Prime Concrete LLC

Financial Statements
Together with Independent Auditors' Report

FOR THE YEAR ENDED 31 DECEMBER 2021

(Translation from the Original Georgian Version)

Contents

Nexia TA

Member of Nexia International

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 2021, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") 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".

Material uncertainty related to going concern

We draw attention to the Statement of Changes in Equity, which indicates that as of December 31, 2021, 2,442,900 GEL was withdrawn from the capital by the shareholders of the company, and as of this date, the company's short-term liabilities exceed its short-term assets by 5,078,641 GEL. These events and conditions, among other things, indicate that a material uncertainty exists that may cast significant doubt on the Prime Concrete LLC's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

We conducted the audit of the Company's financial statements for the year ended 31 December 2020, for which we provided qualified opinion on those statements on 30 September 2021. The basis for expressing a qualified opinion was the reflection of exchange rate difference expense amounting to GEL 894,273 in the company's statement of comprehensive income for the year 2020. The company could not provide us with complete accounting records of balances which were denominated in foreign currency. Accordingly, we were unable to confirm the amount even with alternative procedures and we could not determine whether it was necessary to make any adjustments in the relevant elements of the financial statements.

In addition, the company changed the accounting software in 2020 and entered the beginning balances of 2020 into the software via an interim account, which left a balance of 723,678 GEL which was presented in the statement of profit and loss for the year 2020 in the non-operating income. We were unable to obtain sufficient and appropriate audit evidence about the company's above-mentioned revenue, so we could not determine whether any adjustments were necessary in the relevant elements of the financial statements.

As part of our audit of the financial statements for the year ended December 31, 2021, we also audited the restatements presented in Note 5, which is related to the financial statements for the year ended December 31, 2020. In our opinion, such amendments are appropriate and correct. The audit procedures performed on the accompanying information are limited to those amendments. Our opinion is not modified in relation to this matter.

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.

Report on Other Legal 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 2021, in all material respects:

- Is consistent with the financial statements for the year ended 31 December 2021; and
- Includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

Ana Gabedava, Engagement Partner (SARAS-A-518332)

Nexia TA LLC (SARAS-F-550338)

July 29, 2022

Tbilisi, Georgia

Prime Conrete LLC
Statement of Comprehensive Income
For the year ended 31 December 2021
(In Georgian lari)

	Note	2021	2020*
Revenue from contract with customers	6	39,771,536	42,801,873
Cost of sales	7	(31,592,950)	(31,640,851)
Gross profit		**8,178,586**	**11,161,022**
General and administrative expenses	8	(3,936,824)	(2,122,011)
Sales and marketing Expenses	9	(192,535)	(336,088)
Increase (decrease) of allowances for impairment of financial assets	14	26,350	245,556
Other expenses		(59,218)	(143,877)
Other operating income		467,128	248,249
Operating gain		**4,483,487**	**9,052,851**
Interest expense, net	10	(1,329,611)	(1,707,092)
Net foreign exchange gain (loss)		(114,854)	(941,791)
Other non-operating income / (expense)	11	-	1,379,739
Net gain / (loss) for the year		**3,039,022**	**7,783,707**
Income tax expense		-	-
Total comprehensive income / (loss) for the year		**3,039,022**	**7,783,707**

* Some of the amount presented do not match the 2020 financial statements and they got represented after the adjustments. Note 5

The financial statements were approved and authorized for issue by Management on July 29, 2022 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 9-42 form an internal part of these financial statement.

Prime Conrete LLC
Statement of Financial Position
As at 31 December 2021
(In Georgian lari)

Assets	Notes	December 31, 2021	December 31, 2020 *	January 1, 2020
non-current assets				
Property, Plant and Equipment (PPE)	12	18,484,889	14,946,724	13,849,694
Intangible Assets	13	668,867	442,125	389,571
Prepayments for PPE		-	-	86,031
Trade and Other Receivables	14	2,258,129	1,112,963	327,360
Loans Issued	16	211,040	-	-
Limited Cash	18	-	1,638,300	3,154,470
Total non-current assets		**21,622,925**	**18,140,112**	**17,807,126**
Current assets				
Inventories	15	2,654,648	6,546,331	2,935,005
Loans issued	16	137,613	145,191	117,418
Advanced Payed	17	1,747,838	1,091,416	424,604
Contract assets	6	966,911	11,310,212	3,993,123
Trade and Other Receivables	14	1,819,852	2,641,445	2,192,821
Limited Cash	18	1,548,800	-	-
Cash and Cash Equivalents	18	656,035	2,521,959	105,568
Total current assets		**9,531,697**	**24,256,554**	**9,768,539**
Total assets		**31,154,622**	**42,396,666**	**27,575,665**
Equity and Liabilities				
Equity				
Statutory capital		1,007,412	3,450,312	3,450,312
Retained Earnings		9,769,053	10,135,381	2,351,674
Total Equity		**10,776,465**	**13,585,693**	**5,801,986**
Non-current Liabilities				
Borrowings	19	5,767,819	6,583,716	8,047,990
Total non-current liabilities		**5,767,819**	**6,583,716**	**8,047,990**
Current Liabilities				
Borrowings	19	6,352,033	7,921,528	6,102,174
Contract liabilities	6	3,167,901	5,388,472	2,614,565
Trade and Other Payables	20	5,090,404	8,917,257	5,008,950
Total current liabilities		**14,610,338**	**22,227,257**	**13,725,689**
Total Equity and Liabilities		**31,154,622**	**42,396,666**	**27,575,665**

* Some of the amount presented do not match the 2020 financial statements and they got represented after the adjustments. Note 5

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Giorgi Burdiashvili
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Prime Conrete LLC
Statement of Changes in Equity
For the year ended 31 December 2021
(In Georgian lari)

	Charter Capital	Retained Earnings	Total
January 1, 2020	**3,450,312**	**2,351,674**	**5,801,986**
Total comprehensive loss*	-	7,783,707	**7,783,707**
December 31, 2020*	**3,450,312**	**10,135,381**	**13,585,693**
Withdrawal of Charter Capital	(2,442,900)	-	**(2,442,900)**
Total comprehensive income	-	3,039,022	**3,039,022**
Dividends Issued	-	(3,405,350)	**(3,405,350)**
December 31, 2021	**1,007,412**	**9,769,053**	**10,776,465**

* Some of the amount presented do not match the 2020 financial statements and they got represented after the adjustments. Note 5

The financial statements were approved and authorized for issue by Management on July 29, 2022 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 9-42 form an internal part of these financial statements.

Prime Conrete LLC
Statement of Cash Flows
For the year ended 31 December 2021
(In Georgian lari)

	Notes	2021	2020*
Cash flows from Operating activities:			
Income before tax		3,039,022	7,783,707
Adjustments to:			
Depreciation and amortisation	7; 8	1,727,276	1,188,164
Interest expense, net	10	1,329,611	1,707,092
Written-off non-current assets		2,120	201,904
Impairment loss for financial assets	14	26,350	(245,556)
Net loss/(gain) from exchange rate changes		114,854	941,791
Cash inflows from operating activities before changes in operating capital		**6,239,233**	**11,577,102**
Decrease / (increase) in operating assets:			
Inventories		3,891,683	(3,611,326)
Prepayments		(642,414)	(689,344)
Limited cash		89,500	1,516,170
Trade and other receivables/Contract assets		9,228,112	(7,910,129)
(decrease)/Increase in operating liabilities:			
Contract liability		(2,220,571)	2,604,098
Trade and other Payables		(3,735,863)	3,883,607
Net cash inflow from operating activities before interest payment		**12,849,680**	**7,370,178**
Interest paid		(1,229,348)	(1,487,124)
Net cash inflow from operating activities		**11,620,332**	**5,883,054**
Cash flows from investing activities:			
Purchase of Property, Plant and Equipment	12	(3,676,079)	(2,258,757)
Puchase of Intangible assets	13	(415,121)	(145,494)
Sales of PPE		134,015	158,016
Right-of-use assets		-	36,519
Net cash outflow from investing activities		**(3,957,185)**	**(2,209,716)**
Cash flows from financial activities:			
Proceeds from borrowings	19	17,403,273	6,905,080
Repayment of borrowings	19	(18,552,200)	(7,124,937)
Payment of principal amount of rent liabilities	19	(2,242,977)	(1,239,911)
Payment of dividend		(3,405,350)	-
Decrease in capital		(2,442,900)	-
Net cash flow from financial activities		**(9,240,154)**	**(1,459,768)**
Net decrease (increase) in cash and cash equivalents		**(1,577,007)**	**2,213,570**
Cash and Cash equivalents at the beginning of the year	18	2,521,959	105,568
Effect of exchange rate changes on Cash and Cash Equivalents		(288,917)	202,821
Cash and cash equivalents at the end of the year	18	**656,035**	**2,521,959**

* Some of the amount presented do not match the 2021 financial statements and they got represented after the adjustments. Note 6

The financial statements were approved and authorized for issue by Management on July 14, 2022 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 9-42 form an internal part of these financial statements.

1. PRINCIPAL ACTIVITIES

Prime Concrete (hereafter "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:

	2021	2020
Prime Management Company LLC	65%	65%
Gazelle Finance Georgia LLC	0%	14%
Lasha Chipashvili	14%	12%
Giorgi Akhvlediani	7%	3%
Zurab Davlianidze	7%	3%
Alexander Sokolovsky	7%	3%
	100%	**100%**

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

	2021	2020
Lasha Chipashvili	14.00%	12.00%
Giorgi Akhvlediani	28.45%	24.45%
Zurab Davlianidze	28.45%	24.45%
Alexander Sokolovsky	29.10%	25.10%
	100%	**86%**

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 applyin g 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.

2. BASIS OF PREPARATION (CONTNUED)

Going Concern

These financial statements have been prepared on the assumption that the Company is a going concern. For making this decision, the management considered the company's positive financial indicators for the year 2021, as well as current plans, positive operation cash flows, the willingness of the founders for help and, if necessary, access to additional financial resources.

It should be noted that as of December 31, 2021, the company's short-term liabilities exceed short-term assets by 5,078,641 GEL. In the same year, the company also paid dividends (in the amount of 3,405,350 GEL) and part of the capital (in the amount of 2,442,900 GEL) to the shareholders. Nevertheless, the company's profit in 2021 amounted to 3,039,022 GEL (2020: 7,783,707 GEL) and also in 2021, a positive dynamic is observed in terms of the difference between financial assets and financial liabilities with a maturity of up to one year (see note 22 liquidity risk) compared to 2020, namely one The difference between financial assets and financial liabilities with a maturity up to 2020 has increased by 4,716,521 GEL (as of December 31, 2021, the liquidity difference is -7,069,097 GEL, and on December 31, 2020, this figure is -11,785,618 GEL).

The management and founders have no intention of suspending the company's operations and intend to pay all short-term and long-term liabilities according to the plan. Accordingly, management believes that the company will continue to operate for at least 12 months after the reporting period.

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, 2021	**31 December, 2020**
1 USD/GEL	3.0976	3.2766
1 EUR/GEL	3.5040	4.0233
The average exchange rate of the year	**2021**	**2020**
1 USD/GEL	3.8140	3.1097
1 EUR/GEL	3.2209	3.5519

3. PRINCIPAL ACCOUNTINS POLICIES (CONTNUED)

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.

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:

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

Revenue form contracts with customers (Continued)

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

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 sale. Such 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:

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

Empoyee benefits (Continued)

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

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 instruments (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)

Business model assessment (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 realized 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;

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)
Financial instruments (Continued)

- FVPL.

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

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.

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

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

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 realization 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 19.

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

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)
Government Grants (Continued)

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.

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%

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

Prpoperty, pant and equipment (Continued)

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

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

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

Leases (Continued)

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 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 19.

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;

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Current and non-current distinction (Continued)

- 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.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

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.

Adoption of new standards, interpretations and amendments

Classification of liabilities as long-term and short-term – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)

Classification of liabilities as long-term and short-term – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)
These narrow-scale liabilities are classified either as non-current or as short-term, depending on the rights that exist at the end of the reporting period. Liabilities are long-term if the entity, at the end of the accounting period, has a substantial right to delay settlement for at least 12 months. The Guidelines no longer require that this right be unconditional. Management's expectation that the entity will subsequently use deferred payment does not affect the classification of the liability. The right to postpone exists only if the enterprise meets the relevant conditions as of the end of the reporting period. The obligation is classified as short-term if the condition is violated during the reporting period or before, even if the rejection of this condition is received from the lender only after the end of the reporting period.

Conversely, a loan is classified as non-current if the loan agreement is breached only after the reporting date.
In addition, the amendments include clarification of the classification requirements for debt that the company will be able to settle by converting it into equity. "Settlement" is defined as the settlement of a debt with cash, other resources, including economic benefits, or the enterprise's own equity instruments.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new standards, interpretations and amendments (Continued)

There is an exception for convertible instruments that can be converted into equity, but only for those instruments where the convertibility is classified as an equity instrument—as a separate component of a complex financial instrument. The Company is currently evaluating the impact of these amendments on its financial statements.

Classification of Liabilities as Long-Term and Short-Term Deferral of Effective Date - Amendments to AS1 (Issued on 15 July 2020 and effective for annual periods beginning on or after January 2023)

This amendment to IAS 1 on classification of long-term and short-term liabilities was issued in January 2020 with an initial effective date of 1 January 2022. However, in response to the COVID-19 pandemic, the effective date has been pushed back by a year to give companies more time to implement classification changes under the revised guidelines. The Company is currently evaluating the impact of these amendments on its financial statements.

Amendments to IAS 1 and IFRS 2: Interpretation of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

IAS 1 has been amended to require companies to disclose information about their significant accounting policies rather than their significant accounting policies. The amendment took into account the definition of information about the essential accounting policy. The amendment also clarified that accounting policy information is likely to be material if, without it, users of the financial statements would not be able to learn about other material information in the financial statements. The amendment provided illustrative examples of information about accounting policies that are likely to be considered material to an entity's financial statements. In addition, the amendment to IAS 1 clarified that disclosure of information about immaterial accounting policies is not required. However, if disclosed, it should not obscure material information about accounting policies. In support of this amendment, IFRS Practice Statement 2, "Exercising Materiality Judgments", was also amended to provide guidance on how the concept of materiality should be applied in accounting policy disclosures. The Company is currently evaluating the impact of these amendments on its financial statements.

Amendments to IAS 8: Interpretation of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

Additional amendments to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently evaluating the impact of these changes on its financial statements.

Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 12 specify how deferred tax should be accounted for on transactions such as leases and decommissioning liabilities. Under certain circumstances, entities are exempt from recognizing deferred tax when they first recognize assets or liabilities. Previously, there was uncertainty as to whether the exemption applied to transactions such as lease obligations and decommissioning obligations – transactions for which both an asset and a liability are recognised. According to the amendments, the relief does not apply and enterprises are required to recognize deferred tax on these transactions. Under the amendments, companies are required to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently evaluating the impact of the amendments on its financial statements.

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

4. SIGNIFICANT ACCOUNTING ASSTIMATES AND JUDGMENTS (CONTINUED)

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.

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 14.

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 entity has an option to extend a lease, management must assess whether exercise of the option is sufficiently probable. Management considers all facts and circumstances, including past experience and any costs that would be incurred to replace the asset if the right is not exercised, to help them determine the lease terms. The management believes that their assessment regarding the extension of the term is adequate.

Transactions with related parties:

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 2020 and 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 2020 and 2019:

31 December, 2020	According to the previous statement	Adjustment	Adjusted amount
Intangible assets	325,994	116,131	442,125
Inventory	6,662,462	(116,131)	6,546,331
Contract assets	9,704,737	1,605,475	11,310,212
Trade and other receivables	2,307,686	333,759	2,641,445
Retained earnings	(9,897,116)	(238,265)	(10,135,381)
Contract liabilities	(3,782,997)	(1,605,475)	(5,388,472)
Trade and other liabilities	(8,821,764)	(95,493)	(8,917,257)

Statement of comprehensive income

2020	According to the previous statement	Adjustment	Adjusted amount
(Gain) loss from exchange rate changes	(894,273)	(47,518)	(941,791)
Other non-operating income/expense	723,678	333,759	1,057,437
Total comprehensive income	7,497,466	286,241	7,783,707

Adjustment of the cash flow statement for the year 2019	According to the previous statement	Adjustment	Adjusted amount
Net cash flow from operating activities	5,766,923	116,131	5,883,054
Net cash outflows from investing activities	(2,093,585)	(116,131)	(2,209,716)

financial statement reporting

1 January 2020	According to the previous statement	Adjustment	Adjusted amount
Limited cash and cash equivalents	3,121,020	33,450	3,154,470
Retained earnings	(2,399,650)	47,976	(2,351,674)
Trade and other liabilities	(4,927,524)	(81,426)	(5,008,950)

Capital

1 January 2020	According to the previous statement	Adjustment	Adjusted amount
Retained earnings	(2,399,650)	47,976	(2,351,674)

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of proceeds from contracts with customers for the ended years December 31, 2021 and 2020 is presented in the table below:

	2021	2020
Recognised in process		
Construction contracts	38,057,553	40,858,916
Recognised at some point in time		
Sand and gravel realisation	356,023	1,033,612
Concrete realisation	1,357,960	909,345
Total	**39,771,536**	**42,801,873**

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.

Contract balances

Reconciliation of contract assets and liabilities is presented as follows:

	Contract Assets		Contract Liabilities	
	2021	2020	2021	2020
1 January	**11,310,212**	**3,993,123**	**(5,388,472)**	**(2,614,565)**
Transfers in the period from contract assets to trade receivables	(11,310,212)	(3,993,123)	-	-
Amounts included in contract liabilities that recognised as revenue during the period was	-	-	5,388,472	2,614,565
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	966,911	11,310,212	-	-
Cash received in advance of performance and not recognised as revenue during the period.	-	-	(3,167,901)	(5,388,472)
31 December	**966,911**	**11,310,212**	**(3,167,901)**	**(5,388,472)**

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, 2021 and 2020 are presented as follows:

	2021	2020
Building materials	15,055,316	13,311,784
Third party services	7,210,373	9,698,676
Salaries	4,629,662	4,165,871
Rent	1,127,958	1,529,505
Depreciation and amortization	1,085,736	930,055
Fuel	994,136	892,957
Repair and maintenance	683,506	782,275
Transportation	457,520	137,169
Inventory write off	181,628	14,353
Other	167,115	178,206
Cost of sales	**31,592,950**	**31,640,851**

Revenue-related direct costs are presented as follows:

	2021	2020
Construction contracts	29,851,094	29,955,259
Realisation of sand and gravel	367,283	823,698
Realisation of concrete	1,374,573	861,894
Cost of sales	**3 1,592,950**	**31,640,851**

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the ended years December 31, 2021 and 2020 are presented in the table below:

	2021	2020
Employee benefit expenses	3,008,625	1,271,280
Depreciation and Amortization	203,691	258,109
Consultation expenses	176,353	94,830
Office expenses	92,893	57,939
Taxes	72,396	77,223
Fuel	66,970	63,252
Comunication expenses	40,440	33,932
Comunal expenses	34,706	12,382
Bank Charges	31,025	23,426
Business trips	9,583	6,615
Security expenses	7,288	8,632
Rent	1,582	3,427
Repair and maintenance	-	41,900
Insurance	-	6,446
Other	191,272	162,618
General and administrative expenses	**3,936,824**	**2,122,011**

9. SALES AND MARKETING EXPENSES

Sales and marketing expenses for the ended years December 31, 2021 and 2020 are presented in the table below:

	2021	2020
Employee benefit expenses	60,079	277,499
Fuel	50,203	27,567
Delivery expenses	-	508
Other	82,253	30,514
Sales and marketing expenses	**192,535**	**336,088**

10. INTEREST EXPENSE, NET

Net interest gain (loss) for the ended years December 31, 2021 and 2020 are presented in the table below:

	2021	2020
Interest income :		
Loans issued	9,860	10,467
Interest expense :		
Borrowings	(1,104,804)	(1,279,738)
Financial lease liabilities	(234,667)	(437,821)
Total net interest expense	**(1,329,611)**	**(1,707,092)**

11. OTHER NON-OPERATING INCOME (EXPENSE)

The Company's other non-operating income in 2020 amounts to GEL 1,045,980. 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.

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

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

								Right-of-use Asset			
istorical Cost	Land	Construction in progress	Property and plant	Factory	Constructio n equipment	Transportat ion facilities	Office equipment	Transportatio n facilities	Constructi on equipment	Property and plant	Total
nuary 1, 2020	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
dditions	-	1,441,688	43,287	-	768,339	49,156	42,317				2,344,787
ebt interest capitalization	-	207,385	-	-	-	-	-	-	-	-	207,385
ransfers	-	(655,849)	15,657	473,505	-	166,687	-	-	-	-	-
/rite-off	-	-	-	-	-	(381,241)	-	-	-	-	(381,241)
eclassifications	-	(154,054)	-	-	(3,339)	-	(621)	-	-	-	(158,014)
ecember 31, 2020	827,592	2,245,294	1,767,185	2,421,966	4,894,399	6,762,397	480,580	3,006,557	175,976	101,872	22,683,818
dditions	374,801	635,886	16,303	-	3,730,220	2,550,331	46,162	1,483,008		32,262	8,868,973
ebt interest capitalization		258,240									258,240
'ansfers	-	(2,222,050)	1,346,601	759,351	116,098	-	-	-			-
/rite-off	(19,914)	-	-	-	-	(337,214)	-	-	-	-	(357,128)
eclassifications	-	(65,478)	-	-	(1,390,625)	(300,995)	-	(2,357,935)	(150,550)		(4,265,583)
21 წლის 31 დეკემბრისთვის	1,182,479	851,892	3,130,089	3,181,317	7,350,092	8,674,519	526,742	2,131,630	25,426	134,134	27,188,320
ccumulated Depreciation											
nuary 1, 2020	-	-	630,585	1,141,003	1,764,601	2,941,245	185,419	88,202	34,906	35,246	6,821,207
epreciation	-	-	104,389	66,701	270,427	378,463	56,109	158,252	24,767	36,116	1,095,224
'rite-off	-	-	-	-	-	(179,337)	-	-	-	-	(179,337)
cember 31, 2020	-	-	734,974	1,207,704	2,035,028	3,140,371	241,528	246,454	59,673	71,362	7,737,094
epreciation	-	-	115,035	107,015	725,601	374,246	57,965	118,450	9,205	31,380	1,538,897
rite-off	-	-	-	-	-	(220,991)	-	-	-	-	(220,991)
classification			-	-	(6,638)	-	-	(282,847)	(62,084)	-	(351,569)
cember 31, 2021	-	-	850,009	1,314,719	2,753,991	3,293,626	299,493	82,057	6,794	102,742	8,703,431
et book value											
cember 31, 2020	827,592	2,245,294	1,032,211	1,214,262	2,859,371	3,622,026	239,052	2,760,103	116,303	30,510	14,946,724
cember 31, 2021	1,182,479	851,892	2,280,080	1,866,598	4,596,101	5,380,893	227,249	2,049,573	18,632	31,392	18,484,889

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

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): land 807,678 GEL, buildings 507,965 GEL, plant 1,496,853 GEL, vehicles 5,285,067 GEL, construction equipment 1,382,620 GEL.

As of December 31, 2021, the company's transport assets with their net book value of 2,092,070 GEL have been invested to secure lease obligations.

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

	2021	2020
As at January 1	2,455,405	2,723,076
Additions	1,278,879	-
Accrued interest	234,667	437,820
Payments	(2,242,977)	(1,239,911)
Modification	-	36,519
Foreign exchange effect	(286,826)	497,901
As at December 31	1,439,148	2,455,405

The total amount of cash flows from the company in connection with the lease in the 2021 reporting period is GEL 2,242,977.

13. INTANGIBLE ASSETS

Intangible assets of the company for December 31, 2021 and December 31, 2020 are the following:

Historical cost	**Licenses**	**Software**	**Total**
January 1, 2020	**465,129**	**332,644**	**797,773**
Additions	116,131	29,363	**145,494**
Write off		-	**-**
31 December 2020	**581,260**	**362,007**	**943,267**
Additions	366,239	48,882	**415,121**
Write off			**-**
31 December 2021	**947,499**	**410,889**	**1,358,388**
Accumulated amortization			
January 1, 2020	**(178,839)**	**(229,363)**	**(408,202)**
Depreciation	(89,608)	(3,332)	**(92,940)**
Write off	-	-	**-**
31 December 2020	**(268,447)**	**(232,695)**	**(501,142)**
Depreciation	(172,523)	(15,856)	**(188,379)**
Write off	-	-	**-**
31 December 2021	**(440,970)**	**(248,551)**	**(689,521)**
Net book value			
31 December 2020	**312,813**	**129,312**	**442,125**
31 December 2020	**506,529**	**162,338**	**668,867**

As of November 4, 2021, the company purchased additional 3 licenses. Utility term is 5 years. The maximum output of the obtained licenses are 344,139; 106,080; 45,590 cubic meters.

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables for the ended years December 31, 2021 and 2020 are presented in the table

	2021	2020
Non-current		
Trade receivables	2,258,129	1,112,963
Total non-current trade receivables	**2,258,129**	**1,112,963**
Current		
Trade receivables	1,963,453	2,679,174
Other receivables	-	146,230
Allowances	(143,601)	(183,959)
Total current trade and other receivables	**1,819,852**	**2,641,445**

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

The breakdown of financial assets by currency is presented in Note 22.

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, 2021 are:

		Overdue in days					
	Current	**30-60**	**61 - 120**	**121 - 180**	**181 - 365**	**365 >**	**Total**
Expected loss rate	1%	6%	15%	50%	70%	100%	
Gross carrying amount	34,733	90,298	1,187	31,556	66,213	75,531	**299,518**
Loss provision	347	5,418	178	15,778	46,349	75,531	**143,601**

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					
	Current	**30-60**	**61 - 120**	**121 - 180**	**181 - 365**	**365>**	**Total**
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**

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 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.

14. Trade and other Receivables (CONTINUED)

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

	2021	2020
Reserve of trade and other receivable at 1 January	**(594,692)**	**(840,248)**
Increase of reserve	(92,428)	(193,535)
Reversial	118,778	439,091
Reserve of trade and other receivable at 31 December	**(568,342)**	**(594,692)**

15. INVENTORY

Inventories of the company as of December 31, 2021 and December 31, 2020 are in the table below:

	31 December 2021	31 December 2020
Building materials	1,797,194	5,858,935
Spare parts	682,228	504,895
Fuel	153,460	122,541
Other	21,766	59,960
Total inventories	**2,654,648**	**6,546,331**

During 2021, the Company recognized a net impairment loss of 181,628 GEL (2020: GEL 14,353) on the cost of sales (Note 7) in respect of inventories. Inventories are not encumbered in favor of the third party.

16. ISSUED LOAN

Company's issued loans for the ended years December 31, 2021 and 2020 are presented in the table below:

	31 December 2021	31 December 2020
Kakhaber Maisuradze	425,549	425,471
Giorgi Akhvlediani	136,594	144,250
Smart development	211,040	-
Reserve of doubtful debts	(424,530)	(424,530)
Total Issued Loans	**348,653**	**145,191**

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

	2021	2020
Balance at 1 january	(424,530)	(424,530)
Write-off	-	-
Balance at 31 December	**(424,530)**	**(424,530)**

17. PREPAYMENTS

Company's prepayments for the ended years December 31, 2021 and 2020 are presented in the table below:

	2021	2020
Prepayments to suppliers	770,556	1,355,919
Prepayments to subcontractors	1,402,023	146,230
provision for impairment	(424,741)	(410,733)
Total Prepayments	**1,747,838**	**1,091,416**

The 2020 and 2019 reserve movements picture is presented in the 14th note.

18. CASH AND CASH EQUIVALENTS

Company cash and cash equivalents as of December 31, 2021 and December 31, 2020 consist of:

	31 December 2021	31December 2020
Cash at bank in foreign currency	397,158	-
Cash at bank in national currency	258,877	47,347
Limited cash equivalents	-	2,457,450
Cash in hand	-	17,162
Total cash and cash equivalents	**656,035**	**2,521,959**

Prior to the recivebles bank balances in the amount of 397,158 GEL were placed in banks with a "BB-" rating according to the Fitch rating (December 31, 2020: GEL 43,347)

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.

19. BORROWINGS

Borrowings for the ended years December 31, 2021 and 2020 are presented in the table below:

	2021	2020
Non-current		
Borrowings		
LLC Procredit bank	3,916,957	4,779,943
Gazelle finance Georgia	-	260,343
Finance lease	1,132,312	1,543,430
Pasha Bank Georgia JSC	718,550	-
Total	**5,767,819**	**6,583,716**
Non-current		
Borrowings		
LLC Procredit bank	3,496,529	3,301,706
Gazelle finance Georgia	791,720	2,538,430
Bank of Georgia	-	655,320
individuals	322,737	514,098
Finance lease	304,868	911,974
Pasha Bank Georgia JSC	1,436,179	-
Total	**6,352,033**	**7,921,528**

19. BORROWINGS (CONTINUED)

According to the terms of the agreement, the loans received from individuals will be repaid in 2022, and the loans received from the financial institution in 2026. Interest rates are fixed for all loans and range from 7% -16% for local financial institutions, 12% for loans from founders.

During the 2021 reporting period, the Company received a loan of GEL 5,818,305 from financial institutions (Pasha Bank – USD 724,000, Procredit Bank – GEL 950,000 and GEL 620,000)

During the 2020 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 107,3000 from another company.

Fixed assets are invested in securing loans and financial leasing (details are explained in Note 12). The breakdown of loans received by currency is presented in Note 22.

Movement of liabilities created by financial operations:

	2021	2020
As at 1 January	**(14,505,244)**	**(14,150,166)**
Effect of IFRS-16		-
Increase of borrowing	(17,403,273)	(6,905,080)
Increase of rent liability according ro IFRS-16	(1,278,878)	-
Repayment of principal	18,552,200	7,124,937
Rent liability payment	2,242,977	1,239,911
Paid interest	1,229,348	1,487,124
Interest capitalization	(258,240)	(207,385)
Lease liability modification	-	(36,519)
Effect of exchange rate changes	640,729	(1,340,508)
Interest expense	(1,339,471)	(1,717,558)
As at 31 December	**(12,119,852)**	**(14,505,244)**

20. TRADE AND OTHER PAYABLES

Company trading and other liabilities for the ended years December 31, 2021 and 2020 are presented in the table below:

Financial liabilities	**2021**	**2020**
Trade payable to subcontractors	4,739	485,036
Trade payables to suppliers	4,062,182	6,644,059
Salaries Payable	567,813	327,039
Other payables	97,993	99,344
Non-Financial liabilities		
Taxes payable	357,677	1,361,779
Total trade and other payables	**5,090,404**	**8,917,257**

21. 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 2021				31 December 2020			
	Level 1	Level 2	Level 3	Net book value	Level 1	Level 2	Level 3	Net Book value
Assets								
Trade and other receivables	-	-	4,077,981	4,077,981	-	-	3,754,408	**3,754,408**
Issued loans	-	-	348,653	348,653	-	-	145,191	**145,191**
Contract assets	-	-	966,911	966,911	-	-	11,310,212	**11,310,212**
Limited cash equivalents	-	1,548,800	-	1,548,800	-	1,638,300	-	**1,638,300**
Cash and cash equivalents	656,035	-	-	656,035	17,162	2,504,797	-	**2,521,959**
Total assets	**656,035**	**1,548,800**	**5,393,545**	**7,598,380**	**17,162**	**4,143,097**	**15,209,811**	**19,370,070**

	31 December 2021				31 December 2020			
	Level 1	Level 2	Level 3	Net book value	Level 1	Level 2	Level 1	Level 2
Liabilities								
Borrowings	-	-	12,119,852	**12,119,852**	-	-	14,505,244	**14,505,244**
Contract liabilities	-	-	3,167,901	**3,167,901**	-	-	5,388,472	**5,388,472**
Trade and other payables	-	-	5,090,404	**5,090,404**	-	-	8,917,257	**8,917,257**
Total liabilities	-	-	**20,378,157**	**20,378,157**	-	-	**28,810,973**	**28,810,973**

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

22. 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.

General objectives, policies and processes (Continued)

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.

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:

22. FINANCIAL RISK (CONTINUED)

	31 December 2021	31 december 2020
Trade receivables		
Contract assets	966,911	11,310,212
Issued loans	348,653	145,191
Trade and other receivables	4,077,981	3,754,408
Restricted cash	1,548,800	1,638,300
Cash and cash equivalents		
Cash at bank	656,035	47,347
Restricted cash	-	2,457,450
Total maximum impact on risk	**7,598,380**	**19,352,908**

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 14.

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.

General objectives, policies and processes (Continued)

The Company's exposure to foreign currency exchange rate risk as at 31 December 2021 is presented in the table below:

	GEL	USD	EURO	Total
Financial assets				
Issued loans	348,653	-	-	**348,653**
Trade and other receivables	1,320,601	2,261,356	496,024	**4,077,981**
Cash and cash equivalents	258,877	396,220	938	**656,035**
Restricted cash	-	1,548,800	-	**1,548,800**
	1,928,131	**4,206,376**	**496,962**	**6,631,469**
Financial liabilities				
Borrowings	5,767,864	4,296,025	2,055,963	**12,119,852**
Trade and other payables	3,427,344	520,978	1,142,082	**5,090,404**
	9,195,208	**4,817,003**	**3,198,045**	**17,210,256**
Open balance sheet position	**(7,267,077)**	**(610,627)**	**(2,701,083)**	**(10,578,787)**

22. FINANCIAL RISK (CONTINUED)

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	1,856,781	1,308,544	589,083	**3,754,408**
Restricted cash	-	1,638,300	-	**1,638,300**
Cash and cash equivalents	37,199	2,484,760	-	**2,521,959**
	2,039,171	**5,431,604**	**589,083**	**8,059,858**
Financial liabilities				
Borrowings	6,753,997	5,187,029	2,564,218	**14,505,244**
Trade and other payables	7,327,553	116,540	1,473,165	**8,917,258**
	14,081,550	**5,303,569**	**4,037,383**	**23,422,502**
Open balance sheet position	**(12,042,379)**	**128,035**	**(3,448,300)**	**(15,362,644)**

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:

	2021	2021	2020	2020
Currency rate sensitivity	**+20%**	**-20%**	**+20%**	**-20%**
USD impact gain/(loss)	(122,125)	122,125	25,607	(25,607)
EUR impact gain/(loss)	(540,217)	540,217	(689,660)	689,660

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.

General objectives, policies and processes

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 realized to real cash during one day to satisfy the unforeseen liquidity requirements.

22. Financial risk (Continued)
General objectives, policies and processes (Continued)

The table below shows the liabilities as of December 31, 2021 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 2021 can be presented as follows:

	Up to 1 year	Between 1 and 5 years	Total
Financial assets			
Issued loans	348,653	-	**348,653**
Trade and other receivables	1,819,852	2,258,129	**4,077,981**
Restricted cash	1,548,800	-	**1,548,800**
Cash at bank	656,035	-	**656,035**
	4,373,340	**2,258,129**	**6,631,469**
Financial liabilities			
Borrowings	6,352,033	5,767,819	**12,119,852**
Trade and other payables	5,090,404	-	**5,090,404**
	11,442,437	**5,767,819**	**17,210,256**
Net liquidity gap			
Cumulative liquidity gap	**(7,069,097)**	**(3,509,690)**	**(10,578,787)**

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	2,641,445	1,112,963	**3,754,408**
Restricted cash	2,457,450	1,638,300	**4,095,750**
Cash at bank	47,347	-	**47,347**
	5,291,433	**2,751,263**	**8,042,696**
Financial liabilities			
Borrowings	7,921,528	6,583,716	**14,505,244**
Trade and other payables	8,917,258	-	**8,917,258**
	16,838,786	**6,583,716**	**23,422,502**
Net liquidity gap			
Cumulative liquidity gap	**(11,785,618)**	**(3,832,453)**	**(15,618,071)**

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

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

22. Financial risk (Continued)

Capital disclosures (Continued)

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.

23. 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, 2021 and 31 December 2020, 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.

24. 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

- 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.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

The tables below provide information on balances and transactions with related parties as of December 31, 2021 and 2020.

Under common control		
Statement of financial position	**2021**	**2020**
Trade and other payables		-
Prepayments	66,125	92,386
Statement of comprehensive income		
Purchased inventories	196,245	601,690
Marketing and provision expenses	-	2,750

Key management		
Statement of financial position	**2021**	**2020**
Trade and other receivables	-	377,389
Issued loans	339,500	134,725
Borrowings	132,180	149,198
Statement of comprehensive income		

25. EVENTS AFTER REPORTING PERIOD

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

- During 2022, the company took loans of 1,431,511 dollars from financial institutions and paid the principal of the loan in the amount of 499,756 GEL, 471,390 dollars and 128,744 euros.
- In January 2022, the company began work on the stone supply contract, which the total value is $14,638,416 dollars. In 2022, the company also signed and implemented the following agreements: a new contract in the Kulevi project with a value of 776,823 GEL, an agreement with Well-Motors with a value of 289,800 GEL, a lease agreement in the Poti port expansion project with a value of 675,000 dollars and an agreement signed with the Ministry of Defense with a value of 365,707 dollars.
- The company purchased 4 self-loaders with financial leasing, which the initial cost is 406,390 euros and paid the principal amount of financial leasing 98,993 euros.

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