Nexia TA

Member of
Nexia International

Prime Concrete LLC

Financial Statements
Together with Independent Auditors' Report

FOR THE YEAR ENDED 31 DECEMBER 2020

(Translation from the Original Georgian Version)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Prime Concrete LLC

Opinion

We have audited the financial statements of Prime Concrete LLC (hereinafter - the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, satatement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the "*basis for qualified opinion"* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

In the company's statement of comprehensive income, foreign exchange loss amounting to 894,273 GEL is reflected. The company could not provide us with the complete accounting records of the balances denominated in foreign currencies. Therefore, we were unable to confirm these balances even with the alternative procedures and could not determine whether making adjustments in the appropriate components of the financial statement was needed or not.

The company changed its accounting software in 2020, and, beginning balances of the year 2020 was entered in the software via an interim account, ending balance of which amounted to 723,678. The company entered the above-mentioned amount in the profit-loss section of the balance sheet, on the non-operating income account. We were not able to gain sufficient and relevant audit evidences for the above-mentioned recognized income, therefore we were not able to determine whether making adjustments in the appropriate components of the financial statement was needed or not.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Matters

We conducted an audit of the Company's financial statements for the year ended 31 December 2019, on which we issued a qualified opinion on 25 June 2020. The reason for expressing the qualified opinion was the fact that the statement of comprehensive income of the company for 2018 reflects the tax expense of GEL 207,647, which is assigned to the classification of other expenses. This expense represents the correction of the tax liability balance and the correction of the reporting error of the previous period. We, was unable to obtain the necessary and appropriate evidence whether this expenditure fully belonged to the 2018 reporting period. Also, in the financial statements prepared as of December 31, 2019, an amount of GEL 140,000 was issued to the accountable person, for whose request we could not find sufficient and appropriate audit evidence. In addition, the company's revenue from contracts with its customers for the year ended December 31, 2019 includes GEL 2,066,760 for the "Barisakho-Shatili" highway rehabilitation project which was generated during more than one calendar year. We were unable to obtain sufficient and appropriate audit evidence about the company's above-mentioned revenue, since we were unable to obtain assurance of the completeness of the project's planned cost estimate, so we could not determine whether any adjustments were necessary in the relevant elements of the financial statements.

In the course of conducting the audit of the financial statements for the year ended December 31, 2020, we also conducted the audit of the corrections presented in Note 5 which concerns the financial statements prepared for the year ended December 31, 2019. In our opinion, similar corrections are appropriate and correct. Audit procedures conducted for comparable information is conditioned on just above-mentioned corrections. Our qualified opinion has not been modified with respect to this matter.

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Other Information included in the Company's Management Report

Management is responsible for the other information. Other information comprises the information included in the Company's Management Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with the requirements of the respective regulatory normative acts, or otherwise appears to be materially misstated based on our knowledge obtained in the audit.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 ISA, 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.

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Report on Other Legan and Regulatory Requirements

In our opinion, based on the work performed in the course of our audit, the information given in the Company's Management Report for the year ended 31 December 2020, in all material respects:

- Is consistent with the financial statements for the year ended 31 December 2020; and
- Includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

The engagement partner responsible for the audit resulting in this independent auditor's report is Gela Mghebrishvili (SARAS-A-965518).

For and on behalf of Nexia TA LLC (SARAS-F-550338)

September 30, 2021

Tbilisi, Georgia

Closer to you

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Prime Conrete LLC
Statement of Comprehensive Income
For the year ended 31 December 2020
(In Georgian lari)

	Note	2020	2019*
Revenue from contract with customers	6	42,801,873	19,315,600
Cost of sales	7	(31,640,851)	(14,871,704)
Gross profit		**11,161,022**	**4,443,896**
General and administrative expenses	8	(2,122,011)	(2,852,092)
Sales and marketing Expenses	9	(336,088)	(383,376)
Increase (decrease) of allowances for impairment of financial assets	14	245,556	(332,893)
Other expenses		(143,877)	(129,973)
Other operating income		248,249	34,289
Operating gain		**9,052,850**	**779,851**
Interest expense, net	10	(1,707,091)	(912,890)
Net foreign exchange gain (loss), net	11	(894,273)	103,699
Other non-operating income / (expense)	12	1,045,980	(119,590)
Net gain / (loss) for the year		**7,497,466**	**(148,930)**
Income tax expense		-	-
Total comprehensive income / (loss) for the year		**7,497,466**	**(148,930)**

* Some of the amount presented do not match the 2019 financial statements and they got represented after the adjustments. Note 5

The financial statements were approved and authorized for issue by Management on September 30, 2021 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 9-40 form an internal part of these financial statement.

Prime Conrete LLC
Statement of Financial Position
As at 31 December 2020
(In Georgian lari)

Assets	Notes	December 31, 2020	December 31, 2019*	January 1, 2019
non-current assets				
Property, Plant and Equipment (PPE)	13	14,946,724	13,849,694	7,185,853
Intangible Assets	14	325,994	389,571	371,414
Prepayments for PPE		-	86,031	80,298
Trade and Other Receivables	15	1,112,963	327,360	476,438
Limited Cash	19	1,638,300	3,121,020	-
Total non-current assets		**18,023,981**	**17,773,676**	**8,114,003**
Current assets				
Inventories	16	6,662,462	2,935,037	3,072,919
Loans issued	17	145,191	117,419	100,431
Advances Payed	18	1,091,416	424,604	372,424
Contract assets	6	9,704,737	3,993,123	568,236
Trade and Other Receivables	15	2,307,686	2,192,821	1,187,828
Cash and Cash Equivalents	19	2,521,959	105,536	1,380,423
Total current assets		**22,433,452**	**9,768,540**	**6,682,261**
Total assets		**40,457,433**	**27,542,216**	**14,796,264**
Equity and Liabilities				
Equity				
Statutory capital		3,450,312	3,450,312	3,450,312
Retained Earnings		9,897,116	2,399,650	2,548,580
Total Equity		**13,347,428**	**5,849,962**	**5,998,892**
Non-current Liabilities				
Borrowings	20	6,583,716	8,047,992	1,536,481
Deferred revenue from grants received		-	-	32,939
Total non-current liabilities		**6,583,716**	**8,047,992**	**1,569,420**
Current Liabilities				
Borrowings	20	7,921,528	6,102,174	2,376,879
Contract liabilities	6	3,782,997	2,614,565	2,075,838
Trade and Other Payables	21	8,821,764	4,927,523	2,775,235
Total current liabilities		**20,526,289**	**13,644,262**	**7,227,952**
Total Equity and Liabilities		**40,457,433**	**27,542,216**	**14,796,264**

* Some of the amount presented do not match the 2019 financial statements and they got represented after the adjustments. Note 5

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Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

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Prime Conrete LLC
Statement of Changes in Equity
For the year ended 31 December 2020
(In Georgian lari)

	Charter Capital	Retained Earnings	Total
January 1, 2019	**3,450,312**	**2,548,580**	**5,998,892**
Total comprehensive loss*	-	(148,930)	**(148,930)**
December 31, 2019*	**3,450,312**	**2,399,650**	**5,849,962**
Total comprehensive income	-	7,497,466	**7,497,466**
December 31, 2020	**3,450,312**	**9,897,116**	**13,347,428**

* Some of the amount presented do not match the 2019 financial statements and they got represented after the adjustments. Note 5

The financial statements were approved and authorized for issue by Management on September 30, 2021 and were signed on its behalf by:

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Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 9-40 form an internal part of these financial statements.

Prime Conrete LLC
Statement of Cash Flows
For the year ended 31 December 2020
(In Georgian lari)

	Note	2020	2019*
Cash flows from Operating activities:			
Income before tax		7,497,466	(148,930)
Adjustments to:			
Depreciation and amortisation	7; 8	1,188,164	712,958
Interest expense, net	11	1,707,092	912,890
Written-off non-current assets		201,904	51,668
Impairment loss for financial assets	15	(245,556)	332,893
Received grant		-	(32,939)
Net loss/(gain) from exchange rate changes		894,273	(103,700)
Cash inflows from operating activities before changes in operating capital		**11,243,343**	**1,724,841**
Decrease / (increase) in operating assets:			
Inventories		(3,727,457)	137,882
Prepayments		(689,344)	52,180
Limited cash		1,482,720	(3,121,020)
Trade and other receivables/Contract assets		(5,970,895)	(6,460,023)
(decrease)/Increase in operating liabilities:			
Contract liability		998,622	2,022,536
Trade and other Payables		3,917,057	2,722,154
Net cash inflow from operating activities before interest payment		**7,254,047**	**(2,921,450)**
Interest paid	20	(1,487,124)	(886,338)
Net cash inflow from operating activities		**5,766,923**	**(3,807,788)**
Cash flows from investing activities:			
Purchase of Property, Plant and Equipment	13	(2,258,757)	(4,693,113)
Puchase of Intangible assets	14	(29,363)	(142,617)
Sales of PPE		158,016	-
Right-of-use assets	20	36,519	-
Net cash outflow from investing activities		**(2,093,585)**	**(4,835,730)**
Cash flows from financial activities:			
Proceeds from borrowings	20	6,905,080	13,123,574
Repayment of borrowings	20	(7,124,937)	(5,267,003)
Payment of principal amount of rent liabilities	20	(1,239,911)	(438,040)
Net cash flow from financial activities		**(1,459,768)**	**7,418,531**
Net decrease (increase) in cash and cash equivalents		**2,213,569**	**(1,224,987)**
Cash and Cash equivalents at the beginning of the year	19	105,536	1,380,423
Effect of exchange rate changes on Cash and Cash Equivalents		202,854	(49,900)
Cash and cash equivalents at the end of the year	19	**2,521,959**	**105,536**

* Some of the amount presented do not match the 2019 financial statements and they got represented after the adjustments. Note 6

The financial statements were approved and authorized for issue by Management on September 30, 2021 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 9-40 form an internal part of these financial statements

1. PRINCIPAL ACTIVITIES

Prime Concrete (hereinafter "the Company") is a Georgian limited liability company (LLC) established in 2008 and is located in Georgia. The company is a limited liability company, established in accordance with the legislation of Georgia, it is registered by the Tbilisi Tax Inspection with an identification code: 215148551.

The following shareholders owned the Company:

	2020	2019
Prime Management Company LLC	65%	65%
Gazelle Finance Georgia LLC	14%	14%
Lasha Chipashvili	12%	12%
Giorgi Akhvlediani	3%	3%
Zurab Davlianidze	3%	3%
Alexander Sokolovsky	3%	3%
	100%	**100%**

Ultimate shareholders of the Company and shareholders of Prime Management Company LLC were:

	2020	2019
Giorgi Akhvlediani	34%	34%
Zurab Davlianidze	33%	33%
Alexander Sokolovsky	33%	33%
	100%	**100%**

Gazel Finance Georgia LLC is owned by Gazel Finance Holding Cooperative, with 100% ownership.

In the first quarter of 2018, Gazelle Finance Georgia LLC contributed 2,442,900 GEL (USD 1,000,000) in the Company's charter capital, instead of owning 14% of the company's shares, as a result shares of Zurab Davlianidze, Alexander Sokolovsky and Giorgi Akhvlediani were reduced form 6,67% to 3%, and shares of Lasha Chipashvili were reduced from 15% to 12%. No changes in capital were made in 2020. On April 20, 2021, the Company and the investor – Gazelle Finance Georgia LLC, made a contract due to which the shares of Gazelle Finance Georgia LLC will be distributed among Alexander Sokolovsky, Giorgi Akhvlediani, Zurab Davlianidze and Lasha Tchipashvili in the following way: 4%, 4%, 4%, 2% respectively, in exchange of a certain compensation. However, these changes have not been updated on the National Agency of Public Registry website (www.napr.gov.ge) by the date of the financial statements' release.

In March 2019, the company established a partnership with Architectural Modeling Group Ltd. to create a joint legal entity, in which the company holds a 96.7% stake.

Principal Activity. The principal business activity of the Company is production and trading of construction materials, providing transport and pumping services. The company is the one of the leader of gravel and concrete production market.

The company registration address is: 1 Kokaia parkway, Poti, Georgia. The main office of the company is located in st. Vaja-Pshavela N11 in Tbilisi.

The director of the company at the time of publication of these reports is Alexander Sokolovsky.

2. BASIS OF PREPARATION

General Information

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate

application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3. Accounting policies are applied continuously for all years unless otherwise stated.

Going Concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. Based on the fact that the Company's profit for the year 2020 amounted to GEL 7,497,466, its current assets exceed its liabilities by GEL 1,907,162 for the year ended December 31, 2020.. Considering the above-mentioned fact, the management believes that the Company is able to cover its liabilities and that there is no doubt about the Company's performance for at least 12 months after the reporting period. The management believes that the going concern assumption is appropriate for the Company.

3. PRINCIPIAL ACCOUNTING POLICIES

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Foreign currency translation

The financial statements are presented in GEL, which is the working and presentation currency of the company. Foreign currency transactions are recorded in the functional currency at the exchange rate ruling at the date of the transaction.

Foreign currency conversion

Monetary assets and liabilities are translated into functional currency at the official exchange rate for the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities at year-end official exchange rates are recognized in profit or loss. Translation at year-end rates does not apply to nonmonetary items. Closing rates (Official rates of the National Bank of Georgia) of exchange used for translating foreign currency balances to Georgian lari were:

	31 Decemeber, 2020	**31 December, 2019**
1 USD/GEL	3.2766	2.8677
1 EUR/GEL	4.0233	3.2095

The average exchange rate of the year	**2020**	**2019**
1 USD/GEL	3.1097	2.8192
1 EUR/GEL	3.5519	3.1553

Revenue from contracts with customers

Revenue recognition takes plance when probability of economic benefits is high, and when it can be reliably estimated. The company recognizes revenues in proportion with the completed contract liabilities.

3. Principal accountins policies (Contnued)
Revenue form contracts with customers (Continued)

The Company recognizes the contracts made with costumers in accordance with IFRS 15, if it satisfies the criterias given below:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (ie the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Prior to income recognition, it is also necessary to meet the following specific recognition criteria: Revenue is determined by its fair value or trade receivables, which include the company's discounts and rebates. Income is reduced by estimated discounts and other similar benefits.

Revenue is recognized when or as soon as a contractual transfer of goods or services under the control of a user is performed. The transfer of control takes place over a period of time, or at a certain point in time.

Revenue from construction services

Construction contracts contain only one performance obligation. The obligations to be fulfilled in the mentioned construction contracts are fulfilled for a certain period of time. For contractual obligations, the Company periodically recognizes revenue on the basis of an assessment of the work performed until the full performance of the contractual obligations, which is intended to reflect the progress of the performance of the obligation to transfer control of the goods or services promised to customers. Management has chosen the input method to assess the progress of work over time, according to which the income is based on the resources used by the company on the fulfillment of contractual obligations. The performance of a liability is assessed in relation to the resources expended relative to the expected total expenditure of resources required to meet the liability. Expenses that are not related to the contract or do not participate in the performance of the contractual obligation will not be used to assess the progress of the work.

Income from the sale of construction materials

The company sells construction materials: concrete, sand and gravel to customers. The obligation to be fulfilled from the sale of the said product is fulfilled at the moment when the control over the asset passes to the customer, generally at the time of delivery and recognizes the income in the same period.
The Company normally issues construction warranties in accordance with business practice.

Determining the transaction price

The Company's revenue is derived from fixed price contracts which, in some cases, depends on the performance obligation completed to date (or KPIs) and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

The company does not have any contracts that contain variable payments.

Received advances related to the construction contracts are not considered as a financing component, because according to agreements advances are deducted upon completion stage less than one year.

Retentions related to the construction contracts are not considered as a financing component, because the third criterion in IFRS 15, paragraph 62(c) is met. That is:

The difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. For example, the payment terms

3. Principal accountins policies (CONTINUED)
Revenue form contracts with customers (Continued)

might provide the entity or the customer with protection from the other party failing to adequately complete some or all of its obligations under the contract.

The Company has not non-cash considerations

Allocating amounts to performance obligations

Allocation of amounts to performance obligations is based on fixed prices determined in contracts, which complies fees for all services rendered.

Costs of obtaining contracts and costs of fulfilling contracts:

The costs of obtaining contracts with customers include fixed salary of sales and legal departments of company, which are not recognized as assets and are expensed as costs to obtain a contract would have been incurred regardless of whether the contract was obtained.

The costs of fulfilling contracts do not result in the recognition of a separate asset because, the costs incurred in fulfilling a contract with a customer were within the scope of IAS 16 Property, Plant and Equipment.

Expenditure related to the conclusion of the contract is not recognized as a separate asset, as such costs are within the scope of IAS 16 Fixed Assets.

Contract distinctions

Contract asset

The Contract, under which the company fulfills an obligation to transfer goods or services before the customer pays the refund, or before the due date for payment of that good or service, is presented as a contract asset in the statement of financial position. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A Company assess a contract asset for impairment in accordance with IFRS 9.

Contract liability

The Contract, under which the Customer pays the fee, or the Company has an unconditional right to the amount of the refund before the Company delivers the goods or services to the Customer, the Company submits as a Contract liability. It is the obligation to deliver goods or services to the customer for which the company has received compensation from the customer.

Trade and other receivable

Prior to January 1, 2018, trading and other receivables were non-performing financial assets with fixed or determinable payments that were not quoted in an active marketThese instruments were not intended for immediate or short-term resale, and were not classified as trading securities or investment securities for saleSuch assets were carried at amortized cost using the effective interest rate. Income and loss were recognized in profit or loss when loans and receivables were derecognised or impaired, as well as in the amortization process. Trade and other receivable are an unconditional right of the company to reimburse. The right to compensation is unconditional when only a certain amount of time is required for the payment to be made. The Company is impairing claims in accordance with IFRS-9.

Employee benefits

The Company shall reimburse the remuneration of the employees for the remuneration paid in full within 12 months after the end of the annual reporting period, during which the employees will provide the relevant services:

- Salaries;
- Annual paid leave and bulletin pay
- Non-monetary benefits for current employees

3. Principal accountins policies (CONTINUED)
Empoyee benefits (Continued)

Salaries, bonuses and non-cash benefits are recognized on an accrual basis during the period in which the company received the relevant service from the employee. The Company has no legal or constructive obligation to issue a pension or make a similar payment.

Recognition of expeneses

Expenses are recognized in the statement of comprehensive income when a decrease in future economic benefits associated with a decrease in assets or an increase in liabilities arises that can be reliably determined.

Expenditure is recognized in profit or loss when the future economic benefits are no longer expected or the future economic benefits no longer meet the asset recognition criteria in the balance sheet.

Join Arrangements: Join operation

A joint venture involves the jointly controlled economic activities of two or more Contracting Parties under a contractual arrangement that sets out the terms and conditions under which the parties participate in the agreed activities. Joint control The right of joint control established by the contract to a certain activity, which exists only when the decision on the relevant activity requires the unanimous consent of the jointly controlling parties.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

In connection with the participation in the joint operation, the Company recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its expenses, including its share of any expenses incurred jointly

Assets, liabilities, receivables and expenses related to participation in the joint operation are accounted for using the appropriate standard for the costs of those particular assets, liabilities and returns.

Financial instruments

Initial recognition

Date of recognition

Any purchase or sale of financial assets and liabilities in the ordinary course of business is recognized at the date of the transaction, that is, the date on which the Company undertook to purchase the asset or liability. Conventional trading means the buying and selling of financial assets and liabilities that require the transfer of assets and liabilities over a period defined by general market practice.

Initial recognition

The classification of a financial instrument for the initial assessment depends on the terms of the contract and the business model of the instrument being managed. Initially, financial instruments are recognized at fair value unless the financial asset and liability are recognized at fair value through profit or loss, in which case transaction costs are added or subtracted.

3. Principal accountins policies (CONTINUED)
Financial instuments (Continued)

Financial Asset Valuation Categories

From 1 January 2018, the Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

Prior to January 1, 2018, the Company classified its financial assets as trade receivables (amortized cost), intended for sale, or held to maturity (amortized cost). Financial liabilities, other than borrowings and financial guarantees, are measured at amortized cost or fair value through profit or loss when they are traded, or instruments are produced, or are classified at fair value.

Trade and other receivable at amortized cost

Trade and other receivables up to January 1, 2018 included non-produced financial assets with fixed or determinable payments that were not quoted in an active market other than those assets:

- Which the company intends to sell immediately or in the near future;
- to which the Company, at initial recognition, belongs to the category of fair profit or loss or intended for sale;
- on which the company may not be able to fully withdraw the initial investment for one reason or another, other than the reason for the credit deterioration, and which belongs to the category intended for sale.

From 1 January 2018, the Company will assess trade and other receivables at amortized cost if both of the following conditions are met:

- A financial asset is a business model that aims to own financial assets in order to obtain contractual cash flows; and
- The contractual terms of a financial asset generate cash flows at specific dates, representing only payments of principal and interest accrued on the remaining balance of the principal amount.

Details of the above conditions are given below:

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Comapany's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);

3. Principal accountins policies (CONTINUED)
Financial instuments (Continued)

- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the company assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

Reimbursement of time value of money and credit risk are the most important elements of interest. In order to determine whether contractual cash flows are merely the payment of principal and interest, the Company considers and considers important factors such as the currency in which the financial asset is represented and the period for which the interest rate is set.

In contrast, contractual terms that provide for substantially more risk or volatility of contractual cash flows that are not related to the underlying contractual transaction do not give rise to contractual cash flows that pay only the principal amount and interest accrued on the unpaid balance. In such cases, the financial asset should be measured at fair value through profit or loss.

Imprairment

Impairment losses on financial assets for both current and long-term receivables as well as contract assets are recognized under a simplified approach, using the matrix of overdue under IFRS 9 to determine what are the expected credit losses over the life of the asset. In the process, the company assesses the probability of the unpaid part of the demand. In order for a company to determine the expected credit losses over the life of its claims, it multiplies the probability obtained in the event of a default on credit losses.

Provisions of impairment are recognized in respect of related party receivables and loans granted under a forward-looking expected credit loss model. For those financial assets whose credit risk has not increased since their initial recognition, the Company reports credit losses expected within 12 months and interest income is recognized on a gross basis. For those financial assets whose credit risk has increased significantly since their initial recognition, the Company reports the expected credit losses over its life and the interest income is recognized on a gross basis. Assets that a company determines have already been impaired are accounted for as a result of their expected credit losses and interest income is recognized on a net basis.

Categories of assessment of financial liabilities

From January 1, 2018, the Company will classify financial liabilities as one of the following:

- Amortised cost;
- FVOCI;
- FVPL.

The Company has no financial liabilities classified as fair value through profit or loss and other comprehensive income.

3. Principal accountins policies (CONTINUED)
Financial instuments (Continued)

Other financial liabilities

Financial liabilities are classified as borrowings and trade and other liabilities. Financial liabilities are initially recognized at fair value less transaction costs. Financial liabilities are subsequently recognized at amortized cost using the effective interest method.

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.

Termination of recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a similar financial asset group) is derecognised if:

- Expiration of cash from the asset has expired;
- The Company relinquished or reserved the right to receive cash from the asset, but assumed a contractual obligation to pay the third parties in full and without delay.; and
- The Company (a) transferred all risks and rewards of the asset; (b) neither transferred nor retained all risks and rewards of the asset but transferred control of the asset. In the case of, the Company transfers the right to receive cash flows from the asset and does not transfer the principal risks and rewards, or control over the assets, the asset is recognized by the Company on a continuing basis. Subsequent use, which has the form of a guarantee on the transferred asset, is reflected in the lower of the original carrying amount of the asset and the maximum amount payable by the Company.

Write off

From January 1, 2018, the financial assets will be written off in part or in full after the Company ceases to attempt to withdraw the amount. If the amount to be written off is more than the accumulated loss reserve, the difference is first added to the reserve and then deducted from the total carrying amount. Subsequent withdrawals are credited at the expense of credit loss. Write-off is a termination event.

Financial liabilities

Recognition of financial liabilities is terminated when they are settled, canceled or expired.

When an existing financial liability is replaced by a second financial liability to the same creditor with significantly changed terms, or if the terms of the current liability change significantly, such change or modification is recognized as cancellation of the original liability and new liability is recognized and the difference in carrying amount is recognized in profit or loss.

Fair value of Measurement

Some assets and liabilities presented in the Company's financial statements are required to be measured and valued at fair value. Fair value is the price that would be received to sell an asset or paid transfer a liability in an orderly transaction between market participants at the measurement date. The fair value

3. Principal accountins policies (CONTINUED)
Fair value of measurement (Continued)

measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either.

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses a fair value method that is appropriate for the circumstances and for which sufficient data are available to estimate fair value. The company uses available market data. Costs used to estimate fair value are classified at different levels depending on how noticeable costs are used to determine the valuation method (fair value hierarchy):

- Level 1: Using quoted unit prices in an active market (uncorrected);
- Level 2: If such a price does not exist, according to other direct or indirect empirical data, such as the quoted price of a market that is not active for the identical entity that the other party owns as an asset;
- Level 3: Based on non-market data

The classification of fair value into levels depends on the level of information used and its importance in calculating fair value. The shift between levels is reflected in the period when such an event takes place.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes cost of purchase and other costs incurred in bringing them to their present location and condition. Net realisation value is cost of selling price of assets in the ordinary course of business less any cost of relating of selling the asset.

Cash and Cash equivalents

Cash and cash equivalents consist of cash in cash on hand and current accounts with banks, which are subject to little risk of price changes

Borrowings

Interest expenses of the borrowings that are directly attributable to the purchase, construction or production, of an asset that necessarily takes a long period to be ready for its functional use or sale are capitalized as part of the value of the asset concerned. All other borrowing costs will be included in the costs for the period in which they are incurred. Borrowing costs consist of interest and other expenses that a person incurs in connection with the borrowing of funds. The Company has loans received from financial institutions to finance major activities. Additional details on loans received are discussed in Note 21.

Govermnet grants

Government grants, including non-monetary grants at fair value is recognized when there is reasonable assurance that: (a) The entity will comply with the conditions attaching to them; and (b) The grants will be received. Government grants is recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

3. Principal accountins policies (CONTINUED)

Impairment of non- financial assets

Property, plant and equipement and intangible assets are reviewed to determine whether there is any intication that those assets have impairment losses in the each reporting period. If there is any indication of possible impairment, the recoverable amount of any such asset (or any related asset group) is astimated and compared with carrying amount and if the estimated recoverable amount is less, the carrying amount will be reduced to its recoverable amount and the impairment loss will be recognized immediately in profit or loss.
All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Property, Plant and Equipement

Initial recognition

Property, plant and equipment are stated at cost at initial recognition.

Cost is defined as the purchase price, import-related taxes, non-deductible taxes and other direct costs. When a group of property, plant and equipment contains different components that have different useful lives, they are accounted for separately as separate components of the property, plant and equipment.

Fixed assets used for major business, administrative or rental, or under construction, is accounted for by the difference between its cost and impairment. Cost includes direct costs that are incurred by the Company's accounting policies.

Gains and losses arising on the sale or write-off of an asset are determined by the difference between the profit or loss received and the carrying amount and are recognized in profit or loss.

Expenses related to the replacement of components of property, plant and equipment and accounted for independently are capitalized together with the carrying amount of the component that was written off. Other expenses will be capitalized if economic benefits can be received in the future. All other expenses, including repairs, are recognized in profit or loss as incurred.

The right to use the asset is presented in the statement of financial position together with the fixed assets.

Subtiquent measurement

Depreciation is calculated using the deductible balance method. The following rates were used to calculate depreciation:

- Buildings and Constructions - 5-20%.
- Concrete factory - 5-10%
- Construction equipment - 20%
- Transportation facilities - 5-20%
- Office equipment - 20%
- The right of use asset - 5-20%

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated

3. Principal accountins policies (CONTINUED)

Prpoperty, pant and equipment (Continued)

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Intangible assets

Company holds intangible assets with definite useful lives. They are recognized at historical value less accumulated amortization and impairment losses, if any. Intangible assets are amortised on a straight-line basis. The amortisation expense of software included within the administrative expenses in the statement of comprehensive income. Licenses amortization is capitalised to cost of mined sand and gravel. The useful service term is reviewed at the end of each reporting year, taking into consideration the effect of any change, retrospectively.

Leases

Company as a leasee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A lease is defined as a contract or a part of a contract based on which right-of-use asset (lease asset) is handed to the other party for a certain time period, in exchange for a compensation.

To use this definition, the Company must evaluate:

a) The contract contains the right to control the use of the identified asset for a certain period of time. Typically, an asset is explicitly defined in the contract. However, it is also possible for an asset to be identified indirectly at the time the asset becomes available to the user for use.

b) the right to obtain substantially all of the economic benefits from use of the identified asset. When assessing the right to obtain substantially all of the economic benefits from use of an asset, an entity shall consider the economic benefits that result from use of the asset within the defined scope of a customer's right to use the asset. The Company determines how and for what purpose the asset is used during the period of use.

Recognition and measurement of lease

At the commensment date of the lease, the Company recognizes the right to use the asset and the lease liabilily in the statement of financial position.

Right of use asset

The Company recognize right of use asset at the commensment date of the lease at cost, which includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

The Company uses cost model for subsequent measurement of right of use asset, according to which the Cost of right of use assets redused of any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, Accordingly, depreciation is accrued on other types of assets from the date of commencement of the lease term until the end of the useful life of the lease asset. Th Company uses the diminishing balance method with right of use assets under requirements of IAS 16 "Property, plant and equipement".

Lease liability

At the Commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. the lease payments included in the

3. Principal accountins policies (CONTINUED)

Leases (Continued)

measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

In calculating the present value of lease payments, the Company has used its incremental borrowing rate at the lease commencement date and aslo interest rate implicit in the lease. After the commencement date of lease, the Company increasing the carrying amount to reflect interest on the lease liability and reducing with lease payuments made. The Company remeasuring the carrying amount of lease liability in case if there are circumstances of modification of lease terms, changes lease payments or in the assessment of purchise the underlying asset.

The Company's lease liabilities are presented in the statement of financial position together with the borrowings and are disclosed in Note 20.

Short-term leases and leases of low-value assets

The Company applies the recognition exemptions on lease contracts for which the lease term ends within 12 months as of the date of initial application and does not contain the purchise option. The company has similar type of lease agreements for vehicles. It also applies the recognition exemptions on lease contracts for which the underlying asset is of low value, which and similar type of lease agreements have been concluded for the lease of builtings. The Company recognises the lease payments associated with Short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

Current and non-current distinction

The Company disclosed assets and liabilities separately in the statement of financial position on a current/long-term basis. The Company considered the asset to be short-term if it:

- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- it expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period

An entity shall classify all other liabilities as non-current.

3. Principal accountinG policies (CONTINUED)

Advance received

Advances received are recognized at the carrying amount less any impairment. Advance payments are classified as long-term when goods or services related to advance payments are expected to be received after one year, or when the advance payments are related to an asset that is itself classified as long-term at initial recognitionAdvance payments on assets are transferred to the carrying amount of the asset when the Company acquires control of the asset or it is expected that future economic benefits associated with the asset will flow to the CompanyOther advance payments are deducted in profit or loss when goods or services related to advance payments are receivedIf there are indications that the asset, goods and services related to the advance payments will not be received, the carrying amount of the advance payments will be deducted accordingly and the corresponding impairment loss will be recognized in profit or loss for the year.

VAT (Value Added Tax)

Sales-related value added tax must be paid to the tax authorities upon delivery of goods and services to the client. VAT accrued is generally deductible upon receipt of VAT invoice for outgoing VAT. Tax authorities authorize the payment of VAT on a net basis. VAT related to sales is recognized and reflected in the statement of financial position on a net basis. When a provision is made for impairment of receivables, impairment losses are recognized in the full amount of the future, including VAT.

Income tax

Income taxes have been provided for in the Financial Statement 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. 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, the tax credit amount should not exceed the actual income tax imposed on dividend distribution.

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

According to the tax legislation of Georgia, the company must pay taxes with a single treasury code. As a result, the Company will present tax assets and liabilities on a net basis as a tax asset or liability.

3. Principal accountinG policies (CONTINUED)

Income tax (Continued)

Results from income tax arising from the distribution of dividends (if it exists), which is defined in IFRS 9 (i.e. distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital) should be recognized:

- Simultaneously when dividend liability recognition takes place; and
- In the statement of profit or loss, in the statement of other comprehensive income, or statement of changes in equity, depending on whether or not the organisation recognized its past operations or events that gave rise to retained earnings, from which the dividends are paid.

According to IAS 28 - Investments in Associates and Joint Ventures – valuation of investee at carrying amount via statement of profit or loss will take place based on each investment.

- Any organisation that is new and that has made a risky investment, or any other conventional organization, can make a decision with the initial recognition based on each investment in order to estimate their investments in associates and joint ventures with real value via statement of profit or loss.
- Any company, that is not an investment company itself, that owns shares in any associates or joint ventures that are investment companies, while using equity method, can decide on maintaining fair value method which is used by investment associates or joint ventures with respect to investment associate companies and joint ventures of subsidiaries of the company. This decision is made separately for each investment associate company and a joint venture at the latest point in time among the following:
- Investment associate company or a joint venture is initially recognized;
- Associate company or a joint venture becomes investment company; and
- Investment associate company or a joint venture becomes a parent company for the first time.

4. SIGNIFICANT ACCOUNTING ASSTIMATES AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities presented in statement of financial position and on revenue and expenses presented in the statement of comprehensive income at the end of the year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Assumptions and estimates are reviewed continuously. could results in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The estimates and assumptions that have a significant For the financial condition and financial results of the company are discussed below.

Useful lives of property, plant and equipment and intangible assets

Property, plant, equipment and intangible assets are depreciated/amortized over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods. Changes in accounting estimates are accounted for on a prospective basis.

4. Significant accounting asstimates and judgments **(Continued)**

Expected credit loss provision of trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for receivables. To measure expected credit losses on a collective basis, receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. Therefore, the historical loss rates are not adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. Information about expected credit loss provision of trade reciavables and contract asset detailed discussed in note 15.

Revenue recognition- satisfaction of the performance obligation

During the reporting period, revenue from contracts with customers are recognized when or as soon as the transfer of goods or services under contract under the control of the customer is performed. The transfer of control takes place over a period of time or at a certain point in time. The revenue of the company is the proceeds from the construction service contract, on which the obligation to be performed takes place over a period of time. For each construction service contract, the company evaluates the performance of the contractual obligation according to the input method, the maintenance of which is important for the accuracy of the calculation of revenues.

Right of lease renewal:

When an enterprise has a right to opt for renewing lease, management must estimate whether exercising this right would be sufficiently assuring. Management takes into account every fact and circumstance including its past experiences and any expenses which will be outlaid for replacing an asset, if this right is not used which will help the management to determine the terms of a lease. The management believes their estimations relating to lease extention to be adequate.

Related Parties Transactions:

The Company enters into a deal with its related parties. IFRS 9 requires financial instruments to be initially recognized with its fair value. The Company considers whether the market price is used while making a transaction, if there exists an operating market for such deal. Basis for the above-mentioned discussion is similar deals with non-related parties.

5. PREVIOUS PERIOD CORRECTIONS AND RECLASIFICATIONS

The management of the company identified errors in the financial statements for 2019, accordingly, the balances of the previous reporting period were revised.

Management believes that presenting financial statements in a similar manner gives a more accurate picture. The table below shows the effect of error correction on the Group's consolidated financial statements as at 31 December 2019:

31 December, 2019	Before reclassification	Reclassification	As reclassified
Property, plant, equipment and	13,947,358	(97,664)	13,849,694
Limited cash	1,720,620	1,400,400	3,121,020
Prepayments	288,239	136,365	424,604
Trade and other receivables	2,841,400	(648,579)	2,192,821
Cash and cash equivalents	1,505,936	(1,400,400)	105,536
Contract liabilities	2,662,508	(47,943)	2,614,565
Trade and other payables	5,291,775	(364,252)	4,927,523
Retained earnings	2,597,333	(197,683)	2,399,650

5. Previous Period Corrections and Reclasifications (Continued)

Adjustment of the statement of comprehensive income for the year 2019	According to the previous statement	Adjustment	Adjusted amount
Other expenses	(51,879)	(78,094)	(129,973)
Other non-operating income/expense	-	(119,589)	(119,589)

Adjustment of the cash flow statement for the year 2019	According to the previous statement	Adjustment	Adjusted amount
Net cash flow from operating activities	(2,407,388)	(1,400,400)	(3,807,788)
Cash at the end of 2019	1,505,936	(1,400,400)	105,536

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of proceeds from contracts with customers for the ended years December 31, 2020 and 2019 is presented in the table below:

	2020	2019
Recognised in process		
Construction contracts	40,858,916	17,328,139
Recognised at some point in time		
Concrete realisation	909,345	1,042,438
Sand and gravel realisation	1,033,612	945,023
Total	**42,801,873**	**19,315,600**

Performance obligation

Most often, construction contracts involve only one obligation to perform. A commitment to perform construction work includes a construction contract or services to be renderedRevenue is recognized over time, according to the stage of performance of the contract work at the end of the reporting period, which is determined by the ratio of the total contract costs incurred for that date (using the resource method). The obligation to sell concrete, sand and gravel is met at the moment when control is transferred to the customer, generally at the time of delivery.

6. Revenue from Contracts with customers (Continued)

Contract balances

Reconciliation of contract assets and liabilities is presented as follows:

	Contract Assets		Contract Liabilities	
	2020	2019	2020	2019
1 January	**3,993,123**	**568,236**	**(2,614,565)**	**(2,075,838)**
Transfers in the period from contract assets to trade receivables	(3,993,123)	(568,236)	-	-
Amounts included in contract liabilities that recognised as revenue during the period was	-	-	2,614,565	2,075,838
Excess of revenue recognised over cash or rights to cash) being recognised during the period. Excess of rights to cash over revenue recognized during the period	9,704,737	3,993,123	-	-
Cash received in advance of performance and not recognised as revenue during the period.	-	-	(3,782,997)	(2,614,565
31 December	**9,704,737**	**3,993,123**	**(3,782,997)**	**(2,614,565)**

Contract assets and contractual liabilities arise from the activities of a company that include contracts that take more than one year to complete.

7. COST OF SALES

The cost of sales for the years ended December 31, 2020 and 2018 are presented as follows:

	2020	2019
Building materials	13,311,784	8,102,415
Third party services	9,698,676	1,567,299
Salaries	4,165,871	2,550,633
Rent	1,529,505	196,731
Depreciation and amortization	930,051	369,520
Fuel	892,957	858,054
Repair and maintenance	782,275	625,855
Transportation	137,169	131,626
Inventory write off	14,353	59,251
Other	178,210	410,320
Cost of sales	**31,640,851**	**14,871,704**

Revenue-related direct costs are presented as follows:

	2020	2019
Construction contracts	29,955,259	13,655,108
Realisation of sand and gravel	823,698	440,031
Realisation of concrete	861,894	776,565
Cost of sales	**31,640,851**	**14,871,704**

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the ended years December 31, 2020 and 2019 are presented in the table below:

	2020	2019
Employee benefit expenses	1,271,280	1,344,168
Depreciation and Amortization	258,109	343,438
Consultation expenses	94,830	137,413
Fuel	63,252	136,107
Office expenses	57,939	50,184
Repair and maintenance	41,900	103,231
Comunication expenses	33,932	35,534
Taxes other than Income tax	77,223	41,492
Bank Charges	23,426	10,107
Comunal expenses	12,382	23,200
Security expenses	8,632	69,690
Insurance	6,446	237,043
Business trips	6,615	38,856
Rent	3,427	16,828
Other	162,618	264,801
General and administrative expenses	**2,122,011**	**2,852,092**

9. SALES AND MARKETING EXPENSES

Sales and marketing expenses for the ended years December 31, 2020 and 2019 are presented in the table below:

	2020	2019
Employee benefit expenses	277,499	161,850
Fuel	27,567	36,793
Delivery expenses	508	180,384
Other	30,514	4,349
Sales and marketing expenses	**336,088**	**383,376**

10. INTEREST EXPENSE, NET

Interest expense, net expenses for the ended years December 31, 2020 and 2019 are presented in the table below:

	2019	2018
Interest income related to:		
Issued loans	10,467	9,383
Interest expenses related to:		
From Borrowings	(1,279,738)	(678,280)
Rent liabilities	(437,820)	(243,993)
Interest expense, net	(1,707,091)	(912,890)

11. NET FOREIGN EXCHANGE GAIN (LOSS)

Net foreign exchange gain (loss) for the ended years December 31, 2020 and 2019 are presented in the table below:

	2020	2019
Foreign exchange gain	**7,273,509**	**2,065,012**
Trade and other payables	1,023,287	21,387
Cash and cash equivalents	822,762	46,748
Loans issued	6,140	13,339
Borrowings	1,786,660	1,515,276
Financial lease liabilities	1,050,117	230,907
Trade and other receivables	2,584,543	237,355
Foreign exchange loss	**8,167,782**	**1,961,313**
Financial lease liabilities	1,548,018	184,262
Borrowings	2,614,956	1,472,556
Trade and other Payables	998,932	58,382
Trade and other receivables	2,382,823	143,966
Loans issued	3,145	5,499
Cash and cash equivalents	619,908	96,648
Net foreign exchange gain (loss)	**(894,273)**	**103,699**

12. OTHER NON-OPERATING INCOME (EXPENSE)

The Company's other non-operating income in 2020 amounts to GEL 1,045,980 (2019: GEL 119,589 – expense). The company changed its accounting program in 2020, and, beginning balances of the year 2020 was entered in the program via an interim account, ending balance of which amounted to 723,678. The company entered the above-mentioned amount in the profit-loss section of the balance sheet, on the non-operating income account. In addition, there is income from the excess of inventories found at physical counting reflected on this account which amounts to GEL 322,302.

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13. PROPERTY, PLANT AND EQUIPEMENT AND THE RIGHT OF USE ASSET

Property, plant, equipment and the asset use right balance sheet cost variations are in the table below:

								Right-of-use Asset			
Historical Cost	**Land**	**Construction in progress**	**Property and plant**	**Factory**	**Construction equipment**	**Transportation facilities**	**Office Equipment**	**Transportation facilities**	**Construction equipment**	**Property and plant**	**Total**
January 1, 2019	**827,592**	**25,121**	**1,640,496**	**1,440,499**	**3,957,280**	**5,411,496**	**259,760**	-	-	-	**13,562,244**
Additions	-	1,312,030	67,745	507,962	385,405	2,111,555	182,257	2,922,827	-	101,872	**7,591,653**
Debt interest capitalization	-	68,973	-	-	-	-	-	-	-	-	**68,973**
Transfers	-	-	-	-	(175,976)	(83,730)	-	83,730	175,976	-	-
Write-off	-	-	-	-	(37,310)	(511,526)	(3,133)	-	-	-	**(551,969)**
December 31, 2019	**827,592**	**1,406,124**	**1,708,241**	**1,948,461**	**4,129,399**	**6,927,795**	**438,884**	**3,006,557**	**175,976**	**101,872**	**20,670,901**
Additions	-	1,441,688	43,286	-	768,339	49,156	42,318				**2,344,787**
Debt interest capitalization	-	207,385	-	-	-	-	-	-	-	-	**207,385**
Transfers	-	(655,849)	15,657	473,505	-	166,687	-	-	-	-	-
Write-off	-	-	-	-	-	(381,241)	-	-	-	-	**(381,241)**
Reclassifications	-	(154,054)	-	-	(3,339)	-	(621)	-	-	-	**(158,014)**
December 31, 2020	**827,592**	**2,245,294**	**1,767,184**	**2,421,966**	**4,894,399**	**6,762,397**	**480,581**	**3,006,557**	**175,976**	**101,872**	**22,683,818**
Accumulated Depreciation											
January 1, 2019	-	-	**505,796**	**1,090,222**	**1,718,311**	**2,900,377**	**161,685**	-	-	-	**6,376,391**
Depreciation	-	-	**124,789**	**50,781**	**59,929**	**168,544**	**26,101**	**88,202**	**34,906**	**35,246**	**588,498**
Write-off	-	-	-	-	**(13,639)**	**(127,676)**	**(2,367)**	-	-	-	**(143,682)**
December 31, 2019	-	-	**630,585**	**1,141,003**	**1,764,601**	**2,941,245**	**185,419**	**88,202**	**34,906**	**35,246**	**6,821,207**
Depreciation	-	-	**140,505**	**66,700**	**270,427**	**378,463**	**56,109**	**158,253**	**24,767**	-	**1,095,224**
Write-off	-	-	-	-	-	(179,337)	-	-	-	-	**(179,337)**
December 31, 2020	-	-	**771,090**	**1,207,703**	**2,035,028**	**3,140,371**	**241,528**	**246,455**	**59,673**	**35,246**	**7,737,094**
Net book value											
December 31, 2019	827,592	**1,406,124**	**1,077,656**	**807,458**	**2,364,798**	**3,986,550**	**253,465**	**2,918,355**	**141,070**	**66,626**	**13,849,694**
December 31, 2020	827,592	**2,245,294**	**996,094**	**1,214,263**	**2,859,371**	**3,622,026**	**239,053**	**2,760,102**	**116,303**	**66,626**	**14,946,724**

As of December 2019, the loan received from the financial institution is secured by the following fixed assets (net book value): land 807,678 GEL, buildings and structures 534,700 GEL; Vehicles 1,920,027 GEL; Concrete plant 1,511,112 GEL; Construction equipment 893,785 Gel.

13. PROPERTY, PLANT AND EQUIPMENT AND THE RIGHT OF USE ASSET (CONTINUED)

The company vehicles and construction equipment with a net book value of GEL 2,876,405 have been invested to secure the lease as of December 31, 2020.

For the suppliers of the company and for the companies with which it has concluded construction contracts, it has taken guarantees from December 2019 from local financial institutions. According to the signed guarantee agreements, the guarantees are provided by the following fixed assets (net book values): vehicles 531,259 GEL, construction equipment 260,742 GEL, concrete plant 593,563 GEL.

Amount of expenses related to capitalized borrowed funds:
The company is constructing a concrete plant and warehouse, which was not commissioned during 2019 and their book value at the end of the 2019 reporting period is 646,773 GEL (2018: 25,121 GEL)

The table below shows the carrying amounts of lease liabilities and their movement over the period:

	2020	2019
As at January 1	**2,723,076**	**316,361**
Additions	-	2,887,439
Accrued interest	437,819	243,993
Payments	(1,239,910)	(741,437)
Modification	36,519	-
Foreign exchange effect	497,901	16,720
As at December 31	**2,455,405**	**2,723,076**

The total amount of cash flows from the company in connection with the lease in the 2020 reporting period is GEL 1,239,910.

14. INTANGIBLE ASSETS

Intangible assets of the company for December 31, 2020 and December 31, 2019 are the following:

Historical cost	**Licenses**	**Software**	**Total**
January 1, 2019	**426,806**	**228,350**	**655,156**
Additions	38,323	104,294	**142,617**
Write off	-	-	-
31 December 2019	**465,129**	**332,644**	**797,773**
Additions	-	29,363	**29,363**
Write off	-	-	-
31 December 2020	**465,129**	**362,007**	**827,136**
Accumulated amortization			
January 1, 2019	**87,318**	**196,424**	**283,742**
Depreciation	91,521	32,939	**124,460**
Write off	-	-	-
31 December 2019	**178,839**	**229,363**	**408,202**
Depreciation	89,608	3,332	**92,940**
Write off	-	-	-
31 December 2020	**268,447**	**232,695**	**501,142**
Net book value			
31 December 2019	**286,290**	**103,281**	**389,571**
31 December 2020	**196,682**	**129,312**	**325,994**

14. Intangible Assets (Continued)

As of December 31, 2020, the company has 6 active licenses required for sand/gravel extraction. The licenses were purchased on July 5, 2015, June 22, 2017, July 24, 2018, and July 8, 2019. Utility terms are 4 and 5 years. The maximum output of the obtained licenses is 586,200, 71,700, 66,300, 163,800, 96,900, 44,940 cubic meters.

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables for the ended years December 31, 2019 and 2018 are presented in the table below:

	2020	2019
Non-current		
Trade receivables	1,112,963	327,360
Total non-current trade receivables	1,112,963	327,360
Current		
Trade receivables	2,345,415	2,500,235
Other receivables	146,230	144,634
Allowances	(183,959)	(452,048)
Total current trade and other receivables	**2,307,686**	**2,192,821**

* Non-current trade receivables includes guarantee funds, In connection with construction contracts.

The breakdown of financial assets by currency is presented in Note 23
Expected credit losses Reserve for doubtful debts of trade and other receivables and expected credit losses used to calculate the reserve as of December 31, 2020 are:

		Overdue in days					**Total**
	Current	**1-60**	**61-120**	**121-180**	**181-360**	**360 <**	
Expected loss rate	1%	6%	15%	50%	70%	100%	
Gross carrying amount	48,612	56,582	20,727	133,912	27,933	90,460	**378,226**
Loss provision	486	3,395	3,109	66,956	19,553	90,460	**183,959**

Expected credit losses Reserve for doubtful debts of trade and other receivables and expected credit losses used to calculate the reserve as of December 31, 2019 are

		Overdue in days					**Total**
	Current	**1-60**	**61-120**	**121-180**	**181-360**	**360 <**	
Expected loss rate	1%	6%	15%	50%	70%	100%	
Gross carrying amount	2,703,130	107,335	216,450	43,125	58,812	323,377	**3,452,229**
Loss provision	27,031	6,440	32,467	21,563	41,169	323,377	**452,047**

15. Trade and other receivables (Continued)

To estimate the expected credit losses of trade and other claims on a collective basis, the Company grouped the same credit risk and maturity trading and other claims. Given that the effect of the transition to IFRS-9 was insignificant, the Company did not make any appropriate adjustments

Expected credit loss rates are determined by the Company's historical rates over 3 years. The Company used the exemption from IFRS 9 ბ 5.5.50 and did not use the factors expected in the forecast period for trading and other requirements. Historical rates are not adjusted for current and future-oriented macroeconomic factors that affect the Company's customers.

The Company has introduced an IFRS 9 simplified approach to estimating expected credit losses, for which it has used expected credit losses over the life of trading and other receivables. Expected credit loss to financial institutions is assessed by the Company using a method that reflects: an impartial and probabilistic weighted amount that is determined by estimating the range of possible outcomes; Time value of money; Reasonable and valuable information about past events, current conditions, and future economic forecasts available for the reporting date without undue expense or effort.

Reserve movement of advances, trade and other claims is presented as follows:

Expected credit loss rate	2020	2019
As at 1 January	**(840,248)**	**(507,161)**
Increase of provision	(193,535)	(367,775)
Impairment loss during the year	**(1,033,783)**	**(874,936)**
Reversial	439,091	34,688
As at 31 December	**(594,692)**	**(840,248)**

16. INVENTORY

Inventories of the company as of December 31, 2020 and December 31, 2019 are in the table below:

	31 December 2020	31 December 2019
Building materials	5,975,066	2,497,882
Spare parts	504,895	305,448
Fuel	122,541	123,184
Other	59,960	8,523
Total inventories	**6,662,462**	**2,935,037**

During 2020, the Company recognized a net impairment loss of 14,353 GEL (2018: GEL 59,251) on the cost of sales (Note 7) in respect of inventories.

17. ISSUED LOAN

Company's issued loans for the ended years December 31, 2020 and 2019 are presented in the table below:

	31 December 2020	31 December 2019
Kakhaber Maisuradze	425,471	424,860
Giorgi Akhvlediani	144,250	117,089
Provision for impairment	(424,530)	(424,530)
Total Issued Loans	**145,191**	**117,419**

Impairment reserve on issued loans are presented in the table below:

17. Issued loan (Continued)

	2020	2019
As at 1 January	**(424,530)**	**(424,530**
Write off	-	-
As at 31 December	**(424,530)**	**(424,530)**

18. PREPAYMENTS

Company's prepayments for the ended years December 31, 2020 and 2019 are presented in the table below:

	2020	2019
Prepayments to suppliers	1,355,919	668,170
Prepayments to subcontractors	146,230	144,634
provision for impairment	(410,733)	(388,200)
Total Prepayments	**1,091,416**	**424,604**

The 2020 and 2019 reserve movements picture is presented in the 15th note.

19. CASH AND CASH EQUIVALENTS

Company cash and cash equivalents as of December 31, 2020 and December 31, 2019 consist of:

	31 December 2020	31 December 2019
Cash in hand	17,162	17,162
Cash at bank		
Cash at bank in national currency	47,347	48,532
Cash at bank in foreign curren	-	39,842
Limited cash equivalents	2,457,450	-
Total cash and cash equivalents	**2,521,959**	**105,536**

Prior to the recivebles bank balances in the amount of 43,347 GEL were placed in banks with a "BB-" rating according to the Fitch rating (December 31, 2019: GEL 83,458)

Limited cash includes deposits to provide performance and advance guarantees taken from financial institutions. These guarantees are related to the contract concluded with "Pay Terminal" Ltd. for the rehabilitation of Poti Port.

20. BORROWINGS

Borrowings for the ended years December 31, 2020 and 2019 are presented in the table below:

	2020	2019
Non-current		
Borrowings		
LLC Procredit bank	4,779,943	4,746,355
Gazelle finance Georgia	260,343	1,646,538
Individuals	-	-
Rent liabilities	1,543,430	1,655,099
Total	**6,583,716**	**8,047,992**
Current		
Borrowings		
LLC Procredit bank	3,301,706	2,201,192
Gazelle finance Georgia	2,538,430	2,437,546
Bank of Georgia	655,320	-
Individuals	514,098	395,458
Rent liabilities	911,974	1,067,978
Total	**7,921,528**	**6,102,174**

According to the terms of the agreement, the loans received from individuals will be repaid in 2021, and the loans received from the financial institution in 2024. Interest rates are fixed for all loans and range from 7% -13% for local financial institutions, 12% for loans from founders and 9.5% -23% for individuals.

During the 2019 reporting period, the Company received a loan of GEL 6,709,482 from financial institutions (Bank of Georgia – USD 740,000, EUR 210,000, Procredit Bank – GEL 3,749,858), GEL 88,298 from founders (GEL 64,000 and USD 8,000), and GEL 107,300 from another company.

Fixed assets are invested in securing loans and financial leasing (details are explained in Note 13). The breakdown of loans received by currency is presented in Note 25.

Movement of liabilities created by financial operations:

	2020	2019
As at 1 January	(14,150,166)	(3,913,360)
Effect of IFRS-16	-	(101,872)
Increase of borrowing	(6,905,080)	(13,123,574)
Increase of rent liability according ro IFRS-16	-	(2,887,439)
Repayment of principal	7,124,937	5,458,595
Rent liability payment	1,239,911	438,038
Paid interest	1,487,124	886,338
Interest capitalization	(207,385)	(68,973)
Lease liability modification	(36,519)	-
Effect of exchange rate changes	(1,340,508)	25,718
Interest expense	(1,717,558)	(900,018)
Set off with trade and other payables	-	36,381
As at 31 December	**(14,505,244)**	**(14,150,166)**

21. TRADE AND OTHER PAYABLES

Company trading and other liabilities for the ended years December 31, 2020 and 2019 are presented in the table below:

Financial liabilities	2020	2019
Trade payable to subcontractors	485,036	150,678
Trade payables to suppliers	6,548,566	3,598,692
Salaries Payable	327,039	386,971
Other payables	99,344	50,031
Non-Financial liabilities		
Taxes payable	1,361,779	741,151
Total trade and other payables	**8,821,764**	**4,927,523**

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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 carrying value of assets and liabilities not measured at fair value are as follows:

Fair values are analised by fair value hierarchy and balance value of assets and liabilities, which aren't measured as fair value, are in the table below:

	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Net book value	Level 1	Level 2	Level 3	Net Book value
Assets								
Trade and other receivables	-	-	3,420,649	**3,420,649**	-	-	2,520,181	**2,520,181**
Issued loans	-	-	145,191	**145,191**	-	-	117,419	**117,419**
Contract assets	-	-	9,704,737	**9,704,737**	-	-	3,993,123	**3,993,123**
Limited cash equivalents	-	1,638,300	-	**1,638,300**	-	3,121,020	-	**3,121,020**
Cash and cash equivalents	17,162	2,504,797	-	**2,521,959**	17,162	88,374	-	**105,536**
Total assets	17,162	4,143,097	13,270,577	17,430,836	17,162	3,209,394	6,630,723	9,857,279

22. Fair Value of Financial Instruments (Continued)

	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Net Book value	Level 1	Level 2	Level 3	Net Book value
Liabilities								
Borrowings	-	-	14,505,244	**14,505,244**	-	-	14,150,166	**14,150,166**
Contract liabilities	-	-	3,782,997	**3,782,997**	-	-	2,614,565	**2,614,565**
Trade and other payables	-	-	8,821,764	**8,821,764**	-	-	4,927,523	**4,927,523**
Total liabilities	-	-	**27,110,005**	**27,110,005**	-	-	**21,692,254**	**21,692,254**

Second and third levels of the fair value hierarchy were assessed using discounted cash flow techniques. Variable rate financial instruments at fair value that are not quoted in an active market were assessed as equal to their carrying amount.

The fair value of a financial instrument with an unquoted fixed interest rate was estimated based on the expected future cash flows expected to be received at current interest rate discounted rates for new instruments having similar credit risk and repayment terms.

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. 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. Fair values of held-to-maturity investments were determined based on quoted bid prices

Liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade payables and other financial liabilities approximate fair values due to their short term maturities

23. FINANCIAL RISK

General objectives, policies and processes

The Management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Management receives monthly reports from the Company Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to assess the credit risk of new customers before entering contracts.

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

23. Financial risk (Continued)

General objectives, policies and processes (Continued)

The Management determines concentrations of credit risk by through a monthly review of the receivables ageing analysis.

The Company's maximum amount of credit risk to assets class is reflected in the statement of financial position at the carrying amount of the financial asset:

	31 Decemebr 2020	31 December 2019
Trade receivables		
Contract assets	9,704,737	3,993,123
Issued loans	145,191	117,419
Trade and other receivables	3,420,649	2,520,181
Restricted cash	1,638,300	3,121,020
Cash and cash equivalents		
Cash at bank	47,347	88,374
Restricted cash	2,457,450	-
Total maximum impact on risk	**17,413,674**	**9,840,117**

Company management reviews the statute of limitations for unpaid trade receivablesAnd follow overdue balances. Further disclosures regarding trade and other receivables, which are either past due or impaired, are provided in Note 15.

Market risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors.

The market risk sensitivity, which is presented above this statement is based on one-factor change if other ones would be permanent. In practice, this situation is a very rare case and some of the factors change would be caused by the correlation. For example, changes in local and foreign currency interest rates.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.
The Company's exposure to foreign currency exchange rate risk as at 31 December 2020 is presented in the table below:

	GEL	USD	EURO	Total
Financial assets				
Issued loans	145,191	-	-	**145,191**
Trade and other receivables	1,523,022	1,308,544	589,083	**2,683,479**
Cash and cash equivalents	37,199	2,484,760	-	**4,132,949**
Restricted cash	-	1,638,300	-	**1,638,300**
	1,705,412	**5,431,604**	**589,083**	**7,726,099**
Financial liabilities				
Borrowings	6,753,997	5,187,029	2,564,218	**14,505,244**
Trade and other payables	7,232,059	116,540	1,473,165	**8,821,764**
	13,986,056	**5,303,569**	**4,037,383**	**23,327,008**
Open balance sheet position	**(12,280,644)**	**128,035**	**(3,448,300)**	**(15,600,909)**

23. Financial risk (Continued)

Currency risk (Continued)

The Company's exposure to foreign currency exchange rate risk as at 31 December 2019 is presented in the table below:

	GEL	USD	EURO	Total
Financial assets				
Issued loans	117,419	-	-	**117,419**
Trade and other receivables	519,324	1,533,945	466,912	**2,520,181**
Restricted cash	-	3,121,020	-	**3,121,020**
Cash and cash equivalents	65,695	35,245	4,596	**105,536**
	702,438	**4,690,210**	**471,508**	**5,864,156**
Financial liabilities				
Borrowings	6,656,035	7,325,843	168,288	**14,150,166**
Trade and other payables	4,537,892	296,027	93,604	**4,927,523**
	11,193,927	**7,621,870**	**261,892**	**19,077,689**
Open balance sheet position	**(10,491,489)**	**(2,931,660)**	**209,616**	**(13,213,533)**

Currency risk sensitivity

The following table details the profit/loss and equity's sensitivity to the exchange rate by the expected changes. Which is applied to the Company's functional currency at the end of the reporting period, provided that all other variables remain constant:

	2020	2020	2019	2019
Currency rate sensitivity	**+20%**	**-20%**	**+20%**	**-20%**
USD impact gain/(loss)	25,607	(25,607)	(586,332)	586,332
EUR impact gain/(loss)	(689,660)	689,660	41,923	(41,923)

Interest rate risk

Interest rate risk arises from potential changes in market interest rates that can adversely affect the fair values of the financial assets and liabilities of the Company.

All the significant assets and liabilities of the Company is attached to fixed interest rate, as a result of which the Company has minimized interest rate risk with respect to financial assets and liabilities.

Liquidity risk

Liquidity risk refers to the availability of a sufficionet funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due.

In order to manage liquidity risk, the Company performs regular monitoring of future expected cash flows, which is a part of assets/liabilities management process.
The company always tries to maintain a stable source of funding which mainly consists the loans. The company invests its funds in a diversified investment portfolio to be able to react to unforeseen liquidity requirements. The liquidity portfolio of the company consists of cash and cash equivalents. (Note 19). Management believes that the cash and cash equivalents could be realised to real cash during one day to satisfy the unforeseen liquidity requirements.

23. FINANCIAL RISK (CONTINUED)

Liquidity risk (Continued)

The table below shows the liabilities as of December 31, 2020 at their remaining contractual maturity. The amounts given in the maturity table are contractual undiscounted cash flows. These undiscounted cash flows differ from the amounts given in the financial statements because the financial statements are based on discounted cash flows. Payments made in foreign currency are converted at the spot exchange rate at the end of the reporting period.

Liquidity of Financial assets and liabilities as at 31 December 2020 can be presented as follows:

	Up to 1 year	Between 1 and 5 years	Total
Financial assets			
Issued loans	145,191	-	145,191
Trade and other receivables	2,307,686	1,112,963	3,420,649
Restricted cash	2,457,450	1,638,300	4,095,750
Cash at bank	47,347	-	47,347
	4,957,674	2,751,263	5,251,487
Financial liabilities			
Borrowings	7,921,528	6,583,716	14,505,244
Trade and other payables	8,821,764	-	8,821,764
	16,743,292	6,583,716	23,327,009
Net liquidity gap	(11,785,618)	(3,832,453)	
Cumulative liquidity gap	(11,785,618)	(3,832,453)	

Liquidity of Financial assets and liabilities as at 31 December 2019 can be presented as follows:

	Up to 1 year	Between 1 and 5 years	Total
Financial assets			
Issued loans	-	117,419	117,419
Trade and other receivables	2,192,821	327,360	2,520,181
Restricted cash	-	3,121,020	3,121,020
Cash at bank	88,374	-	88,374
	2,281,195	**3,565,799**	**5,846,994**
Financial liabilities			
Borrowings	6,102,174	8,047,992	14,150,166
Trade and other payables	4,927,523	-	4,927,523
	11,029,697	**8,047,992**	**19,077,689**
Net liquidity gap	**(8,748,502)**	**(4,482,193)**	
Cumulative liquidity gap	**(8,748,502)**	**(4,482,193)**	

Capital disclosures

The Company's definition of the capital is ordinary charter capital and accumulated retained earnings/losses. The Management views its role as that of corporate supervisors responsible for preservation and growth of the capital, as well as for generation of the adequate returns to shareholders.

The Company's objectives when maintaining capital are:

To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and

23. Financial risk (Continued)
Capital Disclosures (Continued)

To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure through considering risk characterictics of the changes in economic conditions and underlying assets.

Operating envirenment

The main activities of the company are concentrated in Georgia. As the legislation on the business environment in the country is changing rapidly, negative changes in the political and business environment may jeopardize the assets and operations of the company.

Georgia, as an emerging market, is characterized by risks that do not exist in developed markets, including economic, tax, political and social, legal and legislative risks. Georgia's future economic direction depends significantly on the effectiveness of economic, fiscal and monetary measures taken by the government, in parallel with legislative regulation and political developments.

24. 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

Subordinate provisionsIn the event of a breach of tax law, the tax authorities may not impose additional taxes or penalties on the Company if three years have elapsed since the end of the year in which the breach occurred.

In Georgia, these circumstances may create a tax risk that is more significant than in other countries. Management believes that based on its interpretation of Georgian tax legislation, official statements and court decisions, it will ensure adequate fulfillment of tax obligations. However, the interpretations made by the relevant agencies may differ and the implementation of these interpretations may have a material impact on the present financial statements.

Litigations

As of December 31, 2020 and 31 December 2019, the Company has no substantive litigationManagement believes that no material losses will be incurred, therefore no accruals are recognized in the statement of financial position in respect of litigation, nor in the form of a contingent liability in this Explanatory Note.

Commitment of investment

The company within the framework of the "Produce Georgia" program of the Law of Georgia on State On February 8, 2019, on the basis of a purchase agreement signed with the LEPD "National Property AgencyTook ownership of the land plot on the balance of the state on the condition of fulfilling the obligations under the contract. Under this obligation, the company must establish an enterprise producing cement construction products on the land and start production within no more than 2 (two) years. The investment commitment under the contract is estimated at GEL 894,400 and will be fulfilled according to a pre-arranged schedule. The Company has assessed this agreement as a non-cash government grant, although it does not disclose in its financial statements in accordance with the requirements of IAS 20, paragraph 7.

25. RELATED PARTY TRANSACTIONS

Related parties. According to IFRS 24 "Related Party Disclosures", related parties include:

Entities, which directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the entity presenting the Financial Statements. This includes holdings, daughter companies and joint ventures

25. Related party transactions (Continued)

- Associated entities – the parties over which the Entity has a significant influence while these parties are neither daughter companies, nor joint ventures;
- Joint ventures where the company is an enterprise
- Members of key management personnel of the company or its parent
- Close members of the family of any individuals referred to in (a) or (b);
- Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);
- A system of post-employment benefits for employees or a party that is affiliated with the company.

The tables below provide information on balances and transactions with related parties as of December 31, 2020 and 2019.

Under common control

Statement of financial position	**2020**	**2019**
Trade and other payables	-	127,037
Prepayments	92,386	
Statement of comprehensive income		
Purchased inventories	601,690	308,280
Marketing and provision expenses	2,750	

Key management

Statement of financial position	**2020**	**2019**
Trade and other receivables	377,389	210,936
Issued loans	134,725	117,089
Borrowings	149,198	105,026
Statement of comprehensive income		
Interest expense	-	8,056
Employee benefits	386,215	170,737

26. EVENTS AFTER REPORTING PERIOD

The following non-adjusting events occurred after the reporting period:

- On April 20, 2021, the Company and the investor – Gazelle Finance Georgia LLC, made a contract due to which the shares of Gazelle Finance Georgia LLC will be distributed among Alexander Sokolovsky, Giorgi Akhvlediani, Zurab Davlianidze and Lasha Tchipashvili in the following way: 4%, 4%, 4%, 2% respectively, in exchange of a certain compensation. The compensation amounts to USD 1,750,000. In 2021, the investor was endowed with full amount of the compensation (5,848,250 GEL).
- During 2021, the Company borrowed GEL 2,218,118 from financial institutions (550,000 USD and 500,000 GEL) and covered a loan of GEL 500,000)

There were no additional significant events after the reporting date that need to be presented in the financial statement.

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