BD Property LLC

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2018

Contents

pwc

Independent Auditor's Report

To the Owner and Management of BD property LLC

Our opinion

In our opinion, the financial statements (the 'financial statements') present fairly, in all material respects, the financial position of BD property LLC (the 'Company') as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

What we have audited

The financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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.

pwc

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)

17 May 2019
Tbilisi, Georgia

BD Property LLC
Statement of Financial Position

In thousands of Georgian Lari	Note	31 December 2018	31 December 2017	1 January 2017 *(restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	8	7,499	7,244	759
Investment property	9	-	8,429	8,429
Intangible assets		1	1	1
Taxes recoverable other than income tax	10	-	4,306	3,856
Total non-current assets		**7,500**	**19,980**	**13,045**
Current assets				
Trade and other receivables		793	51	18
Prepayments to suppliers		153	331	2,593
Inventory	11	34,126	62,421	39,601
Taxes recoverable	10	493	2,907	-
Cash and cash equivalents	12	3,971	8,643	1,350
Restricted cash	13	-	607	3,113
Total current assets		**39,536**	**74,960**	**46,675**
TOTAL ASSETS		**47,036**	**94,940**	**59,720**
EQUITY				
Charter capital	14	26,074	26,074	26,074
Accumulated losses		(18,663)	(11,482)	(9,069)
TOTAL EQUITY		**7,411**	**14,592**	**17,005**
Non-current liabilities				
Borrowings	15	33,272	-	-
Total non-current liabilities		**33,272**	**-**	**-**
Current liabilities				
Advances received from customers	16	5,053	4,702	-
Borrowings	15	-	70,569	41,768
Trade and other payables	17	1,300	5,077	947
Total current liabilities		**6,353**	**80,348**	**42,715**
TOTAL LIABILITIES		**39,625**	**80,348**	**42,715**
TOTAL LIABILITIES AND EQUITY		**47,036**	**94,940**	**59,720**

Approved for issue and signed on behalf of Management on 17 May 2019 by:

Tomas Gizas
Chief Executive Officer

Leli Chelidze
Chief Financial Officer

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

BD Property LLC
Statement of Profit or Loss and Other Comprehensive Income

In thousands of Georgian Lari	Note	2018	2017
Revenue from inventory property sales	18	40,202	-
Other service income	18	142	-
Changes in inventories	11	(42,262)	-
Staff costs	19	(1,223)	(602)
Depreciation expense	8	(375)	(98)
Other property operating expenses		(165)	(87)
Other general expenses	20	(1,478)	(1,518)
Operating loss		**(5,159)**	**(2,305)**
Finance income		205	53
Interest expense	15	(2,140)	(44)
Net foreign exchange loss, net		(88)	(156)
Other non-operating income, net		1	39
Loss before income tax		**(7,181)**	**(2,413)**
Income tax		-	-
LOSS FOR THE YEAR		**(7,181)**	**(2,413)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(7,181)**	**(2,413)**

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

BD Property LLC
Statement of Changes in Equity

In thousands of Georgian Lari	Charter capital	Accumulated losses	Total equity
Balance at 1 January 2017	**26,074**	**(9,069)**	**17,005**
Total comprehensive loss for the year	-	(2,413)	(2,413)
Balance at 31 December 2017	**26,074**	**(11,482)**	**14,592**
Total comprehensive loss for the year	-	(7,181)	(7,181)
Balance at 31 December 2018	**26,074**	**(18,663)**	**7,411**

BD Property LLC
Statement of Cash Flows

In thousands of Georgian Lari	Note	2018	2017 (restated)
Cash flows from operating activities			
Loss before income tax		(7,181)	(2,413)
Adjustments for:			
Depreciation and amortisation	8	375	98
Loss on disposal of property, plant and equipment		27	-
Loss from foreign currency revaluation, net		210	156
Interest expense	15	2,140	44
Finance income		(205)	(53)
Operating cash outflows before working capital changes		**(4,634)**	**(2,168)**
Increase in trade and other receivables		(677)	(278)
Decrease/(increase) in inventory	11	38,052	(18,217)
Decrease in prepayments to suppliers		177	2,262
Decrease in restricted cash		607	2,506
Decrease/(increase) in taxes recoverable		6,721	(3,357)
Increase /(decrease) in trade and other payables		(3,638)	4,257
Increase in advances received from customers		351	4,702
Operating cash flows/(outflows) after the changes in working capital		**36,959**	**(10,293)**
Interest received		205	53
Net cash from/(used in) operating activities		**37,164**	**(10,240)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(657)	(6,583)
Net cash used in investing activities		**(657)**	**(6,583)**
Cash flows from financing activities			
Proceeds from borrowings	15	-	24,407
Repayment of borrowings	15	(41,004)	-
Net cash (used in)/from financing activities		**(41,004)**	**24,407**
Effect of exchange rate changes on cash and cash equivalents, net		(175)	(291)
Net (decrease)/increase in cash and cash equivalents		**(4,672)**	**7,293**
Cash and cash equivalents at the beginning of year	12	8,643	1,350
Cash and cash equivalents at the end of the year	12	**3,971**	**8,643**

1 BD Property LLC and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing for the year ended 31 December 2018 for BD Property LLC (the "Company").

BD Property LLC was incorporated on 24 November 2010 and is domiciled in Georgia. The Company is a limited liability company, set up in accordance with Georgian regulations and is registered by Tbilisi Tax Inspection with identification number: 404389967

As of 31 December 2018 and 2017 the Company's immediate parent company was Asatiani Holdings (Cyprus) Limited, registered in Cyprus, the ultimate controlling party of the Company was Quadrum Investment Management Limited (Cayman Islands), which is managing the Company for the benefit of the investors and is ultimately 100% owned by Mr. Oleg Pavlov.

Principal activity. The Company's principal activities comprise the construction and sale of residential apartments. 2010 the Company purchased 37,541 sq. meter of land parcel from the Government of Georgia and in 2014 started construction of the residential complex "Tbilisi Gardens". "Tbilisi Gardens" is considered as the first skyscraper in Tbilisi, with the range of additional facilities to be operated by the Company: secured gardens, fitness center, the pool, event hall, the terrace and others.

Registered address and place of business. The Company's registered address is 3-5, Kazbegi Street, Tbilisi, Georgia and principal place of business is 2, Tvalchrelidze Street, Tbilisi, Georgia.

2 Operating Environment of the Company

The Company's principal business activities are within Georgia. Georgia displays certain characteristics of an emerging market, including relatively high interest rates. Georgian tax legislation is subject to varying interpretations and frequent changes.

The future economic direction of Georgia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

3 Basis of Preparation

Statement of compliance. These financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB. The Company's date of transition to IFRS is 1 January 2017. The Company adopted IFRS in accordance with IFRS 1, First-Time adoption of International Financial Reporting Standards. Subject to certain exceptions, IFRS 1 requires retrospective application of the version of standards and interpretations effective for the year ended 31 December 2018. This version was applied in preparing of the opening IFRS statement of financial position at 1 January 2017 and in subsequent periods up to the end of the first IFRS reporting period.

Basis of measurement. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 6.

3 Bases of preparation (Continued)

First time adoption of IFRS. Under the local legislation, until the date of transition to IFRS (1 January 2017), the Company was not required to prepare and it has not prepared any financial statements in the past. Therefore, a reconciliation of how the transition from previous accounting framework to IFRS has affected the Company's financial position, financial performance and cash flows is not presented in these financial statements. Before the transition to IFRS, the Company has kept the records applying the policies which to certain extent were based on tax regulation. In preparing these financial statements, the Company has applied the mandatory exceptions and has not elected to any optional exemptions from retrospective application.

4 Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

Presentation currency. These financial statements are presented in thousands of Georgian Lari (GEL).

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").

Transactions and balances. Monetary assets and liabilities are translated into entity's functional currency at the official exchange rate of the National Bank of the Georgia ("NBG") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into entity's functional currency at year-end official exchange rates of the NBG are recognised in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2018, the official rate of exchange, as determined by the NBG was US Dollar ("USD") 1 = GEL 2.6766 and EURO ("EUR") 1 = GEL 3.0701 (31 December 2017: USD 1 = GEL 2.5922 and EUR 1= 3.1044, 31 December 2016: USD 1 = GEL 2.6468 and EUR 1= 2.7940). At present, Georgian Lari is not a freely convertible currency outside of Georgia.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. At the end of each reporting year management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

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

• Buildings	20 years
• Furniture and fixtures	5 years
• Machinery and equipment	5 years

4 Significant Accounting Policies (Continued)

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.

Investment property. Investment property is property held by the Company to earn rental income or for capital appreciation, or currently undetermined future use and which is not occupied by the Company.

Land held under operating leases is classified and accounted for by the Company as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are stated at cost, less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Company estimates the recoverable amount as the higher of value in use and fair value less costs of disposal. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

As at 31 December 2017, the investment property comprise of plot of land of undetermined future use. During 2018, the Company has decided to proceed with construction of second tower, and the plot of land was reclassified from investment property to inventory – work in progress (Notes 9, 11).

Depreciation. Land and construction in progress is not depreciated.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

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

4 Significant Accounting Policies (Continued)

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

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

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI").

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

4 Significant Accounting Policies (Continued)

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics (receivables could be grouped by geographical region, product type, customer rating, collateral or trade credit insurance).

The expected loss rates are based on the payment profiles of sales over a period of last 360 month and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company analysis the macro factors of the countries in which it sells its goods and services. As far as all the receivables are from the local clients, the Company analysed Georgian macroeconomic scenarios and corresponding weights based on the NBG's publication. Based on the historical behaviour of the Company's debtors, the Company identified foreign exchange rate to be the most relevant factor having impact on recoverability of receivables, and accordingly adjusted the historical loss rates based on expected changes in this factor.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

4 Significant Accounting Policies (Continued)

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) test, unless they are included in contractual terms such that the feature would apply even if the legislation is they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI subsequently changed. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. 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 and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Income taxes. 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.

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 organizations 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.

4 Significant Accounting Policies (Continued)

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.

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.

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 based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) 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.

Inventory. Inventory comprise of property being constructed for sale in the ordinary course of business, which is held as current inventory and is measured as the lower of cost and net realisable value. Cost includes cost of land, construction costs, capitalized borrowing costs, costs of site preparation, planning and design costs, costs of site preparation and other direct related costs. The cost of inventory recognized in profit or loss on disposal is determined with reference to the size of the property sold and allocation of the costs on the relative size of the property sold. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Charter capital. The amount of Company's charter capital is authorised by the Company's owner and is recognised at the fair value of the contributions received by the Company. The changes in the Company's Charter (including changes in charter capital, ownership, etc.) shall be made only based on the decision of the Company's owner.

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

4 Significant Accounting Policies (Continued)

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures 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 the passage of time is recognised as an interest expense.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Revenue recognition. Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue from property sales. The Company develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties under pre-agreement status have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until the act of acceptance is signed and subsequently the legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the control is passed to the customer. Revenue is measured at the transaction price agreed in the contract. The consideration is due until the control has been transferred. Deferred payment are not agreed with customers, the transaction price is therefore not adjusted for the effects of a significant financing component.

Other service income. Income arises from expenses recharged to the property owners and is recognized in the period in which the expense can be contractually recovered.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices.

Financing components. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Incremental costs. The Company recognises as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

4 Significant Accounting Policies (Continued)

Employee benefits. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) 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.

Prior period restatements. The Company corrects prior period material omissions and errors retrospectively in the financial statements upon their discovery by restating the comparative amounts for the prior period presented in which the omission and error occurred and if the error occurred before the earliest prior period, then restating the opening balances of those respective assets, liabilities and equity for the earliest prior period. In preparation of these financial statements Management identified the following errors related to prior period.

The Company corrected error within the cash flow statement in 2017 year in which additional GEL 4,603 thousand were presented in borrowings instead of inventory movement, and inventory movement of GEL18,217 thousand was presented under investing activities instead of operating. Additionally, the Company re-assessed the classification of Company's business cycle and fully reclassified the inventory balance as of 1 January 2017 from non-current to current assets.

The Company believes that the changes provide reliable information. The corrections have no effect on Company's result for the year, nor equity.

Amendment of the financial statements after issue. Any changes to these financial statements after issue require approval of the Company's management who authorised these financial statements for issue.

5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Company has not early adopted.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company is currently assessing the impact of the interpretation on its financial statements.

5 New Accounting Pronouncements (Continued)

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

6 Information about Key Sources of Estimation, Uncertainty and Judgements

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in 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:

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the macro-economic developments on the operations of the Company.

Useful lives of property, plant, equipment and investment properties. The estimation of the useful life of an item of property, plant and equipment and investment properties 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 investment property, inventory and construction in progress and property, plant and equipment. At each reporting date, the Company's management applies professional judgement reviewing the carrying amounts of investment property, inventory and work in progress, and property, plant and equipment in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimation of recoverable amount is based on either the future cash flow forecasts used and compared to the required return on investment and risks specific to the asset, either on the net realizable value, comprising expected sales proceeds less costs to sell, based on current market prices, realised sales history and related demand.

7 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:

In thousands of Georgian Lari	**31 December 2018**	**31 December 2017**	**1 January 2017**
Borrowings from the parent company	33,272	70,569	41,768

The expenses with related parties were as follows:

In thousands of Georgian Lari	**2018**	**2017**
Interest accrued on the parent company loan	3,468	4,647

7 Balances and Transactions with Related Parties (Continued)

Key management compensation. Key management includes the key management members of the Company. Key management compensation is presented below:

	31 December 2018		31 December 2017	
In thousands of Georgian Lari	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
- Salaries	479	-	408	-
Total key management compensation	**479**	**-**	**408**	**-**

8 Property, Plant and Equipment

Movements in the carrying amount.of property, plant and equipment were as follows:

In thousands of Georgian Lari	Buildings	Machinery and equipment	Furniture and fixtures	Construction in progress	Total
Cost					
At 1 January 2017	499	55	285	-	839
Additions	-	31	-	-	31
Transfer from inventory	-	-	-	6,552	6,552
At 31 December 2017	**499**	**86**	**285**	**6,552**	**7,422**
Additions	42	263	352	-	657
Disposals	-	(27)	-	-	(27)
Transfers	6,552	-	-	(6,552)	-
At 31 December 2018	**7,093**	**322**	**637**	**-**	**8,052**
Accumulated depreciation					
At 1 January 2017	16	10	54	-	80
Depreciation charge	25	41	32	-	98
At 31 December 2017	**41**	**51**	**86**	**-**	**178**
Depreciation charge	217	48	110	-	375
At 31 December 2018	**258**	**99**	**196**	**-**	**553**
Carrying amount					
At 1 January 2017	483	45	231	-	759
At 31 December 2017	**458**	**35**	**199**	**6,552**	**7,244**
At 31 December 2018	**6,835**	**223**	**441**	**-**	**7,499**

Opening balance of buildings as of 1 January 2017 includes a sales office in Tbilisi Asatiani street, 10, the Company uses the building for showroom purposes. 2018 additions of buildings represents the finalised construction in progress, including pool of 1,038 sq. meters, fitness and yoga centre of 470 sq. meter, terrace of 290 sq. meters, conference hall of 120 sq. meters, business lounge of 85 sq. meters and a beauty salon of 44 sq. meters.

9 Investment Property

In thousands of Georgian Lari	Note	2018	2017
Investment property at 1 January		8,429	8,429
Transfer to inventory	11	(8,429)	-
Investment property at 31 December		-	8,429

Investment properties included part of the land plots with total area of 29,568 square meters. During 2018 the Management decided to develop this land – i.e. to construct additional residential block. Consequently, the land was reclassified to inventory.

As of 31 December 2017 fair value of investment properties was estimated by independent valuator to GEL 67,829 thousand (1 January 2017: GEL 69,257 thousand).

10 Taxes Recoverable Other Than Income Tax

Taxes recoverable other than income tax comprised value added tax ("VAT"). VAT assets are related to the services and construction works purchased by the Company primarily related to the development of the residential area. According to the Georgian Tax Code, the company can use VAT assets against any other tax liabilities arising in the future. Management of the Company believes that VAT assets are fully recoverable.

11 Inventory

In thousands of Georgian Lari	31 December 2018	31 December 2017	1 January 2017 *(restated)*
Inventory property - work in progress	9,378	62,274	39,601
Inventory property - finished	24,590	-	-
Other inventories	158	147	-
Total current Inventory	**34,126**	**62,421**	**39,601**

The cost of goods sold of GEL 42,262 thousand represent cost of inventory disposed during 2018.

A summary of movement of inventory properties (finished and work in progress), excluding other inventories, were as follows:

In thousands of Georgian Lari	2018	2017
At 1 January	62,274	39,601
Construction costs	4,199	24,622
Capitalized interest	1,328	4,603
Transfer from investment property (Note 9)	8,429	-
Transfer to property plant and equipment (Note 8)	-	(6,552)
Disposal	(42,262)	-
At 31 December	33,968	62,274

12 Cash and Cash Equivalents

In thousands of Georgian Lari	31 December 2018	31 December 2017	1 January 2017
Bank current account	3,971	8,643	1,350
Total cash and cash equivalents	**3,971**	**8,643**	**1,350**

The credit quality of cash and cash equivalents balances, excluding cash on hand balances, is "B rated" according to Fitch credit agency, at 31 December 2018 and is neither past due nor impaired.

In thousands of Georgian Lari	31 December 2018	31 December 2017	1 January 2017
- USD	2,265	6,680	975
- EUR	1	123	-
- GEL	1,705	1,840	375
Total cash and cash equivalents	**3,971**	**8,643**	**1,350**

13 Restricted Cash

Restricted cash as of 1 January 2017 with total amount GEL 3,113 thousand represents the guarantee that was placed in TBC Bank JSC for the investment obligation. The Company has purchased the land plot from the government on 14 December 2010 (the State Service Bureau) with the intention to build a residential complex with gardens and relevant infrastructure. The Company had a commitment (investment obligation) to spend USD 13 million for the development of the territory. The guarantee was placed in TBC Bank account and was restricted for use until the investment obligation was fulfilled. The Company has fulfilled the obligation as of 31 July 2017 and thus the restriction on cash was removed.

During 2017 year the Company signed an agreement with TBC Bank, according to which TBC bank will provide the borrowings to apartment buyers under the following scheme: the total amount of apartment price will be transferred directly to the Company's account, however, 75% of transferred amount will be restricted until the Company signs act of acceptance with the buyer. As of 31 December 2017 such restricted cash was in amount of GEL 607 thousand. In July 2018 all these restricted cash were utilised as the Company completed and registered the first block of residential complex.

14 Charter Capital

At 31 December 2018, 31 December 2017 and 1 January 2017 authorised and paid capital amounted to GEL 26,074 thousand.

15 Borrowings

In thousands of Georgian Lari	31 December 2018	31 December 2017	1 January 2017
Current			
Borrowings from the Company's parent	-	70,569	41,768
Total current borrowing	**-**	**70,569**	**41,768**
Non- current			
Borrowings from the Company's parent	33,272	-	-
Total non-current borrowing	**33,272**	**-**	**-**
Total borrowings	**33,272**	**70,569**	**41,768**

15 Borrowings (Continued)

The Company has obtained a loan facility up to USD 50,000 thousand from the parent company. The loan is unsecured with contractual maturity date on 31 December 2025 (31 December 2017 and 1 January 2017: on demand). The simple interest is charged on loan principal balance with an annual interest rate of 11%. Contractually the principal and accrued interest are payable at maturity.

The Company's borrowings are denominated in USD.

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

In thousands of Georgian Lari	2018	2017
Liabilities from financing activities at 1 January	**70,569**	**41,768**
Principal addition	-	24,407
Interest accrued	3,468	4,647
Principal paid	(41,004)	-
Foreign exchange adjustments	239	(253)
Liabilities from financing activities at 31 December	**33,272**	**70,569**

The capitalized interest during 2018 amounted to GEL 1,328 thousand (2017: 4,603 thousand).

Borrowings with nominal amount. In order to satisfy the request for additional information for users of these financial statements, Management prepared reconciliation of borrowings and related interest expenses presented in these financial statements (i.e. at amortised cost) to the amounts that would have been presented at contractual terms (i.e. nominal amount).

In thousands of Georgian Lari	2018	2017
Borrowing at nominal amount at 1 January	**70,569**	**41,768**
Principal addition	-	24,407
Interest accrued	4,968	4,647
Principal paid	(41,004)	-
Foreign exchange difference	471	(253)
Borrowings at nominal amount at 31 December	**35,004**	**70,569**
Effect of amortised cost accounting on borrowings	(1,732)	-
Borrowing at amortized cost at 31 December	**33,272**	**70,569**

In thousands of Georgian Lari	2018	2017
Total nominal interest accrued for the year	4,968	4,647
Effect of amortised cost accounting on interest accrued	(1,500)	-
Effective interest accrued for the year	**3,468**	**4,647**

16 Advances received from Customers

The Company has recognised the following liabilities arising from advances received as per property sale contracts with customers:

In thousands of Georgian Lari	31 December 2018	31 December 2017	1 January 2017
Advances from customers	5,053	4,702	-
Total advances received from customers	**5,053**	**4,702**	**-**

Revenue recognised in relation to contract liabilities. GEL 4,702 thousand of revenue was recognised in the current reporting period related to the advances received from customers as at 1 January 2018 (2017: Nil).

Unsatisfied contracts with customers. The following table presents information on unsatisfied performance obligations resulting from property sale contracts with customers.

In thousands of Georgian Lari	2018	2017
Aggregate amount of the transaction price allocated to contracts that are fully unsatisfied as at 1 January 2018 and 31 December 2018	7,920	13,517

Management expects that 100 % (GEL 7,920 thousand) of the transaction price allocated to the unsatisfied contracts as at 31 December 2018 will be recognised as revenue during the next reporting period (2017: GEL 13,517 thousand).

17 Trade and Other Payables

In thousands of Georgian Lari	31 December 2018	31 December 2017	1 January 2017
Payables for construction	831	5,020	926
Other trade payables	469	57	21
Total trade and other payables	**1,300**	**5,077**	**947**

18 Revenue from Property Sales and Other Service Income

In thousands of Georgian Lari	2018	2017
Revenues from property sales	40,202	-
Other service income	142	-
Total revenue from property sales	**40,344**	**-**

The "Tbilisi Gardens" tower 1 was officially put into exploitation in June 2018, and the Company started generating income from property sales. The full amount of consideration is due before the property is transferred to the customer and sale is recognised.

The Company generates income from the provision of various housing and communal services and from recharging utility expenses to property owners in "Tbilisi Gardens" complex.

19 Staff Costs

In thousands of Georgian Lari	2018	2017
Salaries and wages	1,223	602
Total staff costs	**1,223**	**602**

The Company employed average 59 employees during 2018 (2017: 14).

20 Other General Expenses

In thousands of Georgian Lari	2018	2017
Marketing expenses	864	1,215
Bank charges	182	116
Communication expenses	165	54
Professional fees	60	45
Tax expenses	53	54
Utility expenses	48	5
Insurance expenses	43	6
Other general and administrative expenses	63	23
Total other general expenses	**1,478**	**1,518**

21 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.

Compliance with covenants. The Company is subject to certain covenants related to its borrowings (Note 15). Non-compliance with such covenants may result in negative consequences for the Company including reclassification of borrowings from non-current to current liabilities as those might become payable on demand upon the sole decision of the lender. The Company was in compliance with covenants at 31 December 2018, 31 December 2017 and 1 January 2017.

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.

Legal proceedings. As at 31 December 2018 and 31 December 2017 the Company was not engaged in any significant litigation proceedings. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

22 Financial Risk Management

The risk management function within the Company is carried out in respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of the financial risk management is to establish risk limits, and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Financial instruments which potentially expose the Company to credit risk consist principally of cash and cash equivalents and trade receivables from property sales. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk management. The Company has been developing a set of procedures for the management of credit exposure. The Company's primary means to reduce credit risks are placing the cash and cash equivalents with reputable financial institutions, selling properties on prepayment terms and monitoring payment schedule realisation.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit limit are analysed and approved by the Management. In order to monitor exposure to credit risk, regular reports are produced based on a structured analysis focusing on the customer's payment schedule realisation. Any significant interaction with customers with deteriorating creditworthiness are reported to and reviewed by Management. The Company's management reviews the performance of counterparties and follows up on past due balances.

Forward-looking information incorporated in the ECL models. The calculation of ECLs both incorporate supportable forward-looking information. The Company identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Company and provide the best estimate of the expected macro-economic development over the next five years.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in foreign currency, which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limit on the level of exposure by currency and in total. The positions are monitored dairy.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2018		
In thousands of Georgian Lari	**Financial assets**	**Financial liabilities**	**Net position**
US Dollars	2,816	(34,138)	(31,322)
Euros	1	-	1

22 Financial Risk Management (Continued)

In thousands of Georgian Lari	At 31 December 2017 Financial assets	Financial liabilities	Net position
US Dollars	7,066	(74,619)	(67,553)
Euros	123	-	123

In thousands of Georgian Lari	At 1 January 2017 Financial assets	Financial liabilities	Net position
US Dollars	3,436	(42,652)	(39,216)
Euros	-	-	-

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities, with all other variables held constant:

In thousands of Georgian Lari	31 December 2018	31 December 2017	1 January 2017
US Dollar strengthening by 10%	(3,132)	(6,755)	(3,922)
US Dollar weakening by 10%	3,132	6,755	3,922
Euro strengthening by 10%	-	12	-
Euro weakening by 10%	-	(12)	-

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Company.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Company's cash flows. The Company seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables.
The table below shows liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the official exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 mont hs to 5 years	Over 5 years	Total
Liabilities						
Trade & other payables (Note 17)	1,300	-	-	-	-	1,300
Borrowings (Note 15)	-	-	-	-	50,696	50,696
Total future payments, including future principal and interest payments	**1,300**	**-**	**-**	**-**	**50,696**	**51,996**

22 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Trade & other payables (Note 17)	5,077	-	-	-	-	5,077
Borrowings (Note 15)	-	-	112,337	-	-	112,337
Total future payments, including future principal and interest payments	**5,077**	**-**	**112,337**	**-**	**-**	**117,414**

The maturity analysis of financial liabilities at 1 January 2017 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Trade & other payables (Note 17)	947	-	-	-	-	947
Borrowings (Note 15)	-	-	-	-	41,768	41,768
Total future payments, including future principal and interest payments	947	-	-	-	41,768	**42,715**

23 Fair Value Disclosure

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

23 Fair Value Disclosure (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

In thousands of Georgian Lari	31 December 2018			
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
ASSETS				
OTHER FINANCIAL ASSETS				
- Cash and cash equivalents	3,971	-	-	3,971
- Trade and other receivables	-	793	-	793
- Restricted cash	-	-	-	-
TOTAL ASSETS	**3,971**	**793**	**-**	**4,764**
LIABILITIES				
OTHER FINANCIAL LIABILITIES				
- Trade and other payables	-	1,300	-	1,300
- Borrowings	-	33,272	-	33,272
TOTAL LIABILITIES	**-**	**34,572**	**-**	**34,572**

	31 December 2017			
In thousands of Georgian Lari	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
ASSETS				
OTHER FINANCIAL ASSETS				
- Cash and cash equivalents	8,643	-	-	8,643
- Trade and other receivables	-	51	-	51
- Restricted cash	-	607	-	607
NON-FINANCIAL ASSETS				
- Investment property	-	-	67,829	8,429
TOTAL ASSETS	**8,643**	**658**	**67,829**	**17,730**
LIABILITIES				
OTHER FINANCIAL LIABILITIES				
- Trade and other payables	-	5,077	-	5,077
- Borrowings	-	70,569	-	70,569
TOTAL LIABILITIES	**-**	**75,646**	**-**	**75,646**

23 Fair Value Disclosure (Continued)

	1 January 2017			
In thousands of Georgian Lari	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
ASSETS				
OTHER FINANCIAL ASSETS AT AC				
- Cash and cash equivalents	1,350	-	-	1,350
- Trade and other receivables	-	18	-	18
- Restricted cash	-	3,113	-	3,113
NON-FINANCIAL ASSETS				
- Investment property	-	-	69,257	8,429
TOTAL ASSETS	**1,350**	**3,131**	**69,257**	**12,910**
LIABILITIES				
OTHER FINANCIAL LIABILITIES				
- Trade and other payables	-	947	-	947
- Borrowings	-	41,768	-	41,768
TOTAL LIABILITIES	**-**	**42,715**	**-**	**42,715**

The fair values in Level 2 and Level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

24 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9, *"Financial Instruments: Classification and Measurement"*, classifies financial assets into the following categories: (i) those to be measured subsequently at amortized cost, (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI) and (iii) those to be measured subsequently at fair value through profit or loss (FVPL). All of the financial assets of the Company fall into the initially at fair value, subsequently at amortized cost category.

For the purposes of measurement at 31 December 2017 and 1 January 2017, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. All of the Company's financial assets fall in the loans and receivables category. All of the Company's financial liabilities were carried at amortised cost.

25 Events after the End of the Reporting Period

The Company has started planning and other related procedures in respect to the construction of the second tower in "Tbilisi Gardens" complex.

There were no other events after the end of the reporting period that may require adjustment of or disclosure in these financial statements.