LLC Anagi Mechanization

Financial Statements and
Independent Auditor’s Report
For Year Ended 31 December 2018

LLC ANAGI MECHANIZATION

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LLC ANAGI MECHANIZATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of Anagi Mechanization LLC (the "Company") as at 31 December 2018 and the results of its operations, changes in equity and cash flows for the year ended 31 December 2018, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

Financial statements of the Company for the year ended 31 December 2018 were approved by the management on 26 September 2018.

On behalf of the Management:

______________________________	______________________________
Irakli Melimonadze	**Minerva Gatenadze**
General Director	**Accountant**
Tbilisi, Georgia	Tbilisi, Georgia
26 September 2018	26 September 2018

LLC ANAGI MECHANIZATION

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On behalf of the Management:

Irakli Melimonadze
General Director

Tbilisi, Georgia
26 September 2018

 მ. გატენაძე

Minerva Gatenadze
Accountant

Tbilisi, Georgia
26 September 2018

Deloitte.

Deloitte & Touche LLC
King David Business Center
12 Merab Aleksidze Street
Tbilisi, 0171, Georgia

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INDEPENDENT AUDITOR'S REPORT

To the Owner and Management of LLC Lugo:

Opinion

We have audited the financial statements of LLC Anagi Mechanization (hereinafter the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2018, 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 31 December 2018 and its financial performance and its cash flows for the year ended 31 December 2018 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* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report but does not include the financial statements and our auditor's report thereon. The management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 International Financial Reporting Standards ("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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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.

Leighton, Stuart
On behalf of Deloitte and Touche LLC

26 September 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(In Georgian Lari)

	Notes	2018	2017
Revenue	6	4,813,506	4,734,559
Cost of sales	7	(3,538,105)	(3,465,339)
Gross profit		1,275,401	1,269,220
General and administrative expenses	8	(338,770)	(305,514)
Finance cost		(5051)	(256,995)
Other income / (expense), net		(3,837)	1,681
Profit before income tax		**927,743**	**708,392**
Income tax benefit / (expense)		-	-
PROFIT FOR THE YEAR		**927,743**	708,392
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**927,743**	**708,392**

On behalf of the Management:

____
Irakli Melimonadze
General Director

Tbilisi, Georgia
26 September 2018

____
Minerva Gatenadze
Accountant

Tbilisi, Georgia
26 September 2018

The notes on pages 12-29 form an integral part of these financial statements.

LLC ANAGI MECHANIZATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Georgian Lari)

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On behalf of the Management:

Irakli Melikonadze
General Director

Tbilisi, Georgia
26 September 2018

Minerva Gatenadze
Accountant

Tbilisi, Georgia
26 September 2018

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LLC ANAGI MECHANIZATION

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Georgian Lari)

	Notes	31 December 2018	31 December 2017	1 January 2017
ASSETS				
Property, plant and equipment	9	5562296	6237915	7084818
Inventories	10	157064	292553	148700
Trade and other receivables	11	1989463	82673	313819
Prepayments	12	62849	30762	95727
Cash and cash equivalents	13	4085	5487	2498
TOTAL ASSETS		**7775757**	**6649390**	**7645562**
OWNERS' EQUITY AND LIABILITIES				
OWNER'S EQUITY:				
Charter capital		2674038	2674038	2674038
Retained earnings		3828737	2900994	2744230
TOTAL OWNERS' EQUITY		**6502775**	**5575032**	**5418268**
Deferred income tax liability		0	0	0
Borrowings	15	337678	331958	2152574
Trade and other accounts payables	14	397189	159034	74720
Taxes payable other than income tax		538115	583366	0
Income tax payable		0	0	0
TOTAL LIABILITIES		**1272982**	**1074358**	**2227294**
TOTAL OWNERS' EQUITY AND LIABILITIES		**7775757**	**6649390**	**7645562**

On behalf of the Management:

___________________________________ ___________________________________

Irakli Melimonadze
General Director

Tbilisi, Georgia
26 September 2018

Minerva Gatenadze
Accountant

Tbilisi, Georgia
26 September 2018

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On behalf of the Management:

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General Director

Tbilisi, Georgia
26 September 2018

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Minerva Gatenadze
Accountant

Tbilisi, Georgia
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LLC ANAGI MECHANIZATION

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Georgian Lari)

	Charter capital	Retained earnings	Total
Balance at 1 January 2016	**2,674,038**	**1,171,348**	**3,845,386**
Total comprehensive income for the year	-	1,021,254	1,021,254
Balance at 31 December 2016	**2674038**	**2192602**	**4866640**
Total comprehensive income for the year	0	708392	708392
Balance at 31 December 2017	**2674038**	**2900994**	**5575032**
Total comprehensive income for the year	0	927743	927743
Balance at 31 December 2018	**2674038**	**3828737**	**6502775**

On behalf of the Management:

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Irakli Melimonadze
General Director

Tbilisi, Georgia
26 September 2018

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Minerva Gatenadze
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Tbilisi, Georgia
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Total comprehensive income for the year	0	927743	927743
Balance at 31 December 2018	**2674038**	**3828737**	**6502775**

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Tbilisi, Georgia
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LLC ANAGI MECHANIZATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Georgian Lari)

	Notes	2018	2017	2016
Cash flow from operating activities				
Receipts from trade customers		3675221	3621865	5130220
Payments to suppliers		-1196202	-1364402	-1006270
Payments to employees		-1169684	-1200241	-982827
Cash generated from operations		1309335	1057222	3141123
Income tax paid		0	0	-47244
Interest Paid		0	0	-87587
Taxes paid other than on income tax		-978912	-764204	-653218
Net cash generated from operating activities		330423	293018	2353074
Cash flows from investing activities				
Payments for property, plant and equipment		-331825	-290029	-2405059
Net cash used in investing activities		-331825	-290029	-2405059
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0	-13091
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		-1402	2989	-65076
CASH AND CASH EQUIVALENTS, at beginning of the period		5487	2498	67,574
CASH AND CASH EQUIVALENTS, at end of the period	18	**4085**	**5487**	**2498**

On behalf of the Management:

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Tbilisi, Georgia
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Tbilisi, Georgia
26 September 2018

Minerva Gatenadze
Accountant

Tbilisi, Georgia
26 September 2018

The notes on pages 12-29 form an integral part of these financial statements.

1. GENERAL INFORMATION

LLC Anagi Mechanization (the “Company”) was incorporated on 28 March 2013 in Georgia by LLC Anagi. The principal activity of the Company is construction equipment rent.

As at 31 December 2017 and 2016 and 1 January 2016 the following shareholders were ultimate owners of the Company:

Shareholder	31 December 2018	31 December 2017	1 January 2017
LLC Anagi	60.0%	60.0%	60.0%
Ibrahim Shalikadze	25.0%	25.0%	25.0%
Davit Shalikadze	10.0%	10.0%	10.0%
Jambul Shalikadze	5.0%	5.0%	5.0%

The Company’s principal and registered address is at #42 Vazha Pshavela street, Batumi, Georgia.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Amendments to IFRSs affecting amounts reported in the separate financial statements

In 2018, the following new and revised standards and interpretations have been adopted:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications);

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

The core principle of IFRS 15 is that a company should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the company satisfies a performance obligation.

Under IFRS 15, a company recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company has adopted IFRS 15 effective from 1 January 2018 using modified retrospective method. The application of this standard has had no effect on the Company's financial statements.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 *Leases*[1]*;*
- IFRS 17 *Insurance Contracts*[2]*;*
- Amendments to IFRS 9 – *Prepayment Features With Negative Compensation*[1]
- Amendments to IAS 28 – *Long-Term Interests in Associates and Joint Ventures*[3];
- Annual Improvements to IFRSs 2015-2017 Cycle[1].
- Amendments to IAS 19 Employee Benefits[3];
- IFRIC 23 *Uncertainty Over Income Tax Treatments*[4]*;*
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]*;*

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[2] Effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted.
[3] Effective for annual reporting periods beginning on or after 1 January 2019 retrospectively. Earlier application is permitted.
[4] Effective for annual periods beginning on or after 1 January 2019 with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.
[5] The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

Except for the below listed items the Company does not anticipate that new and revised IFRSs in issue but not effective will have impact on the financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.
The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted

for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Company does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Company's financial statements, however at present, it is not practicable to provide reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The management of the Company does not anticipate that the application of the amendments to IFRS 9 will have a significant impact on the Company's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

Annual Improvements to IFRSs 2015-2017 Cycle makes amendments to several standards.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All amendments are effective for annual periods beginning on or after 1 January 2019.

The management does not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The management of the Company does not anticipate that the application of the amendments will have a significant impact on the Company's financial statements

4. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation – These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these preliminary financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Functional and presentation currency - The national currency of Georgia is the Georgian Lari ("GEL"), which is the functional currency of the Company, its subsidiaries and associates and the currency in which the Company's financial statements are presented.

Foreign currencies - In preparing financial statements of each individual company entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing by National Bank of Georgia at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing by National Bank of Georgia at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing by National Bank of Georgia at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

The exchange rates used by the Company in the preparation of the financial statements as at year-end are as follows:

	31 December 2018	31 December 2017	1 January 2017
GEL/1 US Dollar	2.6766	2.5922	2.6468
GEL/1 Euro	3.0701	3.1044	2.7940

Property, plant and equipment - Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. Costs of minor repairs and maintenance are expensed when incurred.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the statement of profit or loss and other comprehensive income within other operating income and expenses.

Depreciation - Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Categories of property, plant and equipment	Depreciation rates
Machinery	20%
Vehicles	20%
Buildings	5%
Office equipment	20%

Construction in progress is not depreciated until it will be ready for use.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment of tangible and intangible assets - At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 been recognized for the asset (or cash- generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss.

Prepayments - Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Income taxes - Income taxes have been provided for in accordance with Georgian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses. The Company´s liability for current tax is calculated as a sum of tax liability of each entity.

In May 2016, the parliament of Georgia approved a change in the current corporate taxation model, with changes applicable on 1 January 2017 for all entities apart from certain financial institutions. The changed model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the company's profit before tax, regardless of the retention or distribution status. The change has had an immediate impact on deferred tax asset and deferred tax liability balances attributable to previously recognized temporary differences arising from prior periods.
Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial reports are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within operating expenses.

The amendments to the Georgian tax law described above also provide for charging income tax on certain transactions that are considered as profit distributions, e.g. some transactions at non-market prices, non-business related expenses or supply of goods and services free of charge. Taxation of such transaction is outside scope of IAS 12 Income Taxes and is accounted similar to taxes other than on income starting from 1 January 2017 in accordance with IAS 37 provisions when respective transactions occur; respective reimbursements if any are recognized as assets when the reimbursement is virtually certain.

Value added tax ('VAT') - Output VAT related to sales is payable to tax authorities upon delivery of the goods to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis per each Company entity and disclosed as either an asset or a liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

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

Financial instruments - key measurement terms - Financial instruments are carried at amortised cost as described below:

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The *effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial assets - The Company classifies its financial assets into “loans and receivables” measurement category.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets.

The Company’s loans and receivables comprise construction receivables, trade and other receivables, loans issued, term deposit in banks, cash and cash equivalents.

Trade and other receivables and loans issued - Construction receivables, trade and other receivables, term deposit in banks and loans issued are carried at amortised cost using the effective interest method.

Cash and cash equivalents - Cash and cash equivalents comprise cash on hand and cash deposited in banks due on demand or with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost - Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

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 expire 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 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 and equity instruments

Classification as debt or equity - Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities - The Company's financial liabilities include trade and other payables and borrowings.

Trade and other payables - Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade payables are stated inclusive of value added tax.

Borrowings - Borrowings are recognised initially at their fair values less transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument. Subsequent to initial recognition, borrowings are carried at amortised cost using the effective interest method, with any difference between the amount at initial recognition and redemption amount being recognised in profit or loss as an interest expense over the period of the borrowings.

Initial recognition of financial instruments - All financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Charter capital - The amount of authorised charter capital is defined by the Company's charter. The changes in the Company's charter shall be made only based on the decision of the Company's owner. The authorised capital is recognised as charter capital in the equity of the Company to the extent that it was contributed by the owner to the Company.

Dividends - Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Provisions for liabilities and charges - Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Revenue recognition - Company generates revenue from construction equipment rent.

Sale of goods - Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Finance income and expenses - Finance income and expenses comprise interest expense on borrowings, interest income on loans issued and foreign exchange gains and losses that relate to borrowings and cash and cash equivalents.

Employee benefits - Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments.

Offsetting - Financial assets and liabilities are offset and the net amount reported 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Initial recognition of related party transactions - In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Related party balances are disclosed in Note 23.

Useful lives of property, plant and equipment - The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Tax legislation and accounting for provisions - The Company's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the statement of financial position date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date. Actual charges could differ from these estimates.

Allowance for doubtful debts - The Company creates allowances for doubtful debts to account for estimated losses resulting from the inability of customers to make the required payments or suppliers to deliver agreed products or service. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimate on current overall economic conditions, ageing of the receivables and prepayments balances, historical write-off experience, customer and supplier creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer and supplier conditions may require adjustments to the allowance for doubtful debts recorded in the financial statements.

Valuation of investment property - The fair value of investment property is determined by Company's internal valuators which have appropriate experience in the valuation of properties in the relevant locations. Company has adopted a Comparison Method for valuation of the investment property. Under this method fair value of property is determined with reference to prices established on similar properties during most recent transactions.

Provision for obsolete inventory - Management is required to exercise judgement in estimating the provision for obsolete stock resulting from change in technology, regulatory requirements and stock nearing expiry dates.

6. REVENUE

During the years ended 31 December 2018 and 2017 revenue of the Company consisted of:

	2018	2017
Revenue from construction equipment rent	4,813,506	4,734,559
Total	**4,813,506**	**4,734,559**

7. COST OF SALES

During the years ended 31 December 2018 and 2017 cost of sales of the Company consisted of:

	2018	2017
Depreciation and amortization	1,177,041	1,423,130
Payroll expenses	1,190,314	1,237,189
Inventory cost	1,015,394	652,242
Service cost	145,186	140,948
Rent expense	10,170	11,830
Total	**3,538,105**	**3,465,339**

8. GENERAL AND ADMINISTRATIVE EXPENSES

During the years ended 31 December 2018 and 2017 general and administrative expenses consisted of:

	2018	2017
Payroll Expenses	285,971	205,977
Bad debt expense/(Recovery of provision)	(7505)	12,310
Depreciation and Amortization	1,201	7,411
Property tax	58,994	66,786
Insurance expenses		1,511
Bank expenses	109	1,066
Rent expense		10,170
Other		283
Total	**338,770**	**305,514**

9. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the years ended 31 December 2018 and 2017 and 1 January 2017 was as follows:

	Machinery	Vehicles	Office equipment	Total
Cost at 1 January 2016	**2738239**	**3623372**	**4362**	**6365973**
Additions	1902924	1416229	1318	3320471
Disposals	0	0	-185	-185
Cost at 1 January 2017	**4641163**	**5039601**	**5495**	**9686259**
Additions	260224	359196	1029	620449
Disposals	0	-48385	0	-48385
Cost at 31 December 2017	**4901387**	**5350412**	**6524**	**10258323**
Additions	352096	160423	1678	514197
Disposals	0	0	0	0
Cost at 31 December 2018	**5253483**	**5510835**	**8202**	**10772520**
Accumulated depreciation at 1 January 2016	**912360**	**731951**	**1600**	**1645911**
Charge for the year	399078	555477	975	955530
Accumulated depreciation at 31 December 2016	**1311438**	**1287428**	**2575**	**2601441**
Charge for the year	806500	622749	1292	1430541
Disposals	0	-11574	0	-11574
Accumulated depreciation at 31 December 2017	**2117938**	**1910177**	**3867**	**4031982**
Charge for the year	573787	603254	1201	1178242
Disposals				
Accumulated depreciation at 31 December 2018	**2691725**	**2513431**	**5068**	**5210224**
Net carrying amounts				
As at 1 January 2017	**3329725**	**3752173**	**2920**	**7084818**
As at 31 December 2017	**2783449**	**3440235**	**2657**	**6226341**

As at 31 December 2018	**2561758**	**2997404**	**3134**	**5562296**

As at 31 December 2018 and 2017 cost of fully depreciated assets included in property, plant and equipment was GEL 561,225 and GEL 726,723 respectively.

10. Inventories	**31 December 2018**	**31 December 2017**	**1 January 2017**
Spare parts and consumables	157064	292553	148700
Total	**157064**	**292553**	**148700**

11. trade and other receivables	**31 December 2018**	**31 December 2017**	**1 January 2017**
Trade receivable	2008859	111417	165446
Due from employees	3630	1787	2014
Prepaid taxes other than income tax	0	0	164580
Less: allowance for irrecoverable amounts	(23026)	(30531)	(18221)
Total	**1989463**	**82673**	**313819**

The average credit period for the Company's customers as at 31 December 2018 and 2017 was 6 and 5 days respectively.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the allowance for irrecoverable amounts:

	31 December 2018	**31 December 2017**
Balance at ther beginning of the year	(30,531)	(18,221)
Impairment losses recognized on receivables		(12,310)
Recovery of receivables provisioned	7,505	-
Balance at the end of the year	**(23,026)**	**(30,531)**

12. Prepayments

	31 December 2018	31 December 2017	1 January 2017
Prepayments to suppliers	62 849	30 762	95 727
Prepaid taxes	-	-	164 580
Total	**62 849**	**30 762**	**2607**

13. cash and cash equivalents

	31 December 2018	31 December 2017	1 January 2017
Cash in bank	4,085	5,487	2498
Total	**4,085**	**5,487**	**2498**

14. Trade and other payables

	31 December 2018	31 December 2017	1 January 2017
Trade payables for service	375	3480	30696
Trade payables for Property, plant and equipment	335384	93575	0
Salary Payable	61430	41979	44024
Trade payables for inventory	0	20000	0
Total	**397189**	**159034**	**74720**

15. BORROWINGS

	Interest rate	Maturity	31 December 2018	31 December 2017
LLC Anagi	12%	20/12/2019	337,678	331,958
Total loans issued			**337,678**	**331,958**
Principal			47,599	47,599
Interest accrued			290,079	284.359
Total			**337,678**	**331,958**

16. FINANCIAL INSTRUMENTS

Fair value measurements- 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 estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The fair values of the financial assets and liabilities are included in Level 3 category and have been determined in accordance with below described methodology.

Financial assets carried at amortised cost - The estimated fair value of fixed interest rate instruments is 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. Discount rates used depend on credit risk of the counterparty. Carrying amounts of construction receivable, trade and other accounts receivable, loans issued and other financial assets approximate fair values due to their short term maturities.

Liabilities carried at amortised cost - The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Management of the Company considers that the carrying amounts of financial liabilities recorded in the financial statements approximate their fair values.

Capital risk 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, as well as taking of new borrowings or redemption of existing ones.

The gearing ratio at end of the reporting period was as follows:

	31.Dec.18	31.Dec.17	01.Jan.17
Borrowings	337,678	331,958	2,152,574
Cash and cash equivalents	-4,085	-5,487	-2,498
Net borrowings	333,593	326,471	2,150,076
Equity	6,502,775	5,575,032	5,418,268
Net debt to equity ratio	5.1%	5.9%	39.7%

Major categories of financial instruments – The Company's principal financial liabilities comprise borrowings, and trade and other accounts payable. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has following financial assets: Cash and cash equivalents, trade and other accounts receivable.

	31.Dec.18	31.Dec.17	01.Jan.17
Financial assets			
Cash and cash equivalents	4,085	5,487	2,498
Trade and other receivables	1,989,463	82,672	147,225
Total financial assets	**1,993,548**	**88,159**	**149,723**

	31.Dec.18	31.Dec.17	01.Jan.17
Financial liabilities			
Trade and other payables	397,189	159,034	74,720
Borrowings	337,678	331,958	2,152,574
Total financial liabilities	**734,867**	**490,992**	**2,227,294**

The main risks arising from the Company's financial instruments are foreign currency, interest rate, credit and liquidity risks.

Foreign currency risk – Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company undertakes certain transactions denominated in foreign currencies. The Company does not use any derivatives to manage foreign currency risk exposure.

As at the end of each reporting period the company did not have financial assets denominated in foreign currency.

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company has limited exposure to the interest rate risk as it borrows funds only at fixed interest rates.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company 's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk – Credit risk is the risk that a customer may default or not meet its obligations to the Company on a timely basis, leading to financial losses to the Company.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk. All clients go through client acceptance procedures before forming an agreement with the Company and, as a result, only creditworthy clients are selected. The Company also establishes credit limits to its customers.

Liquidity risk – Liquidity risk is the risk that the Company will not be able to settle all liabilities as they are due.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as at 31 December 2018 and 31 December 2017. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Such undiscounted cash flows differ from the amount included in the statement of financial position because this amount is based on discounted cash flows. The tables include both interest and principal cash flows.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2018						
Trade and other payables	397,189	-	-	-	-	397,189
Borrowings			337,678			337,678
	397,189	**-**	**337,678**	**-**	**-**	734,867
31 December 2017						
Trade and other payables	159,034	-	-	-	-	159,034
Borrowings			331,958			331,958
	159,034	-	**281,180**	**-**	**-**	**490,992**

17. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include owners, entities under common ownership and control with the Company and members of key management personnel.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.
In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following balances and transactions with related parties:

	Owners	Entities under common control	Other	Total
Trade and other receivables	1,876,740	3,285	-	1,880,025
Borrowings	(337,678)	-	-	(337,678)
Trade and other payables	(107,612)	-	-	(107,612)
Revenue	4,436,255	13,080	-	4,449,335
Finance cost	290,079	-	-	290,079
Purchases	10,169	-	-	10,169

	Owners	Entities under common control	Other	Total
Trade and other receivables	-	10,828	-	10,828
Borrowings	(281,180)	-	-	(281,180)
Trade and other payables	(93,575)	-	-	(93,575)
Revenue	4,675,624	4,881	-	4,680,505
Finance cost	227,137	-	-	227,137

The compensation of the key management personnel, represented with short-term employee benefits, for the year ended 31 December 2018 and 2017 was GEL 49,000 and GEL 48,750 respectively.

18. EVENTS AFTER THE REPORTING PERIOD

No significant events after the reporting period were occurred.