of SAFEGE SJSC in Georgia (the "Company") based on the information contained in the Company'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 as at 31 December 2021, 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.

Vakhtang Tsabadze

Managing Partner

September 28, 2022

Statement of financial position

Georgian lari	Note	As of 31 December 2021	As of 31 December 2020
Assets			
Non-current assets			
Property and equipment	4	170	10,842
Total non-current assets		170	10,842
Current-Assets			
Inventory		4,953	5,507
Trade and other receivables	5	577,028	945,155
Cash and cash equivalents	6	9,928,499	8,120,403
Total current assets		10,510,480	9,071,065
Total assets		10,510,650	9,081,907
Liabilities and Equity			
Equity			
Previous periods accumulated profit		5,461,216	5,481,666
Current period profit/(loss)		240,022	(20,450)
Total equity		5,701,238	5,461,216
Current-liabilities			
Trade and other payables	7	4,809,412	3,620,691
Total current liabilities		4,809,412	3,620,691
Total liabilities and equity		10,510,650	9,081,907

Director: Didier WYNROCX

Signature:

Statement of profit or loss and other comprehensive income

Georgian lari	Note	Year ended 31 December 2021	Year ended 31 December 2020
Revenue		5,962,638	6,289,087
Cost of sales	8	(3,647,576)	(5,924,596)
Gross profit		2,315,062	364,491
General and administrative expenses	9	(1,598,788)	(1,211,438)
Operating profit/(loss)		716,274	(846,947)
Finance income		5,081	43,107
Other non-operating income		4,285	5,150
Gain/(loss) from exchange differences	10	(485,618)	778,240
Profit/(loss) before income tax		240,022	(20,450)
Income tax expense		-	-
Profit/(loss) for the period		240,022	(20,450)
Other comprehensive income		-	-
Total other comprehensive income for the period		240,022	(20,450)

Statement of changes in equity

Georgian lari	Accumulated profit/(loss)	Total
As of January 01, 2020	5,481,666	5,481,666
Loss for the year	(20,450)	(20,450)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(20,450)	(20,450)
As of December 31, 2020	5,461,216	5,461,216
Profit for the year	240,022	240,022
Other comprehensive income for the year	-	-
Total comprehensive income for the year	240,022	240,022
As of December 31, 2021	5,701,238	5,701,238

Statement of cash flows

Georgian lari	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Profit (loss) for the year	240,022	(20,450)
Adjustments to the following articles:		
Depreciation and amortization	10,672	11,612
Finance income	(5,081)	(43,107)
Net foreign exchange gain/(loss)	485,618	(778,240)
Operating profit/(loss) before working capital changes	731,231	(830,185)
Change in trade and other receivables	151,450	1,196,456
Change in prepayments	3,105	(190)
Change in inventories	554	(660)
Change in advances received	233,511	-
Change in trade and other payables	1,229,296	295,262
Change in payables to the state budget	(45,532)	(22,069)
Change in prepayment to the state budget	(15,848)	-
Change in other short-term liabilities	4,957	(438,223)
Cash generated from operations	2,292,724	200,391
Net cash from operating activities	2,292,724	200,391
Cash flows from financing activities		
Received interests	5,081	43,107
Net cash provided from financing activities	5,081	43,107
Net increase in cash and cash equivalents	2,297,805	243,498
Foreign exchange effect on cash	(489,709)	979,313
Cash and cash equivalents at the beginning of the period	8,120,403	6,897,592
Cash and cash equivalents at the end of the period	9,928,499	8,120,403

Notes to the financial statements

1 Nature of operations and general information

Permanent Establishment of the SAFEGE SJSC in Georgia (the "Company") was incorporated on 10 September 2015 as a permanent establishment company (registration and tax ID:202471173 by the National Agency of Public Registry in accordance with the Law of Georgia on Entrepreneurs.

The Company operates architectural Activities, in particular the construction of wastewater treatment facilities.

Since from founding of the Company SAFEGE SA (ID: FR542021829) is 100% shareholder of the Company.

The average number of employees of the Company during 2021 was 14 employees (2020: 14 employees).

The registered place of the Company is Ardoni Street, Tbilisi, Georgia.

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 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's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

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 3.0976 Georgian lari for 1 US dollar and 3.5040 Georgian lari for 1 euro as of 31 December 2021 (31 December 2020: 3.2766 Georgian lari for 1 US dollar and 4.0233 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).

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 during the accounting period, the Company 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 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 service in the ordinary course of the Company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts.

The Company 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's activities, as described below:

Provided Service

The main activities of the company are the construction of water treatment pipes and facilities (Rehabilitation of Wastewater Treatment Plants), architectural and Supervision works.

4 Property and equipment

Georgian lari	Office equipment	Furniture and fixtures	Vehicles	Total
Cost				
As of 1 January 2020	14,922	2,100	43,953	60,975
As of 31 December 2020	14,922	2,100	43,953	60,975
As of 31 December 2021	14,922	2,100	43,953	60,975
Accumulated depreciation				
As of 1 January 2020	10,423	1,233	26,865	38,521
Charge for the year	3,270	396	7,946	11,612
As of 31 December 2020	13,693	1,629	34,811	50,133
Charge for the year	1,183	346	9,143	10,672
As of 31 December 2021	14,876	1,975	43,954	60,805
Carrying amount				
As of 31 December 2020	1,229	471	9,142	10,842
As of 31 December 2021	46	125	1	170

5 Trade and other receivables

Georgian lari	As of 31 December 2021	As of 31 December 2020
Trade receivables	555,179	936,773
Other receivables	2,393	1,669
Prepayments	3,608	6,713
Prepayment to the state budget	15,848	-
Total trade and other receivables	577,028	945,155

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

6 Cash and bank balances

Georgian lari	As of 31 December 2021	As of 31 December 2020
Cash at bank in national currency	478,060	51,873
Cash at bank in foreign currency	9,450,439	8,068,530
Total cash and cash equivalents	9,928,499	8,120,403

7 Trade and other payables

Georgian lari	As of 31 December 2021	As of 31 December 2020
Trade payables	123,397	313,829
Liability to head office	4,686,015	3,306,862
Total trade and other payables	4,809,412	3,620,691

All amounts are short-term. The coverage period of the trade payables is approximately 1-2 months.

8 Cost of sales

Georgian lari	Year ended 31 December 2021	Year ended 31 December 2020
International experts	1,872,054	3,883,040
Subcontractor expenses	1,447,251	1,754,426
Local specialist’s salary	250,609	273,542
Laboratory service fee	46,311	837
Insurance	30,530	11,965
Pension expense for local experts	820	557
Repair and maintenance	-	229
Total cost of sales	3,647,576	5,924,596

9 General and administrative expenses

Georgian lari	Year ended 31 December 2021	Year ended 31 December 2020
Management fee	1,051,861	675,818
Support staff	232,323	195,531
Consulting fees	81,543	97,275
Accommodation fee for freelancers	52,808	87,721
Office rent	47,325	47,320
Accommodation fee for local staff	25,285	6,793
Employ benefit	24,531	14,202
Car running costs	22,707	22,580
Depreciation and amortization	10,672	11,612
Communication costs	7,701	7,845
Office supplies	6,985	4,800
Bank charges for France account	6,783	5,590
Office utilities	5,276	4,087
Computer's expenses	4,759	-
Pension expense for support staff	4,248	3,991
Financial costs	3,438	3,468
Membership expenses	2,501	-
Other costs	2,986	15,570
Office stationaries	1,536	2,506
Representation costs	1,224	-
Office charges	900	3,966

Georgian lari	Year ended 31 December 2021	Year ended 31 December 2020
Expedition costs	839	99
Other transport costs	556	664
Total	1,598,788	1,211,438

10 Gain/(loss) from exchange differences

Georgian lari	Year ended 31 December 2021	Year ended 31 December 2020
Amortized cost of financial assets	(719,129)	1,097,102
Amortized cost of financial liabilities	233,511	(318,862)
Total gain/(loss) from exchange differences	(485,618)	778,240

11 Subsequent events

After the reporting period, there were no such events that need to be reflected in the explanatory notes to the financial statements.

12 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

12.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. 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.

Useful lives of property and equipment

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

13 Related parties

The Company's related parties include its parent company, SAFEGE SA (ID: FR542021829), registered in France.

Since from founding of the Company is controlled by SAFEGE SA (ID: FR542021829), which is 100% shareholder of the Company, and on the other hand, SUEZ SA (ID: 901644989) is the 100% shareholder of the SAFEGE SA.

Georgian lari	Year ended 31 December 2021	Year ended 31 December 2020
Liability to Head Office	4,686,015	3,306,862

During the reporting year the parent company provides management and disbursement services to the Permanent Establishment and these operations are accounted based on debit notes.

Key management (director) accrued salary for the year 2021 was GEL 17,877. As for 2020, we didn't pay the salary for a director.