

JEU Group LLC

**International Financial Reporting Standard for
Small and Medium-sized Entities (IFRS for SMEs)
Financial Statements and
Independent Auditor's Report**

31 December 2017

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Owners and Management of JEU Group LLC

Our opinion

In our opinion, JEU Group LLC's financial statements (the 'financial statements') present fairly, in all material respects, the financial position of JEU Group LLC (the 'Company') as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

What we have audited

The financial statements comprise:

- the statements of financial position as at 31 December 2017;
- the statements of comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. Other information comprises Management Report prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing (but does not include the financial statements and our auditor's report thereon), which 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, including the Management Report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

In addition, we are required to express an opinion whether certain parts of Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

We will issue our updated report where we will either state that we have nothing to report in respect of the above or describe any material misstatements identified by us in the Management Report based on our knowledge of the reporting entity and its circumstances, which we obtained during our audit. Our updated report will include also our opinion mentioned in the preceding paragraph.

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 IFRS for SMEs and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, 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 scepticism 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.

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.

PricewaterhouseCoopers Georgia LLC

For and on behalf of PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

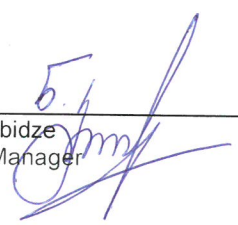
Lasha Janelidze (Reg.# SARAS-A-562091)

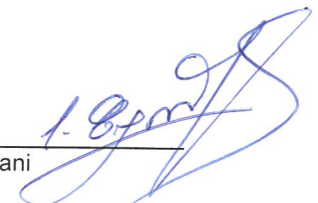
8 August 2018
Tbilisi, Georgia

JEU GROUP LLC**Statement of Financial Position***(Amounts expressed in Georgian Lari)*

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	7,191,513	1,966,941
Intangible assets		8,108	3,633
Restricted cash	7	971,279	295,152
Total non-current assets		8,170,900	2,265,726
Current assets			
Inventories	8	431,454	209,554
Trade and other receivables	10	4,178,762	1,628,900
Issued loans	9	94,943	94,943
Restricted cash	11	66,620	7,501
Cash and cash equivalents	11	90,680	163,994
Total current assets		4,862,459	2,104,892
TOTAL ASSETS		13,033,359	4,370,618
EQUITY			
Charter capital	12	-	225,200
Retained earnings		426,987	741,960
TOTAL EQUITY		426,987	967,160
LIABILITIES			
Non-current liabilities			
Borrowings	13	3,002,875	532,046
Deferred gain from sale and lease back		246,305	212,148
Total non-current liabilities		3,249,180	744,194
Current liabilities			
Borrowings	13	3,661,860	1,191,687
Trade and other payables	14	5,396,511	1,221,328
Deferred gain from sale and lease back		64,986	54,400
Other taxes payable, net		233,835	191,849
Total current liabilities		9,357,192	2,659,264
TOTAL LIABILITIES		12,606,372	3,403,458
TOTAL LIABILITIES AND EQUITY		13,033,359	4,370,618

Approved for issue and signed on behalf of Management on 8 August 2018 by:


 Nino Kikabidze
 General Manager


 Salome Zurebiani
 Accountant

JEU GROUP LLC
Statement of Comprehensive Income
(Amounts expressed in Georgian Lari)

	Notes	2017	2016
Revenues	15	26,944,148	12,356,536
Cost of sales	16	(25,242,193)	(11,396,732)
Gross profit		1,701,955	959,804
General and administrative expenses	17	(1,191,821)	(677,783)
Other operating income		356,701	73,343
Operating profit		866,835	355,364
Finance income		103,150	127,248
Finance cost	18	(999,018)	(243,224)
(Loss)/profit before income tax		(29,033)	239,388
Income tax credit	19	29,850	87,657
Profit for the year		817	327,045
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		817	327,045

JEU GROUP LLC
Statement of Changes in Equity
(Amounts expressed in Georgian Lari)

	Charter capital	Retained earnings	Total equity
Balance at 1 January 2016	200	730,705	730,905
Profit for the year	-	327,045	327,045
Total comprehensive income	-	327,045	327,045
Capital contribution (Note 12)	225,000	-	225,000
Dividends declared	-	(315,790)	(315,790)
Balance at 31 December 2016	225,200	741,960	967,160
Profit for the year	-	817	817
Total comprehensive income	-	817	817
Decrease of charter capital	(225,200)	-	(225,200)
Dividends declared	-	(315,790)	(315,790)
Balance at 31 December 2017	-	426,987	426,987

JEU GROUP LLC
Statement of Cash Flows
(Amounts expressed in Georgian Lari)

	Notes	2017	2016
Cash flows from operating activities			
(Loss)/profit before income tax		(29,033)	239,388
Adjustments for:			
Depreciation and amortisation	16,17	645,235	321,670
Gain on disposal of property, plant & equipment		(23,303)	(51,899)
Finance income		(103,150)	(127,248)
Finance costs	18	999,018	243,224
Operating cash flows before working capital changes		1,488,767	625,135
Increase in trade and other receivables		(2,549,862)	(914,451)
Increase in inventories		(221,900)	(73,687)
Increase in trade and other payables		4,175,183	509,837
Increase in other taxes payable, net		41,986	153,392
Changes in working capital		1,445,407	(324,909)
Interest paid		(706,664)	(141,816)
Income tax paid		-	(29,850)
Interest received		98,745	55,272
Net cash from operating activities		2,326,255	183,832
Cash flows from investing activities			
Purchase of property, plant and equipment ('PPE')		(800,463)	(252,352)
Proceeds from loans granted to owners		-	590,000
Proceeds from disposal of PPE		207,226	3,900
Cash deposited		(735,247)	(302,900)
Net cash (used in)/from investing activities		(1,328,484)	38,648
Cash flows from financing activities			
Proceeds from borrowings		3,949,284	2,160,000
Repayment of borrowings		(4,495,169)	(2,176,758)
Capital contribution/(reduction) from/by owners	12	(225,200)	225,000
Dividends paid		(300,000)	(301,205)
Net cash used in financing activities		(1,071,085)	(92,963)
Effect of exchange rate changes on cash and cash equivalents		-	137
Cash and cash equivalents at the beginning of year	11	163,994	34,340
Cash and cash equivalents at the end of year		90,680	163,994

JEU GROUP LLC

Notes to the Financial Statements – 31 December 2017

(Amounts expressed in Georgian Lari)

1 General Information

JEU Group LLC (the “Company”) was incorporated on 23 April 2004 and is domiciled in Georgia. The Company is a limited liability company registered by Tbilisi tax Inspection, with identification number: 205251537 and was set up in accordance with Georgian regulations.

The Company's owners are Mrs. Nino Kikabidze (50%) and Mr. Giorgi Markoishvili (50%) who are also involved in management of the Company.

Principal activities. The Company is engaged in public infrastructure (roads) construction projects, mainly secured via public tenders arranged by the various governmental entities of Georgia. In 2017 the Company started production of asphalt in their own mobile asphalt factory and sell it on Georgian market.

In 2017, the Company had average 90 employees (2016: 40 employees).

The Company's registered office is located at #6 Shartava, flat #83, 0160, Tbilisi, Georgia.

2 Basis of Preparation

The financial statements of JEU Group LLC have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

They have been prepared under the historical cost convention, as modified by the revaluation of investment property, biological assets and derivative financial instruments at fair value.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 4.

3 Summary of Significant Accounting Policies

Foreign currency translation. Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company's functional currency is the national currency of Georgia, Georgian Lari (“Lari”, “GEL”).

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into Lari at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income as finance income or costs.

At 31 December 2017, the principal rates of exchange used for translating foreign currency balances were US Dollar (“USD”) 1 = Lari 2.5922 (31 December 2016: USD 1 = Lari 2.6468) and EUR 1 = 3.1044 (31 December 2016: EUR 1 = 2.6974). Exchange restrictions and currency controls exist relating to converting Lari into other currencies. At present, Lari is not a freely convertible currency outside of Georgia.

Presentation currency. All amounts in these financial statements are presented in Georgian Lari, unless otherwise stated.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement.

3 Summary of Significant Accounting Policies (continued)

Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Trade and other receivables. Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised 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 recognised immediately in profit or loss.

Inventories. Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the weighted average cost method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in profit or loss.

Property, plant and equipment. Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment items is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

- Buildings 30 years
- Plant 15 years
- Construction equipment 3-10 years
- Vehicles 5-10 years
- Office equipment and other 3-10 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Intangible assets. Separately acquired licenses (including software) and other intangible assets are shown at historical cost. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, as follows:

Software and related licenses 4-10 years

3 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than inventories. Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade payables. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases - finance lease liabilities. Where the Company is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Company, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Company is not reasonably certain that it will obtain ownership by the end of the lease term.

For sale-and-lease-back transactions resulting in a lease-back of a finance lease, any gain realised by the seller-lessee on the transaction is deferred and amortised through profit or loss over the lease term.

Where the transaction results in an operating lease and the transaction is at fair value, any profit or loss is recognised immediately or deferred and amortised over the period the asset is expected to be used.

Operating lease. Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Loans and borrowings. Loans and 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, loans and borrowings are stated at amortised cost using the effective yield 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.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions. Provisions for legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised

3 Summary of Significant Accounting Policies (continued)

based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Charter capital. The amount of Company's charter capital is defined based on the resolution of the Company's owners.

Revenue recognition. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, net of any trade returns, discounts, volume rebates and VAT.

Revenue from sale of goods - is recognised when an entity transfers the significant risks and rewards of ownership and managerial control to the customer and the customer accepts delivery.

Revenue from construction contracts - is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction. Revenue is recognised in the accounting periods in which the services are rendered under the percentage-of completion.

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of contract activity at the reporting date where the outcome of the contract can be reliably determined. Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings.

The Company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred until the reporting date in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Costs that relate to future activity on the transaction or contract are presented as inventories, pre-payments or other assets, depending on their nature and if it is probable that the costs will be recovered.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. The Company recognises contracts costs as an expense as incurred.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Interest income is recognised on a time-proportion basis using the effective interest method.

Current and deferred income tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period.

Before 1 January 2017, the income tax charge/(credit) comprised current tax and deferred tax and was recognised in profit or loss for the year, except if it was recognised in other comprehensive income or directly in equity because it related to transactions that were also recognised, in the same or a different period, in other comprehensive income or directly in equity.

3 Summary of Significant Accounting Policies (continued)

Current tax was 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 were based on estimates if financial statements were authorised prior to filing relevant tax returns.

Deferred income tax was provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes were not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances were measured at tax rates enacted or substantively enacted at the end of the reporting period, which were expected to apply to the period when the temporary differences reverse or the tax loss carry forwards be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards were recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions could be utilised.

Deferred income tax assets and liabilities were offset when there was a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there was an intention to settle the balances on a net basis.

On 13 May 2016 the Government of Georgia enacted the changes in the Tax Code of Georgia whereby companies (other than banks, credit unions, insurance companies, microfinance organisations and pawn shops) do not have to pay income tax on their profit earned since 1 January 2017, until that profit is distributed or deemed distributed in a form of dividend.

15 % income tax is payable on gross up value (i.e. net dividends shall be grossed up by withholding tax 5%, if applicable, and divided by 0.85) at the moment of the dividend payment to individuals or to non-resident legal entities. Dividends paid to resident legal entities from the profits earned since 1 January 2017 are tax exempted.

Dividends on earnings accumulated during the period from 1 January 2008 to 1 January 2017 is subject to income tax on grossed up value, reduced by respective tax credit calculated as a share of corporate income tax declared and paid on taxable profits vs total net profits for the same period multiplied to the dividend to be distributed. However, tax credit amount should not exceed the actual income tax imposed on dividend distribution.

Income tax arising from distribution of dividends is accounted for as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. As a results, the Company derecognised all deferred tax assets and liabilities as of 31 December 2016 and accounted the respective impact in the profit and loss in 2016. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the statement of financial position.

In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under Taxes other than on income within operating expenses.

3 Summary of Significant Accounting Policies (continued)

Value added tax. Output value added tax related to sales is payable to tax authorities on the delivery of goods or services 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. Accordingly, VAT related to sales and purchases, which have not been settled at the end of the reporting period is recognised in the statement of financial position on a net basis.

Starting from 31 December 2015 management presents the Company's tax balances on a net basis, based on the order 407 issued by the Minister of Finance of Georgia dated to 7 December 2015.

Payroll expenses and related contributions. Wages, salaries, contributions to pension funds, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the Company. The Company does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees.

Dividend distribution. Dividend distribution to the Company's owner is recognised as a liability in the Company's financial information in the period in which the dividends are approved by the Company's owner.

4 Information about Key Sources of Estimation, Uncertainty and Judgements

The Company makes estimates and assumptions that affect the amounts recognised in the financial information 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 these financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives of property, plant, equipment and intangible assets. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Impairment of trade and other receivables. The impairment provision for accounts receivable is based on the Company's assessment of the collectability of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual accounts receivable could differ from these estimates. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed accounts receivable, whether significant or not, it includes the account receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment accounts receivable are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Trade receivables that are assessed not to be impaired individually are assessed collectively for impairment by reference to the Company's historical collection experience for receivables of similar age. Provisions against trade receivables are made based on historical experience of levels of recovery from accounts in a particular ageing category. The value of the impairment provision is sensitive to the specific percentages applied.

Actual results may differ from the estimates and the Company's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure (Note 10).

5 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

	31 December 2017		31 December 2016	
	Owners	Other related party	Owners	Other related party
Issued loans (interest receivable) (Note 9)	94,943	-	94,943	-
Advances received (Note 14)	-	68,639	-	439,878

The transaction amounts with related parties were as follows:

	2017		2016	
	Owners	Other related party	Owners	Other related party
Revenue (Note 15)	-	314,609	-	986,283
Dividends paid	300,000	-	301,205	-
Cash (withdrawal)/payment (from)/in charter capital (Note 12)	(225,200)	-	225,000	-

Compensation paid to key management for their services in full time executive management positions is included within staff costs (Note 17) and amounted to GEL 179,675 (2016: GEL 154,000).

For the equity transactions with the owners refer to Note 12.

6 Property Plant and Equipment

	Buildings	Plant	Construction equipment	Vehicles	Office equipment and other	Total
Cost at 1 January 2016	-	-	1,567,161	212,099	23,785	1,803,045
Accumulated depreciation	-	-	(245,793)	(45,361)	(5,648)	(296,802)
Carrying amount at 1 January 2016	-	-	1,321,368	166,738	18,137	1,506,243
Additions	-	-	1,806,708	211,938	17,198	2,035,844
Disposal	-	-	(1,469,903)	(164,277)	-	(1,634,180)
Depreciation charge	-	-	(267,792)	(45,560)	(7,510)	(320,862)
Eliminated upon disposal	-	-	319,672	60,224	-	379,896
Carrying amount at 31 December 2016	-	-	1,710,053	229,063	27,825	1,966,941
Cost at 31 December 2016	-	-	1,903,966	259,760	40,983	2,204,709
Accumulated depreciation	-	-	(193,913)	(30,697)	(13,158)	(237,768)
Carrying amount at 31 December 2016	-	-	1,710,053	229,063	27,825	1,966,941
Additions	387,832	2,604,692	2,923,064	44,145	323,834	6,283,567
Disposal	-	-	(362,635)	(2,941)	(133,072)	(498,648)
Depreciation charge	(6,907)	(68,983)	(466,195)	(12,428)	(89,743)	(644,256)
Eliminated upon disposal	-	-	53,480	2,722	27,707	83,909
Carrying amount at 31 December 2017	380,925	2,535,709	3,857,767	260,561	156,551	7,191,513
Cost at 31 December 2016	387,832	2,604,692	4,464,395	300,964	231,745	7,989,628
Accumulated depreciation	(6,907)	(68,983)	(606,628)	(40,403)	(75,194)	(798,115)
Carrying amount at 31 December 2017	380,925	2,535,709	3,857,767	260,561	156,551	7,191,513

On 22 February 2017 the Company signed finance lease agreement with LLC Georgian Leasing Company and purchased mobile asphalt factory with total value of GEL 2,604,692 out of which GEL 1,971,620 was financed under the finance lease agreement. Majority items of construction equipment and certain vehicles carried at GEL 662,795 have been purchased with finance lease arrangement from JSC TBC Leasing and LLC Georgian leasing Company(31 December 2016: GEL 1,739,141).

In June 2017 the Company purchased office building with total value of GEL 458,014 out of which GEL 288,000 was financed by JSC VTB Bank (Note 13).

In 2017 the Company obtained instalment loan from Wirtgen Georgia LLC and purchased construction equipment with total value of GEL 1,735,965. According to the instalment schedules the last payment should be made in 2019 (Note 13).

JEU GROUP LLC**Notes to the Financial Statements – 31 December 2017***(Amounts expressed in Georgian Lari)***7 Restricted Cash**

Restricted cash represents cash deposited at JSC VTB Bank (which has a Standard and Poor's credit rating of BB-). Deposit balances of GEL 1,010,304 and GEL 89,941 are restricted as a collateral for credit line agreements and bank guarantees respectively. Bank guarantees are issued by the financial institution to the Company's counterparties in respect of various construction works.

The amount of restricted cash is neither past due nor impaired. The carrying amount of restricted cash approximates its fair value. Total restricted cash balance is denominated in Georgian Lari.

8 Inventories

	31 December 2017	31 December 2016
Raw materials	289,379	105,015
Spare parts	110,707	94,094
Other inventory	31,368	10,445
Total inventories	431,454	209,554

9 Issued Loans

On 22 December 2014 the Company issued loan in the amount of GEL 295,000 to each owner with contractual interest rate of 12% and maturity of 36 months. The loans were totally covered in 2016, only outstanding interest receivable remained with the balance of GEL 94,943 (2016: GEL 94,943).

10 Trade and Other Receivables

	31 December 2017	31 December 2016
Amounts due from customers for contract work	4,023,875	1,305,391
Total trade receivables	4,023,875	1,305,391
Prepayments	154,887	323,509
Total trade and other receivables	4,178,762	1,628,900

Trade receivable balance includes receivable of GEL 2,918,544 from Black Sea Group LLC according to the terms stipulated in bitumen sale agreement dated on 6 April 2017. On 10 August 2017, the Company entered into an agreement with the same counterparty to purchase bitumen of US Dollar of 410,000. Black Sea Group LLC will deliver the bitumen not later than 31 December 2018.

Management of the Company tested outstanding receivable balances for impairment at each reporting date and believes total trade and other receivables balances to be recoverable, thus no impairment charge has been provided.

11 Cash and Cash Equivalents

	31 December 2017	31 December 2016
Cash on hand	27,219	62,308
Bank balances payable on demand	1,116	66,504
Restricted cash (Note 7)	62,345	35,182
Total cash and cash equivalents	90,680	163,994

12 Charter Capital

According to the registration documents dated 23 April 2008 the charter capital was defined to be GEL 200.

According to the resolutions of Company's owners dated 1 October 2016 and 1 November 2016, the charter capital of the Company has been increased with GEL 100,000 and GEL 125,000 respectively and have been fully paid as of 31 December 2016.

In 2017, the Company declared dividends of GEL 315,790 (2016: GEL 315,790). All dividends are declared and paid in GEL.

In 2017, the Company's owners decided to withdraw cash of GEL 225,200 from the Company by decreasing charter capital to zero.

13 Borrowings

	31 December 2017	31 December 2016
Current		
Bank borrowings	1,657,166	763,500
Finance lease liabilities	867,991	428,187
Instalment loan (Note 6)	1,136,703	-
Total current borrowings	3,661,860	1,191,687
Non-current		
Bank borrowings	584,105	-
Finance lease liabilities	1,911,959	532,046
Instalment loan (Note 6)	506,811	-
Total non-current borrowings	3,002,875	532,046
Total borrowings	6,664,735	1,723,733

The table below summarises outstanding loans from JSC VTB Bank as at 31 December 2017:

Agreement/ amendment date	Maturity date	Contractual amount	Original currency	Contractual interest p.a.
02-Oct-17	05-Mar-18	350,000	GEL	13%
13-Oct-17	05-Mar-18	265,000	GEL	13%
19-Oct-17	05-Mar-18	36,000	GEL	12%
31-Oct-17	05-Mar-18	120,000	GEL	13%
09-Nov-17	05-Mar-18	163,000	GEL	14%
22-Nov-17	05-Mar-18	45,000	GEL	14%
01-Dec-17	01-Feb-18	250,000	GEL	14%
29-Dec-17	01-Feb-18	30,600	GEL	13%
17-Feb-17	17-Feb-20	785,000	GEL	12%
19-Jun-17	20-Jun-22	288,000	GEL	11%
02-Oct-17	05-Mar-18	350,000	GEL	13%
13-Oct-17	05-Mar-18	265,000	GEL	13%
19-Oct-17	05-Mar-18	36,000	GEL	12%
31-Oct-17	05-Mar-18	120,000	GEL	13%
09-Nov-17	05-Mar-18	163,000	GEL	14%

13 Borrowings (continued)

Finance leases - Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2017	1,481,803	2,436,349	-	3,918,152
Less future finance charges	(613,812)	(524,390)	-	(1,138,202)
Present value of minimum lease payments at 31 December 2017	867,991	1,911,959	-	2,779,950
Minimum lease payments at 31 December 2016	655,609	756,536	-	1,412,145
Less future finance charges	(227,422)	(224,490)	-	(451,912)
Present value of minimum lease payments at 31 December 2016	428,187	532,046	-	960,233

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Long-term finance lease liabilities, disclosed under borrowings are repayable by the end of 2021 year. Effective interest rate on finance lease liabilities varies from 16% to 48% annually.

14 Trade and Other Payables

	31 December 2017	31 December 2016
Trade payables	4,946,961	253,464
Total financial payables within trade and other payables	4,946,961	253,464
Accrued employee benefit costs	187,751	79,516
Advances received	193,160	448,470
Advances received from related party (Note 5)	68,639	439,878
Total trade and other payables	5,396,511	1,221,328

Trade and other payable balances include payable of GEL 3,376,086 towards Black Sea Group LLC (note 10)

15 Revenues

Breakdown of revenues by categories is as follows:

	2017	2016
Revenue from construction contracts	21,216,350	12,094,437
Revenue from sales of goods & services rendered	5,727,798	262,099
Total revenues	26,944,148	12,356,536

JEU GROUP LLC**Notes to the Financial Statements – 31 December 2017***(Amounts expressed in Georgian Lari)***15 Revenues (continued)**

Warranty. The Company provides 24-36 months warranty, after the completion of construction works and issuance of Taking-Over Certificate, and undertakes to remedy and repair any defects identified. No warranty provision has been recognised in these financial statements based on Management's assessment of historical performance of the Company under the warranty terms.

16 Cost of Sales

	2017	2016
Construction services purchased	14,507,220	7,949,294
Fuel expense	1,651,228	700,834
Staff cost	1,502,141	826,459
Rent expense	1,132,701	768,735
Transportation expense	643,355	464,791
Depreciation and amortisation expense	567,608	270,129
Repair and maintenance	505,370	159,979
Cost of goods	4,732,570	256,511
Total cost of sales	25,242,193	11,396,732

17 General and Administrative Expenses

	2017	2016
Staff cost	653,610	406,698
Fines and penalties	132,059	12,111
Depreciation and amortisation expense	77,627	51,541
Professional expense	47,023	43,269
Rent expense	43,750	46,377
Bank charges	32,573	20,167
Office supplies and utilities	25,749	15,833
Tax expense	21,668	14,405
Repair and maintenance	20,380	-
Legal expenses	15,250	11,300
Insurance expense	9,636	7,668
Business trip expense	3,520	3,086
Other expenses	108,976	45,328
Total general and administrative expenses	1,191,821	677,783

18 Finance Costs

	2017	2016
Interest expense	912,258	243,224
Foreign exchange loss, net	86,760	-
Total finance costs	999,018	243,224

19 Income Tax

	2017	2016
Current tax	(29,850)	29,850
Deferred tax	-	(117,507)
Income tax credit	(29,850)	(87,657)

20 Contingencies and Commitments

Tax legislation. The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their own interpretations, could be significant.

Legal proceedings. At 31 December 2017 the Company was engaged as defendant in litigation proceedings with individuals and Chabi LLC in relation to violation of construction agreement. According to the claim the Company should compensate GEL 51,200 to the claimants. On 22 February 2018 the Company lost the case at supreme court, however management believes that it will successful refute the claim at the court of cassation, and as such no loss provision has been made regarding ongoing legal proceedings in these financial statements.

Environmental matters. The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

21 Events After the Reporting Period

On 12 April 2018 the Company signed amendment to the contract with Wirtgen Georgia LLC, stating that the period of installment (Note 6) should be prolonged from 2019 until December 2020, accordingly payment amount payable in 2018 changed from EUR 366,158 to EUR 72,789.

On 3 April 2018 the company issued dividend of GEL 62,000 to the owners and fully paid as of the date of these financial statements.

JEU Group LLC

**International Financial Reporting Standard for
Small and Medium-sized Entities (IFRS for SMEs)
Financial Statements and
Independent Auditor's Report**

31 December 2017

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Independent Auditor's Report

2 August 2018
Tbilisi, Georgia

JEU GROUP LLC**Statement of Financial Position***(Amounts expressed in Georgian Lari)*

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	7,191,513	1,966,941
Intangible assets		8,108	3,633
Restricted cash	7	971,279	295,152
Total non-current assets		8,170,900	2,265,726
Current assets			
Inventories	8	431,454	209,554
Trade and other receivables	10	4,178,762	1,628,900
Issued loans	9	94,943	94,943
Restricted cash	11	66,620	7,501
Cash and cash equivalents	11	90,680	163,994
Total current assets		4,862,459	2,104,892
TOTAL ASSETS		13,033,359	4,370,618
EQUITY			
Charter capital	12	-	225,200
Retained earnings		426,987	741,960
TOTAL EQUITY		426,987	967,160
LIABILITIES			
Non-current liabilities			
Borrowings	13	3,002,875	532,046
Deferred gain from sale and lease back		246,305	212,148
Total non-current liabilities		3,249,180	744,194
Current liabilities			
Borrowings	13	3,661,860	1,191,687
Trade and other payables	14	5,396,511	1,221,328
Deferred gain from sale and lease back		64,986	54,400
Other taxes payable, net		233,835	191,849
Total current liabilities		9,357,192	2,659,264
TOTAL LIABILITIES		12,606,372	3,403,458
TOTAL LIABILITIES AND EQUITY		13,033,359	4,370,618

Approved for issue and signed on behalf of Management on 8 August 2018 by:

Nino Kikabidze
General Manager

Ana Sadzaglishvili
Chief Accountant

JEU GROUP LLC
Statement of Comprehensive Income
(Amounts expressed in Georgian Lari)

	Notes	2017	2016
Revenues	15	26,944,148	12,356,536
Cost of sales	16	(25,242,193)	(11,396,732)
Gross profit		1,701,955	959,804
General and administrative expenses	17	(1,191,821)	(677,783)
Other operating income		356,701	73,343
Operating profit		866,835	355,364
Finance income		103,150	127,248
Finance cost	18	(999,018)	(243,224)
(Loss)/profit before income tax		(29,033)	239,388
Income tax credit	19	29,850	87,657
Profit for the year		817	327,045
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		817	327,045

JEU GROUP LLC
Statement of Changes in Equity
(Amounts expressed in Georgian Lari)

	Charter capital	Retained earnings	Total equity
Balance at 1 January 2016	200	730,705	730,905
Profit for the year	-	327,045	327,045
Total comprehensive income	-	327,045	327,045
Capital contribution (Note 12)	225,000	-	225,000
Dividends declared	-	(315,790)	(315,790)
Balance at 31 December 2016	225,200	741,960	967,160
Profit for the year	-	817	817
Total comprehensive income	-	817	817
Decrease of charter capital	(225,200)	-	(225,200)
Dividends declared	-	(315,790)	(315,790)
Balance at 31 December 2017	-	426,987	426,987

JEU GROUP LLC
Statement of Cash Flows
(Amounts expressed in Georgian Lari)

	Notes	2017	2016
Cash flows from operating activities			
(Loss)/profit before income tax		(29,033)	239,388
Adjustments for:			
Depreciation and amortisation	16,17	645,235	321,670
Gain on disposal of property, plant & equipment		(23,303)	(51,899)
Finance income		(103,150)	(127,248)
Finance costs	18	999,018	243,224
Operating cash flows before working capital changes		1,488,767	625,135
Increase in trade and other receivables		(2,549,862)	(914,451)
Increase in inventories		(221,900)	(73,687)
Increase in trade and other payables		4,175,183	509,837
Increase in other taxes payable, net		41,986	153,392
Changes in working capital		1,445,407	(324,909)
Interest paid		(706,664)	(141,816)
Income tax paid		-	(29,850)
Interest received		98,745	55,272
Net cash from operating activities		2,326,255	183,832
Cash flows from investing activities			
Purchase of property, plant and equipment ('PPE')		(800,463)	(252,352)
Proceeds from loans granted to owners		-	590,000
Proceeds from disposal of PPE		207,226	3,900
Cash deposited		(735,247)	(302,900)
Net cash (used in)/from investing activities		(1,328,484)	38,648
Cash flows from financing activities			
Proceeds from borrowings		3,949,284	2,160,000
Repayment of borrowings		(4,495,169)	(2,176,758)
Capital contribution/(reduction) from/by owners	12	(225,200)	225,000
Dividends paid		(300,000)	(301,205)
Net cash used in financing activities		(1,071,085)	(92,963)
Effect of exchange rate changes on cash and cash equivalents		-	137
Cash and cash equivalents at the beginning of year	11	163,994	34,340
Cash and cash equivalents at the end of year		90,680	163,994

1 General Information

JEU Group LLC (the “Company”) was incorporated on 23 April 2004 and is domiciled in Georgia. The Company is a limited liability company registered by Tbilisi tax Inspection, with identification number: 205251537 and was set up in accordance with Georgian regulations.

The Company's owners are Mrs. Nino Kikabidze (50%) and Mr. Giorgi Markoishvili (50%) who are also involved in management of the Company.

Principal activities. The Company is engaged in public infrastructure (roads) construction projects, mainly secured via public tenders arranged by the various governmental entities of Georgia. In 2017 the Company started production of asphalt in their own mobile asphalt factory and sell it on Georgian market.

In 2017, the Company had average 90 employees (2016: 40 employees).

The Company's registered office is located at #6 Shartava, flat #83, 0160, Tbilisi, Georgia.

2 Basis of Preparation

The financial statements of JEU Group LLC have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

They have been prepared under the historical cost convention, as modified by the revaluation of investment property, biological assets and derivative financial instruments at fair value.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 4.

3 Summary of Significant Accounting Policies

Foreign currency translation. Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company's functional currency is the national currency of Georgia, Georgian Lari (“Lari”, “GEL”).

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into Lari at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income as finance income or costs.

At 31 December 2017, the principal rates of exchange used for translating foreign currency balances were US Dollar (“USD”) 1 = Lari 2.5922 (31 December 2016: USD 1 = Lari 2.6468) and EUR 1 = 3.1044 (31 December 2016: EUR 1 = 2.6974). Exchange restrictions and currency controls exist relating to converting Lari into other currencies. At present, Lari is not a freely convertible currency outside of Georgia.

Presentation currency. All amounts in these financial statements are presented in Georgian Lari, unless otherwise stated.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement.

3 Summary of Significant Accounting Policies (continued)

Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Trade and other receivables. Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised 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 recognised immediately in profit or loss.

Inventories. Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the weighted average cost method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in profit or loss.

Property, plant and equipment. Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment items is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

- Buildings 30 years
- Plant 15 years
- Construction equipment 3-10 years
- Vehicles 5-10 years
- Office equipment and other 3-10 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Intangible assets. Separately acquired licenses (including software) and other intangible assets are shown at historical cost. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, as follows:

Software and related licenses 4-10 years

3 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than inventories. Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade payables. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases - finance lease liabilities. Where the Company is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Company, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Company is not reasonably certain that it will obtain ownership by the end of the lease term.

For sale-and-lease-back transactions resulting in a lease-back of a finance lease, any gain realised by the seller-lessee on the transaction is deferred and amortised through profit or loss over the lease term.

Where the transaction results in an operating lease and the transaction is at fair value, any profit or loss is recognised immediately or deferred and amortised over the period the asset is expected to be used.

Operating lease. Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Loans and borrowings. Loans and 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, loans and borrowings are stated at amortised cost using the effective yield 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.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions. Provisions for legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised

3 Summary of Significant Accounting Policies (continued)

based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Charter capital. The amount of Company's charter capital is defined based on the resolution of the Company's owners.

Revenue recognition. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, net of any trade returns, discounts, volume rebates and VAT.

Revenue from sale of goods - is recognised when an entity transfers the significant risks and rewards of ownership and managerial control to the customer and the customer accepts delivery.

Revenue from construction contracts - is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction. Revenue is recognised in the accounting periods in which the services are rendered under the percentage-of completion.

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of contract activity at the reporting date where the outcome of the contract can be reliably determined. Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings.

The Company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred until the reporting date in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. Costs that relate to future activity on the transaction or contract are presented as inventories, pre-payments or other assets, depending on their nature and if it is probable that the costs will be recovered.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. The Company recognises contracts costs as an expense as incurred.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Interest income is recognised on a time-proportion basis using the effective interest method.

Current and deferred income tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period.

Before 1 January 2017, the income tax charge/(credit) comprised current tax and deferred tax and was recognised in profit or loss for the year, except if it was recognised in other comprehensive income or directly in equity because it related to transactions that were also recognised, in the same or a different period, in other comprehensive income or directly in equity.

3 Summary of Significant Accounting Policies (continued)

Current tax was 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 were based on estimates if financial statements were authorised prior to filing relevant tax returns.

Deferred income tax was provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes were not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances were measured at tax rates enacted or substantively enacted at the end of the reporting period, which were expected to apply to the period when the temporary differences reverse or the tax loss carry forwards be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards were recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions could be utilised.

Deferred income tax assets and liabilities were offset when there was a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there was an intention to settle the balances on a net basis.

On 13 May 2016 the Government of Georgia enacted the changes in the Tax Code of Georgia whereby companies (other than banks, credit unions, insurance companies, microfinance organisations and pawn shops) do not have to pay income tax on their profit earned since 1 January 2017, until that profit is distributed or deemed distributed in a form of dividend.

15 % income tax is payable on gross up value (i.e. net dividends shall be grossed up by withholding tax 5%, if applicable, and divided by 0.85) at the moment of the dividend payment to individuals or to non-resident legal entities. Dividends paid to resident legal entities from the profits earned since 1 January 2017 are tax exempted.

Dividends on earnings accumulated during the period from 1 January 2008 to 1 January 2017 is subject to income tax on grossed up value, reduced by respective tax credit calculated as a share of corporate income tax declared and paid on taxable profits vs total net profits for the same period multiplied to the dividend to be distributed. However, tax credit amount should not exceed the actual income tax imposed on dividend distribution.

Income tax arising from distribution of dividends is accounted for as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. As a results, the Company derecognised all deferred tax assets and liabilities as of 31 December 2016 and accounted the respective impact in the profit and loss in 2016. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the statement of financial position.

In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under Taxes other than on income within operating expenses.

3 Summary of Significant Accounting Policies (continued)

Value added tax. Output value added tax related to sales is payable to tax authorities on the delivery of goods or services 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. Accordingly, VAT related to sales and purchases, which have not been settled at the end of the reporting period is recognised in the statement of financial position on a net basis.

Starting from 31 December 2015 management presents the Company's tax balances on a net basis, based on the order 407 issued by the Minister of Finance of Georgia dated to 7 December 2015.

Payroll expenses and related contributions. Wages, salaries, contributions to pension funds, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the Company. The Company does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees.

Dividend distribution. Dividend distribution to the Company's owner is recognised as a liability in the Company's financial information in the period in which the dividends are approved by the Company's owner.

4 Information about Key Sources of Estimation, Uncertainty and Judgements

The Company makes estimates and assumptions that affect the amounts recognised in the financial information 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 these financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives of property, plant, equipment and intangible assets. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Impairment of trade and other receivables. The impairment provision for accounts receivable is based on the Company's assessment of the collectability of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual accounts receivable could differ from these estimates. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed accounts receivable, whether significant or not, it includes the account receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment accounts receivable are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Trade receivables that are assessed not to be impaired individually are assessed collectively for impairment by reference to the Company's historical collection experience for receivables of similar age. Provisions against trade receivables are made based on historical experience of levels of recovery from accounts in a particular ageing category. The value of the impairment provision is sensitive to the specific percentages applied.

Actual results may differ from the estimates and the Company's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure (Note 10).

5 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

	31 December 2017		31 December 2016	
	Owners	Other related party	Owners	Other related party
Issued loans (interest receivable) (Note 9)	94,943	-	94,943	-
Advances received (Note 14)	-	68,639	-	439,878

The transaction amounts with related parties were as follows:

	2017		2016	
	Owners	Other related party	Owners	Other related party
Revenue (Note 15)	-	314,609	-	986,283
Dividends paid	300,000	-	301,205	-
Cash (withdrawal)/payment (from)/in charter capital (Note 12)	(225,200)	-	225,000	-

Compensation paid to key management for their services in full time executive management positions is included within staff costs (Note 17) and amounted to GEL 179,675 (2016: GEL 154,000).

For the equity transactions with the owners refer to Note 12.

6 Property Plant and Equipment

	Buildings	Plant	Construction equipment	Vehicles	Office equipment and other	Total
Cost at 1 January 2016	-	-	1,567,161	212,099	23,785	1,803,045
Accumulated depreciation	-	-	(245,793)	(45,361)	(5,648)	(296,802)
Carrying amount at 1 January 2016	-	-	1,321,368	166,738	18,137	1,506,243
Additions	-	-	1,806,708	211,938	17,198	2,035,844
Disposal	-	-	(1,469,903)	(164,277)	-	(1,634,180)
Depreciation charge	-	-	(267,792)	(45,560)	(7,510)	(320,862)
Eliminated upon disposal	-	-	319,672	60,224	-	379,896
Carrying amount at 31 December 2016	-	-	1,710,053	229,063	27,825	1,966,941
Cost at 31 December 2016	-	-	1,903,966	259,760	40,983	2,204,709
Accumulated depreciation	-	-	(193,913)	(30,697)	(13,158)	(237,768)
Carrying amount at 31 December 2016	-	-	1,710,053	229,063	27,825	1,966,941
Additions	387,832	2,604,692	2,923,064	44,145	323,834	6,283,567
Disposal	-	-	(362,635)	(2,941)	(133,072)	(498,648)
Depreciation charge	(6,907)	(68,983)	(466,195)	(12,428)	(89,743)	(644,256)
Eliminated upon disposal	-	-	53,480	2,722	27,707	83,909
Carrying amount at 31 December 2017	380,925	2,535,709	3,857,767	260,561	156,551	7,191,513
Cost at 31 December 2016	387,832	2,604,692	4,464,395	300,964	231,745	7,989,628
Accumulated depreciation	(6,907)	(68,983)	(606,628)	(40,403)	(75,194)	(798,115)
Carrying amount at 31 December 2017	380,925	2,535,709	3,857,767	260,561	156,551	7,191,513

On 22 February 2017 the Company signed finance lease agreement with LLC Georgian Leasing Company and purchased mobile asphalt factory with total value of GEL 2,604,692 out of which GEL 1,971,620 was financed under the finance lease agreement. Majority items of construction equipment and certain vehicles carried at GEL 662,795 have been purchased with finance lease arrangement from JSC TBC Leasing and LLC Georgian leasing Company(31 December 2016: GEL 1,739,141).

In June 2017 the Company purchased office building with total value of GEL 458,014 out of which GEL 288,000 was financed by JSC VTB Bank (Note 13).

In 2017 the Company obtained instalment loan from Wirtgen Georgia LLC and purchased construction equipment with total value of GEL 1,735,965. According to the instalment schedules the last payment should be made in 2019 (Note 13).

JEU GROUP LLC**Notes to the Financial Statements – 31 December 2017***(Amounts expressed in Georgian Lari)***7 Restricted Cash**

Restricted cash represents cash deposited at JSC VTB Bank (which has a Standard and Poor's credit rating of BB-). Deposit balances of GEL 1,010,304 and GEL 89,941 are restricted as a collateral for credit line agreements and bank guarantees respectively. Bank guarantees are issued by the financial institution to the Company's counterparties in respect of various construction works.

The amount of restricted cash is neither past due nor impaired. The carrying amount of restricted cash approximates its fair value. Total restricted cash balance is denominated in Georgian Lari.

8 Inventories

	31 December 2017	31 December 2016
Raw materials	289,379	105,015
Spare parts	110,707	94,094
Other inventory	31,368	10,445
Total inventories	431,454	209,554

9 Issued Loans

On 22 December 2014 the Company issued loan in the amount of GEL 295,000 to each owner with contractual interest rate of 12% and maturity of 36 months. The loans were totally covered in 2016, only outstanding interest receivable remained with the balance of GEL 94,943 (2016: GEL 94,943).

10 Trade and Other Receivables

	31 December 2017	31 December 2016
Amounts due from customers for contract work	4,023,875	1,305,391
Total trade receivables	4,023,875	1,305,391
Prepayments	154,887	323,509
Total trade and other receivables	4,178,762	1,628,900

Trade receivable balance includes receivable of GEL 2,918,544 from Black Sea Group LLC according to the terms stipulated in bitumen sale agreement dated on 6 April 2017. On 10 August 2017, the Company entered into an agreement with the same counterparty to purchase bitumen of US Dollar of 410,000. Black Sea Group LLC will deliver the bitumen not later than 31 December 2018.

Management of the Company tested outstanding receivable balances for impairment at each reporting date and believes total trade and other receivables balances to be recoverable, thus no impairment charge has been provided.

11 Cash and Cash Equivalents

	31 December 2017	31 December 2016
Cash on hand	27,219	62,308
Bank balances payable on demand	1,116	66,504
Restricted cash (Note 7)	62,345	35,182
Total cash and cash equivalents	90,680	163,994

12 Charter Capital

According to the registration documents dated 23 April 2008 the charter capital was defined to be GEL 200.

According to the resolutions of Company's owners dated 1 October 2016 and 1 November 2016, the charter capital of the Company has been increased with GEL 100,000 and GEL 125,000 respectively and have been fully paid as of 31 December 2016.

In 2017, the Company declared dividends of GEL 315,790 (2016: GEL 315,790). All dividends are declared and paid in GEL.

In 2017, the Company's owners decided to withdraw cash of GEL 225,200 from the Company by decreasing charter capital to zero.

13 Borrowings

	31 December 2017	31 December 2016
Current		
Bank borrowings	1,657,166	763,500
Finance lease liabilities	867,991	428,187
Instalment loan (Note 6)	1,136,703	-
Total current borrowings	3,661,860	1,191,687
Non-current		
Bank borrowings	584,105	-
Finance lease liabilities	1,911,959	532,046
Instalment loan (Note 6)	506,811	-
Total non-current borrowings	3,002,875	532,046
Total borrowings	6,664,735	1,723,733

The table below summarises outstanding loans from JSC VTB Bank as at 31 December 2017:

Agreement/ amendment date	Maturity date	Contractual amount	Original currency	Contractual interest p.a.
02-Oct-17	05-Mar-18	350,000	GEL	13%
13-Oct-17	05-Mar-18	265,000	GEL	13%
19-Oct-17	05-Mar-18	36,000	GEL	12%
31-Oct-17	05-Mar-18	120,000	GEL	13%
09-Nov-17	05-Mar-18	163,000	GEL	14%
22-Nov-17	05-Mar-18	45,000	GEL	14%
01-Dec-17	01-Feb-18	250,000	GEL	14%
29-Dec-17	01-Feb-18	30,600	GEL	13%
17-Feb-17	17-Feb-20	785,000	GEL	12%
19-Jun-17	20-Jun-22	288,000	GEL	11%
02-Oct-17	05-Mar-18	350,000	GEL	13%
13-Oct-17	05-Mar-18	265,000	GEL	13%
19-Oct-17	05-Mar-18	36,000	GEL	12%
31-Oct-17	05-Mar-18	120,000	GEL	13%
09-Nov-17	05-Mar-18	163,000	GEL	14%

13 Borrowings (continued)

Finance leases - Minimum lease payments under finance leases and their present values are as follows:

	Due in 1 year	Due between 1 and 5 years	Due after 5 years	Total
Minimum lease payments at 31 December 2017	1,481,803	2,436,349	-	3,918,152
Less future finance charges	(613,812)	(524,390)	-	(1,138,202)
Present value of minimum lease payments at 31 December 2017	867,991	1,911,959	-	2,779,950
Minimum lease payments at 31 December 2016	655,609	756,536	-	1,412,145
Less future finance charges	(227,422)	(224,490)	-	(451,912)
Present value of minimum lease payments at 31 December 2016	428,187	532,046	-	960,233

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Long-term finance lease liabilities, disclosed under borrowings are repayable by the end of 2021 year. Effective interest rate on finance lease liabilities varies from 16% to 48% annually.

14 Trade and Other Payables

	31 December 2017	31 December 2016
Trade payables	4,946,961	253,464
Total financial payables within trade and other payables	4,946,961	253,464
Accrued employee benefit costs	187,751	79,516
Advances received	193,160	448,470
Advances received from related party (Note 5)	68,639	439,878
Total trade and other payables	5,396,511	1,221,328

Trade and other payable balances include payable of GEL 3,376,086 towards Black Sea Group LLC (note 10)

15 Revenues

Breakdown of revenues by categories is as follows:

	2017	2016
Revenue from construction contracts	21,216,350	12,094,437
Revenue from sales of goods & services rendered	5,727,798	262,099
Total revenues	26,944,148	12,356,536

JEU GROUP LLC**Notes to the Financial Statements – 31 December 2017***(Amounts expressed in Georgian Lari)***15 Revenues (continued)**

Warranty. The Company provides 24-36 months warranty, after the completion of construction works and issuance of Taking-Over Certificate, and undertakes to remedy and repair any defects identified. No warranty provision has been recognised in these financial statements based on Management's assessment of historical performance of the Company under the warranty terms.

16 Cost of Sales

	2017	2016
Construction services purchased	14,507,220	7,949,294
Fuel expense	1,651,228	700,834
Staff cost	1,502,141	826,459
Rent expense	1,132,701	768,735
Transportation expense	643,355	464,791
Depreciation and amortisation expense	567,608	270,129
Repair and maintenance	505,370	159,979
Cost of goods	4,732,570	256,511
Total cost of sales	25,242,193	11,396,732

17 General and Administrative Expenses

	2017	2016
Staff cost	653,610	406,698
Fines and penalties	132,059	12,111
Depreciation and amortisation expense	77,627	51,541
Professional expense	47,023	43,269
Rent expense	43,750	46,377
Bank charges	32,573	20,167
Office supplies and utilities	25,749	15,833
Tax expense	21,668	14,405
Repair and maintenance	20,380	-
Legal expenses	15,250	11,300
Insurance expense	9,636	7,668
Business trip expense	3,520	3,086
Other expenses	108,976	45,328
Total general and administrative expenses	1,191,821	677,783

18 Finance Costs

	2017	2016
Interest expense	912,258	243,224
Foreign exchange loss, net	86,760	-
Total finance costs	999,018	243,224

19 Income Tax

	2017	2016
Current tax	(29,850)	29,850
Deferred tax	-	(117,507)
Income tax credit	(29,850)	(87,657)

20 Contingencies and Commitments

Tax legislation. The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their own interpretations, could be significant.

Legal proceedings. At 31 December 2017 the Company was engaged as defendant in litigation proceedings with individuals and Chabi LLC in relation to violation of construction agreement. According to the claim the Company should compensate GEL 51,200 to the claimants. On 22 February 2018 the Company lost the case at supreme court, however management believes that it will successful refute the claim at the court of cassation, and as such no loss provision has been made regarding ongoing legal proceedings in these financial statements.

Environmental matters. The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

21 Events After the Reporting Period

On 12 April 2018 the Company signed amendment to the contract with Wirtgen Georgia LLC, stating that the period of installment (Note 6) should be prolonged from 2019 until December 2020, accordingly payment amount payable in 2018 changed from EUR 366,158 to EUR 72,789.

On 3 April 2018 the company issued dividend of GEL 62,000 to the owners and fully paid as of the date of these financial statements.