Financial Statements and Compilation Report

SADE_COMPAGNIE GENERALE DE TRAVAUX D’HYDRAULIQUE Branch in Georgia

31 December 2021

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Statement of Financial Position

In Georgian Lari	Note	As of 31 December 2021	As of 31 December 2020
Assets			
Non-current assets			
Property and equipment	4	25,797	56,784
Intangible assets		753	1,001
Total non-current assets		**26,550**	**57,785**
Current-assets			
Prepayments	5	785,660	2,464,764
Prepayment to the state budget		42,401	41,990
Inventories		24,378	134,595
Trade and other receivables	6	16,841,136	23,033,241
Cash and cash equivalents	7	15,050	112,262
Total current assets		**17,708,625**	**25,786,852**
Total assets		**17,735,175**	**25,844,637**
Liabilities and equity			
Equity			
Previous periods accumulated Losses		(36,349,818)	(23,614,837)
Current period income and losses		(603,107)	(12,734,981)
Total Equity		**(36,952,925)**	**(36,349,818)**
Non-current liabilities			
Long-term provisions	8	4,463,044	4,058,459
Total non-current liabilities		**4,463,044**	**4,058,459**
Current-Liabilities			
Advances received		-	5,190,723
Trade and other payables	9	50,225,056	52,945,273
Total current liabilities		**50,225,056**	**58,135,996**
Total liabilities		**54,688,100**	**62,194,455**
Total liabilities and equity		**17,735,175**	**25,844,637**

Financial Director:

Signature:

Statement of profit or loss and other comprehensive income

In Georgian Lari	Note	Year ended 31 December 2021	Year ended 31 December 2020
Revenue		218,684	4,209,082
Cost of sales	10	(1,979,500)	(11,526,802)
Gross profit		**(1,760,816)**	**(7,317,720)**
General and administrative expenses	11	(1,521,093)	(945,978)
Operating profit		**(3,281,909)**	**(8,263,698)**
Other non-operating income		8,930	4,916
Other non-operating expenses		-	(649,949)
Gain/(loss) from exchange differences	12	2,669,872	(3,826,148)
Profit before tax		**(603,107)**	**(12,734,879)**
Income tax expense		-	(102)
Net profit for the period		**(603,107)**	**(12,734,981)**
Other comprehensive income		-	-
Total other comprehensive income for the period		**(603,107)**	**(12,734,981)**

Statement of changes in equity

In Georgian Lari	Accumulated profit/(loss)	Total Equity
As of January 01, 2020	**(23,614,837)**	**(23,614,837)**
Loss for the year	(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)**
Loss for the period	(603,107)	(603,107)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(603,107)	(603,107)
As of December 31, 2021	**(36,952,925)**	**(36,952,925)**

Statement of cash flows

In Georgian Lari	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Profit for the year	(603,107)	(12,734,981)
Adjustments to the following articles:		
Depreciation and amortization	39,967	82,773
Profit tax expense	-	102
Change in provisions	404,585	386,256
Gain/(loss) from exchange differences	(2,669,872)	3,826,148
	(2,828,427)	***(8,439,702)***
Change in trade and other receivables	5,005,937	(3,216,242)
Change in prepayments	1,679,104	167,006
Change in inventories	110,217	138,347
Change in advances received	(5,190,723)	(634,332)
Change in trade and other payables	1,139,911	11,049,951
Change in Prepayment to the State Budget	(411)	276,057
Cash generated from operations	**(84,392)**	**(658,915)**
Paid income tax	-	(102)
Net cash from operating activities	**(84,392)**	**(659,017)**
Cash flows from investing activities		
Purchase of intangible assets		
Purchase of property and equipment	(9,220)	(2,609)
Sale of property and equipment	488	4,608
Net cash provided from investing activities	**(8,732)**	**1,999**
Net cash provided from financing activities	**-**	**-**
Net decrease in cash and cash equivalents	**(93,124)**	**(657,018)**
Foreign exchange effect on cash	**(4,088)**	**88,669**
Cash and cash equivalents at the beginning of the period	112,262	680,611
Cash and cash equivalents at the end of the period	**15,050**	**112,262**

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 2021 and 31 December 2020 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 2021 was 20 employees (2020: 51 employees).

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

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 3.0976 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), 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 bank balances

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 as of 1 January 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 as of 31 December 2020	**34,705**	**6,560**	**92,677**	**112,410**	**39,347**	**285,699**
Accumulated depreciation						
Accumulated depreciation as of 1 January 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 as of 31 December 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**
Historical cost as of 1 January 2021	34,705	6,560	92,677	112,410	39,347	285,699
Additions 2021	-	-	-	-	9,220	9,220
Disposals	(488)	-	-	-	-	(488)
Historical Cost as of 31 December 2021	**34,217**	**6,560**	**92,677**	**112,410**	**48,567**	**294,431**
Accumulated depreciation						
Accumulated depreciation as of 1 January 2021	28,438	6,560	67,584	98,874	27,459	228,915
Depreciation 2021	4,638	-	20,085	6,247	8,749	39,719
Accumulated depreciation as of 31 December 2021	**33,076**	**6,560**	**87,669**	**105,121**	**36,208**	**268,634**
Net book value						
Net book value 01.01.2021	**6,267**	**-**	**25,093**	**13,536**	**11,888**	**56,784**
Net book value 31.12.2021	**1,141**	**-**	**5,008**	**7,289**	**12,359**	**25,797**

5 Prepayments and Other Short Term Assets

GEL	As of 31 December 2021	As of 31 December 2020
Prepayments to sub-contractor	779,022	2,330,365
Prepaid insurance	4,419	2,348
Other prepayments	2,219	132,051
Net prepayments and other short term assets	**785,661**	**2,464,764**

6 Trade and other receivables

GEL	As of 31 December 2021	As of 31 December 2020
Receivables to Head Office	15,625,098	20,399,812
Trade Receivables	1,193,385	2,630,679
Other Receivables	22,653	2,750
Net trade and other receivables	**16,841,135**	**23,033,241**

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 2021	As of 31 December 2020
Cash at bank in national currency	11,578	18,808
Cash at bank in foreign currency	3,472	93,454
Total cash and cash equivalents	**15,050**	**112,262**

8 Long-Term Provisions

GEL	As of 31 December 2021	As of 31 December 2020
Provision for Bad Debts	22,653	1,005,882
Provision for Defects Notification Period	635,963	635,963
Provision For Contract Losses And Penalty	3,804,428	2,416,614
Total long-term provisions	**4,463,044**	**4,058,459**

9 Trade and other payables

GEL	As of 31 December 2021	As of 31 December 2020
Trade payables	305,374	809,450
Liability to Head Office	49,919,683	52,037,918

Wages Payable	-	97,905
Total trade and other payables	**50,225,057**	**52,945,273**

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 2021	As of 31 December 2020
Direct salary	915,824	2,781,500
Cost of goods used	309,993	2,688,375
Expenses from subcontractor	218,684	2,388,918
Project design & consulting exp.	189,461	316,797
Topographical and geotechnical expenses	127,533	902,604
Project utilities	115,632	44,566
Other direct expenses	46,249	660,816
Indirect materials	22,093	166,720
Transportation and use of technique	14,844	1,394,237
Technic rent expense	9,838	157,406
Project insurance	9,351	24,863
TOTAL	**1,979,500.00**	**11,526,802.00**

11 General and Administrative Expenses

GEL	As of 31 December 2021	As of 31 December 2020
Consulting and legal expenses	617,786	205,763
68150600_PROVISION FOR SERVICES TO PROVIDE IN 2022	208,885	-
62899900 - Provision for management charges in 2021Y	195,700	-
Salary Expense	163,195	637,409
Office rent expenses	151,879	180,055
Interface -Financial /Bank Guarantees	45,811	81,011
Vehicle rent, maintenance and insurance expenses	43,942	124,049
Depreciation and amortization	39,967	82,773
Internet and mobile telecommunication expense	12,980	19,109
Bank charges	10,965	52,463
61350400_Printers and devices cost	6,691	17,011
Business trip expenses	6,276	61,358
Representative Expenses	5,047	4,353
Post office expenses	3,997	12,279
Membership fees	2,655	2,312
Stationary cost	2,058	48,168
Health Insurance	1,683	6,422
Other expenses	1,503	1,288
61550100_Other computer expenses	1,302	5,710
Property Tax expenses	1,113	1,113

Transportation / Travel expenses	780	782
Translation and other Documentary expenses	23	25,502
Profit Tax	11	-
Development costs	-	40,796
Low Value Equipment	-	1,561
Estimated Loss At Completion	-	(4,091,753)
Provision For Penalty	-	3,472,127
Interface overheads expenses	-	(45,564)
Discount for the end of year	(3,154)	(119)
TOTAL	**1,521,093**	**945,978**

12 Gain/(loss) from exchange differences

GEL	As of 31 December 2021	As of 31 December 2020
Amortized cost of Financial Assets	(1,190,256)	1,129,922
Amortized cost of Financial Liabilities	3,860,128	(4,956,070)
Total Profit/Loss from the Net Foreign Exchange gain/(loss)	**2,669,872**	**(3,826,148)**

13 Subsequent events

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

14 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.

Related parties

The Company's related parties include its parent company, Joint Stock Company SADE-COMPAGNIE GENERALE DES TRAVAUX D'HYDRAULIQUE, 562 077 503 /France/.

During the reporting year, the parent company provides management services to the branch in Georgia and these operations are accounted based on debit notes.