STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

GEL	2018
Gross revenue	18,529,088
Revenue from Agent's operations	(13,318,668)
Net income	**5,210,420**
Gross cost of services rendered	(16,313,921)
Cost of services rendered for Agent's operations	13,318,668
Net cost of goods sold/services rendered	**(2,995,253)**
Gross profit	**2,215,167**
Other income	62,236
Employee salaries and benefits	(1,017,108)
Depreciation and amortisation expense	(11,798)
General and administrative expenses	(390,917)
Other expense	(28,252)
Results from operating activities	**829,328**
Finance cost	(34,154)
Profit before income tax	**795,174**
Income tax expense	(119,276)
Profit for the year and total comprehensive income	**675,898**

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018

GEL	31 December 2018	31 December 2017
Assets		
Current Assets		
Cash and cash equivalents	564,170	628,822
Prepayments	486	31,909
Trade and other receivables	1,060,889	1,283,546
Inventories	2,337	2,329
Current assets	**1,627,882**	**1,946,606**
Property and equipment	47,690	54,465
Intangible Assets	167,509	3,645
Non-current assets	**298,034**	**140,945**
Total assets	**1,925,916**	**2,087,551**
Liabilities and Equity		
Current Liabilities		
Trade and other payables	581,984	814,398
Current tax liability	336,060	216,354
Current Liabilities	**918,044**	**1,030,752**
Non-current Liabilities		
Interest free loan	6,939	6,939
Non-current Liabilities	**6,939**	**6,939**
Total liabilities	**924,983**	**1,037,691**
Equity		
Share Capital	7,492	7,492
Retained Earnings	993,441	1,042,368
Total equity	**1,000,933**	**1,049,860**
Total equity and liabilities	**1,925,916**	**2,087,551**

These financial statements were approved by management and signed on its behalf by:

Chief Accountant

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Capital	Retained earnings	Total equity
Balance at 1 January 2018	7,492	1,042,368	1,049,860
Total comprehensive income for the year			
Profit for the year	-	675,898	675,898
Total comprehensive income for the year	**-**	**1,718,266**	**1,725,758**
Dividends paid to founders	-	(724,825)	(724,825)
Total contributions by and distributions to founders	**-**	**(724,825)**	**(724,825)**
Balance at 31 December 2018	**7,492**	**993,441**	**1,000,933**

ARKAS GEORGIA LLC

Financial Statements
for the year ended 31 December 2018

Contents

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1. Background

(a) Organisation and operations

Arkas Georgia LLC (the Company) was established in Georgia in 2010 as a limited liability company. The Company's registered office is 49, Agmashenebeli street, Poti, Georgia

The principal activities of the Company include agency operations and rendering of terminal handling and other transportation services on the territory of Georgia. Managing Director of the Company is I. Goksan Akan.

The Company's founder and ultimate controlling party is Arkas Shipping and Transport S.A., a Company established and operated in Turkey.

(b) Georgian business environment

The Company's operations are located in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") for Small and Medium-sized Entities issued by the International Accounting Standards Board. From 1 January 2018 the Company is applying these standards to its accounting and reporting policies. The Company represent 3rd category from the list of categories which are set in Georgian "Law about Accounting, Reporting and Audit" issued on 8 June 2016. According to the category, the Company has no obligation to present audited financial statements. According to relevant Law if the Company opts to follow International Financial Reporting Standards ("IFRSs") for Small and Medium-sized Entities starting from 1 January 2018, the presented financial statements should include Statement of Financial Position for the end and beginning of 2018, Statement of Comprehensive Income and Statement of Changes in Equity for the whole 2018 and following explanatory notes. At the same time, the Company may present the Statement of Cash Flow according to its own will. In this case, the Company opts to not to present the Statement of Cash Flow.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis including property and equipment.

(c) Functional and presentation currency

The national currency of Georgia is Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these financial statements are presented.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently for all periods.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(b) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity securities, trade receivables, and cash and cash equivalents.

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: loans and receivables.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Other financial liabilities comprise trade and other payables.

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within other income/other expenses in profit or loss.

(ii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

- vehicles 5 years
- fixture and fittings 4-5 years
- computer and technical equipment 4-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iii) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follow:

- accounting software 10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Impairment losses are recognised in profit or loss.

An impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Employee short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(f) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(g) Revenue

(i) Agency operations

Revenue from the rendering of Agency services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For sales of freight and demurrage, transfer usually occurs when the item is delivered to the point of Poti Sea Port and is considered to be received by the customer. The revenue earned by the Company in its capacity as an agent rather than principal, is shown in the Statement of Comprehensive Income as revenue from Agent's operations.

(ii) Services

Revenue from terminal handling services rendered is recognised in profit or loss when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

(h) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(i) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade receivables

The fair value of trade receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Revenue and cost of sales

GEL	2018
Income from Agency operations	13,318,668
Income from terminal handling services rendered	5,210,420
Net Income	**18,529,088**

GEL	2018
Cost of rendered Agency services	(13,318,668)
Cost of rendering terminal handling services	(2,995,253)
Net cost of goods sold/services rendered	**(16,313,921)**

Agency operations

Revenue/cost of goods sold from/for agent’s operations relate to the sale of sea freight and demurrage, empty containers evacuation operations and vessel agency services in which the Company acts as an agent in the transaction rather than as a principal.

The customers reimburse the Company the cost of sea freight and demurrage and vessel agency services costs in a relevant accounting period. The Company transfers the receipts for sea freight and demurrage to the Principal. As the Company does not expect benefit from such receipts and transfers and also does not bear any risk on these operations, these transactions are reflected as agent’s transactions in the Company’s financial statements. The Company is entitled to receive agency commission on amount of demurrage collected and fixed commission on each vessel served in a relevant accounting period.

6. Other Income

GEL	2018
Income from office rent	51,155
Income from damaged containers	11,081
	62,236

7. Finance cost

GEL	**2018**
Interest income on current bank account	1,087
Net foreign exchange loss	(35,241)
Finance income	**(34,154)**

8. Administrative expenses

GEL	**2018**
Rent	(96,355)
Communication	(22,506)
Utilities	(11,552)
Insurance	(22,313)
Software support	(89,602)
Representative expenses	(11,243)
Business trips	(34,918)
Bank expenses	(6,755)
Professional membership	(6,344)
Stationary expenses	(4,528)
Other expenses	(84,801)
	(390,917)

9. Income tax expense

The Company's applicable tax rate is the income tax rate of 15%.

GEL	**2018**
Current tax expense	
Current year	**119,276**
Total tax expense	**119,276**

10. Property and equipment

GEL	**Vehicles**	**Fixture and fittings**	**Computers and technical equipment**	**Total**
Cost				
Balance at 1 January 2018	11,640	22,184	35,458	49,989
Additions	-	2,092	2,385	4,477
Disposals	-	-	-	-
Balance at 31 December 2018	**11,640**	**24,276**	**37,843**	**54,466**
Depreciation				
Balance at 1 January 2018	(3,882)	(3,818)	(7,116)	(14,816)
Depreciation for the year	(1,552)	(3,494)	(6,206)	(11,252)
Disposals	-	-	-	-
Balance at 31 December 2018	**(5,434)**	**(7,312)**	**(13,322)**	**(26,068)**
Carrying amounts				
At 1 January 2018	**7,758**	**18,366**	**28,342**	**54,466**
At 31 December 2018	6,206	16,964	24,520	47,690
At 31 December 2018	**6,206**	**16,964**	**24,520**	**47,690**

Depreciation expense has been charged in total to administrative expenses.

11. Trade receivables

GEL	2018
Trade receivables	1,060,889
Allowance for trade receivables	-
Trade receivables	**1,060,889**

12. Cash and cash equivalents

GEL	2018
Bank balances	564,170
Cash and cash equivalents	**564,170**

13. Capital and reserves

(a) Ordinary capital

The Company shareholders have contributed GEL 7,492 as paid-in capital at the moment the Company was established.

(b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Company, which are determined according to legislation of Georgia.

At the reporting date the Company has declared and paid dividends in amount of GEL 724,825.

14. Trade and other payables

Trade and other payables

GEL	2018
Trade payables	576,452
Other payables	5,532
	581,984

15. Related party transactions

(a) Control relationships

The Company's founder and ultimate controlling party is Arkas Shipping and Transport SA.

Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in salaries and wages

GEL	**2018**
Salaries and bonuses	**213,497**