PRIME CONCRETE

2022

Prime Concrete LLC

Financial Statements and Management Report

FOR THE YEAR ENDED 31 DECEMBER 2022

Together with Independent Auditors' Report

(Translation from the Original Georgian Version)

Contents

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Prime Concrete LLC

Report on the Audit of the Financial Statements

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 2022, 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 2022, 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".

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

Material Uncertainty related to Going Concern

We draw your attention to note 2 in the financial statements, which indicates that the Company incurred a net loss of GEL 199,135 during the year of 2022. Additionally, as of 31 December, 2022, the Company's current liabilities exceed current assets by GEL 8,039,426. These events and conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

As part of our audit of the financial statements for the year ended 31 December 31, 2022, we also audited the adjustments presented in Note 5, which were applied to amend the financial statements for the year ended 31 December, 2021. In our opinion, such adjustments are appropriate and have been properly applied. The audit procedures performed on the comparative information are limited to those adjustments. Our opinion is not modified in respect of 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.

Nexia TA

Member of Nexia International

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 presented in the Company's Management Report, in all material respects:

- Is consistent with the Company's financial statements for the year ended 31 December, 2022; 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)

April 28, 2023

Tbilisi, Georgia

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Nexia TA

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

	Note	2022	2021 *
Revenue from contracts with customers	6	26,013,591	39,920,131
Cost of sales	7	(22,574,121)	(32,483,687)
Gross profit		**3,439,470**	**7,436,444**
Other income	8	1,372,789	445,389
General and administrative expenses	9	(2,786,124)	(3,910,535)
Sales and marketing expenses	10	(343,052)	(192,535)
Changes of allowances for impairment of financial assets	14; 17	(323,604)	(781,212)
Other expenses		(93,611)	(59,218)
Net other operating income / (expense)		(139,314)	38,687
Operating profit		**1,126,554**	**2,977,020**
Interest expense	19	(1,903,812)	(1,329,611)
Net foreign exchange gain / (loss)		253,422	(65,797)
Change in fair value of investment property	12	324,701	184,131
Profit / (loss) before tax		**(199,135)**	**1,765,743**
Income tax expense		-	-
Net proft / (loss) for the year		**(199,135)**	**1,765,743**
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**(199,135)**	**1,765,743**

* Certain amounts do not match the 2021 financial statements and reflect the adjustments presented in Note 5.

The financial statements were approved and authorized for issue by Management on April 28, 2023 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 8-35 form an internal part of these financial statement.

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

	Notes	December 31, 2022	December 31, 2021 *	January 1, 2020
Assets				
non-current assets				
Property, plant and equipment (PPE)	11	15,995,863	14,172,049	12,039,808
Right of use assets	11	2,531,263	2,099,598	2,906,916
Investment property	12	2,722,074	2,397,373	-
Intangible assets	13	401,919	668,867	442,125
Trade and other receivables	14	56,461	2,258,129	1,112,963
Loans issued	16	63,860	211,040	-
Restricted cash		-	-	1,638,300
Total non-current assets		**21,771,439**	**21,807,056**	**18,140,112**
Current assets				
Inventories	15	3,527,304	2,693,217	6,546,331
Loans issued	16	193,441	137,613	145,191
Advanced payed	17	703,522	1,747,838	1,091,416
Contract assets	6	1,265,422	966,911	11,310,212
Trade and other receivables	14	3,339,173	1,068,349	2,641,445
Cash and cash equivalents	18	1,351,209	2,204,835	2,521,959
Total current assets		**10,380,071**	**8,818,763**	**24,256,554**
Total assets		**32,151,510**	**30,625,819**	**42,396,666**
Equity and Liabilities				
Equity				
Charter capital	21	1,007,412	1,007,412	3,450,312
Retained earnings		8,296,640	8,495,775	10,135,381
Total Equity		**9,304,052**	**9,503,187**	**13,585,693**
Non-current Liabilities				
Borrowings	19	3,198,076	4,635,507	5,040,286
Lease liabilities	19	1,229,886	1,132,312	1,543,430
Total non-current liabilities		**4,427,961**	**5,767,819**	**6,583,716**
Borrowings	19	7,862,110	6,047,165	7,009,554
Lease liabilities	19	774,021	304,868	911,974
Contract liabilities	6	4,335,936	2,852,981	5,388,472
Trade and other payables	20	5,447,430	6,149,799	8,917,257
Total current liabilities		**18,419,497**	**15,354,813**	**22,227,257**
Total Equity and Liabilities		**32,151,510**	**30,625,819**	**42,396,666**

* Certain amounts do not match the 2021 financial statements and reflect the adjustments presented in Note 5.

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Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 8-35 form an internal part of these financial statement

Prime Conrete LLC
Statement of Changes in Equity
For the year ended December 31 2022
(In Georgian lari)

	Charter Capital (note 21)	Retained Earnings	Total
1 January 2021	**3,450,312**	**10,135,382**	**13,585,694**
Total comprehensive income	-	1,765,743	**1,765,743**
Withdrawal of Charter Capital	(2,442,900)	-	**(2,442,900)**
Dividends Issued	-	(3,405,350)	**(3,405,350)**
31 December 2021*	**1,007,412**	**8,495,775**	**9,503,187**
Total comprehensive loss	-	(199,135)	**(199,135)**
31 December 2022	**1,007,412**	**8,296,640**	**9,304,052**

* Certain amounts do not match the 2021 financial statements and reflect the adjustments presented in Note 5.

The financial statements were approved and authorized for issue by Management on April 28, 2023 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 8-35 form an internal part of these financial statements.

	Notes	2022	2021
Cash flows from Operating activities:			
Profit / (loss) before tax		(199,134)	1,765,743
Adjustments to:			
Depreciation and amortisation	11; 13	2,287,622	1,727,276
Interest expense, net	19	1,905,671	1,329,611
Written-off non-current assets		299,110	2,117
Impairment loss for financial assets	14	323,602	633,609
Change in fair value of investment property	12	(324,701)	(184,131)
Net loss/(gain) from exchange rate changes		(253,421)	163,911
Cash inflows from operating activities before changes in working capital		**4,038,749**	**5,438,136**
Decrease / (increase) in operating assets:			
Inventories		(834,087)	3,853,114
Prepayments		830,188	(642,414)
Restricted cash		-	1,638,303
Trade and other receivables/Contract assets		(1,425,378)	9,372,356
(decrease)/Increase in operating liabilities:		-	
Contract liability		1,482,955	(2,535,491)
Trade and other Payables		(549,987)	(2,725,527)
Net cash inflow from operating activities before interest and tax		**3,542,440**	**14,398,477**
Interest paid	19	(1,710,976)	(1,229,348)
Net cash inflow from operating activities		**1,831,464**	**13,169,129**
Cash flows from investing activities:			
Purchase of Property, plant and equipment	11	(2,842,604)	(3,676,073)
Puchase of intangible assets	13	(41,758)	(415,121)
Sales of Property, plant and equipment		-	134,015
Net cash outflow from investing activities		**(2,884,362)**	**(3,957,179)**
Cash flows from financing activities:			
Proceeds from borrowings	19	20,179,640	17,403,270
Repayment of borrowings	19	(18,823,551)	(18,552,200)
Payment of principal amount of rent liabilities	19	(854,526)	(2,242,977)
Payment of dividend	21	-	(3,405,350)
Decrease in capital	21	-	(2,442,900)
Net cash inflow / (outflow) from financing activities		**501,563**	**(9,240,156)**
Net decrease of cash and cash equivalents during the year		**(551,335)**	**(28,206)**
Cash and Cash equivalents at the beginning of the year	18	2,204,835	2,521,959
Effect of exchange rate changes on cash and cash equivalents		(302,291)	(288,917)
Cash and cash equivalents at the end of the year	18	**1,351,209**	**2,204,836**

* Certain amounts do not match the 2021 financial statements and reflect the adjustments presented in Note 5.

The financial statements were approved and authorized for issue by Management on April 28, 2023 and were signed on its behalf by:

Alexander Sokolovsky
Director
Tbilisi, Georgia

Giorgi Burdiashvili
Financial Manager
Tbilisi, Georgia

The notes on pages 8-45 form an internal part of these financial statements.

1. COMPANY AND PRINCIPAL ACTIVITY

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

The following shareholders owned the Company:

	31 December 2022	31 December 2021
Prime Management Company LLC	65%	65%
Lasha Chipashvili	14%	14%
Giorgi Akhvlediani	7%	7%
Zurab Davlianidze	7%	7%
Alexander Sokolovsky	7%	7%
	100%	**100%**

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

	31 December 2022	31 December 2021
Lasha Chipashvili	14.00%	14.00%
Giorgi Akhvlediani	28.45%	28.45%
Zurab Davlianidze	28.45%	28.45%
Alexander Sokolovsky	29.10%	29.10%
	100%	**100%**

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.

Operational environment

The company mainly operates in Georgia. A developing economy like Georgia is subject to rapid change and is vulnerable to global market conditions and economic downturns. As a result, operations in Georgia may involve risks that are typically foreign to developed markets. Nevertheless, over the past few years, the Georgian government has initiated civil, criminal, tax administrative, and commercial reforms, which have had a positive impact on the country's investment climate in general.

On February 24, 2022, the Russia-Ukraine war began, which has had an impact not only on the European region but also on the whole world. As a result of the war in Ukraine, many leading countries and economic unions announced severe economic sanctions against Russia, and there was a significant depreciation of the Russian ruble against foreign currencies, as well as a significant loss in the securities markets for Russia and Russian companies listed on other markets. Many companies have moved their business out of Russia and Belarus. The situation is still unclear, but it has already resulted in a humanitarian crisis and substantial economic losses for Ukraine, Russia, and the rest of the world.

The mentioned war did not have a significant impact on the company's activities; however, future results are difficult to predict, and management's current expectations and estimates may differ materially from actual results.

2. BASIS OF PREPARATION

a) 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, which are presented in Note 4. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies.

The principal accounting policies that have been applied in preparing the financial statements are disclosed in Note 3. Accounting policies are applied continuously for all years unless otherwise stated.

b) Going Concern

The company is facing certain financial and operational difficulties which are described below:

- The company significantly reduced its operating profit in 2022 and generated a net loss for the year amounting GEL 199,135.
- The company's current assets exceed current liabilities by GEL 8,039,426 as of 31 December 2022.

These events and conditions, among other things, indicate the existence of material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

Mitigating factors:

Management has developed a multi-pronged plan to address these difficulties and challenges, which include the following:

- Despite the losses incurred in 2022, the company has retained earnings and a positive equity.
- Before issuing the 2022 financial statements in 2023, the following construction works have been signed and started:
    - In January 2023, the company started working on the construction works of the Georgia's Ministry of Internal Affairs "Service Center" for the fee of 2,677,209 GEL,
    - Construction project of Martvili water treatment plant for the fee of 11,750,000 GEL by order of "Georgian United Water Supply Company",
    - Construction works on Zugdidi-Tsalenjikha-Chkhorotsku (16,205,312 GEL), Zugdidi-Jikhashkari-Chkhorotsku (17,024,836 GEL) and Khobi-Sajijao-Lesichine (3,582,683 GEL) roads also started.
    - Also, the Company took over the Samtredia school construction project in March 2023 with a total fee of 7,144,900 GEL by order of the Municipal Development Fund of Georgia.

The circumstances mentioned above will help to improve the financial and operational situation of the Company.

Given these extenuating circumstances, management is confident about the Company's ability to continue as a going concern for at least 12 months after the balance sheet date.

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:

	December 31, 2022	**December 31, 2021**
1 USD/GEL	2.7020	3.0976
1 EUR/GEL	2.8844	3.5040

The average exchange rate of the year	**2022**	**2021**
1 USD/GEL	2.9156	3.2209
1 EUR/GEL	3.0792	3.8140

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.

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

Revenue from construction services

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

Income from the sale of construction materials

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

Determining the transaction price

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

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

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

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

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

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

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 assesses 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.

EMPLOYEE BENEFITS

The Company shall attribute to the wages of hired persons those compensated amounts, which are paid in full within 12 months after the end of the annual reporting period during which the hired persons provide the relevant services:

- Salaries;
- Annual paid vacations and bulletin pay;
- Non-monetary benefits for existing employees.

Wages, bonuses, and non-monetary benefits are recognized on an accrual basis in the period when the Company has received the relevant service from the employee. The company has no legal or constructive obligation to make pension or 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.

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

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

dividends are paid. A contingent income tax liability that would arise upon the payment of dividends is not recognized in the statement of financial position. In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are

immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under Taxes other than on income within operating expenses.

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

TAXES OTHER THAN INCOME TAX

Taxes other than income tax are recognised in the reporting period in which the binding event occurs. A mandatory event is an action or a fact that, according to the Tax Code of Georgia, determines the payment of tax. Prepaid taxes, from which future economic benefits are expected to flow, are recognised as assets

Property, Plant and Equipment

Initial recognition

Property, plant and equipment are recorded at cost upon initial recognition. Cost is determined by the purchase price, import duties, 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 property, pland and equipmets.
Property, plant and equipment that are used for the main activity, administrative or rental, or are in a state of construction, are recorded at the difference between their cost value and the depreciation value.Cost includes direct costs, which are taken into account by the company's accounting policy.

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

Costs associated with replacing components of property, plant and equipment are accounted for separately, capitalized along with the carrying amount of the component that was written off. Other costs are capitalized if future economic benefits can be expected. All other costs, including repairs and renewals, are recognized in the statement of profit/loss as incurred.

Right-of-use assets are presented in the statement of financial position together with property, plant and equipment.

Further evaluation / accounting

On January 1, 2022, the company's management changed the depreciation method prospectively from the reducing balance method to the straight-line method. The useful life of the assets is divided as follows:

Group of property, plant and equipment	Usefull life
Property and plant	10-50 Years
Factory	10-20 Years
Construction equipment	2-25 Years
Transportation facilities	5-20 Years
Office equipment	5-20 Years
Land and Construction in progress	does not depreciate

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

Depreciation on an asset begins when it can be used, that is, when the asset is in the location or working condition necessary to use the asset for the purposes set by management. Depreciation does not stop when an asset becomes obsolete or is no longer in active use, unless the asset is completely depreciated.

The period of useful service is reviewed at the end of each accounting year, taking into account the effect of any changes, prospectively.

The profit or loss resulting from the disposal of fixed assets is determined by comparing the book value with the amount received and is included in the category of other income/expenses in the statement of comprehensive income.

Intangible assets

The company owns intangible assets with a certain maturity, they are recognized at historical cost less accumulated depreciation and impairment losses, and amortization, if any, is charged on a straight-line basis. Amortization on software is presented in administrative expenses, and amortization on licenses is capitalized in the cost of the acquired balance.

The period of useful service is reviewed at the end of each accounting year, taking into account the effect of any changes, prospectively.

Investment Property

The company accounts for investment property at initial recognition at cost, and subsequently at fair value. Cost includes the purchase price and any directly attributable costs. Changes in the fair value of investment property are recorded in the statement of profit or loss and other comprehensive income.

Investment property is derecognised when it is disposed of or when future economic benefits are no longer expected from its further use. The gain or loss on the disposal of the investment property is determined by the difference between the carrying amount and the net consideration received and is included in the statement of profit or loss and other comprehensive income.

Impairment of non-financial assets

In each reporting period, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any such asset (or group of related assets) is assessed and compared with its carrying amount, if the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized immediately in profit or loss. If an impairment loss is indicated for a non-financial asset, the carrying amount of the asset (or group of related assets) is increased to the adjusted estimate of its recoverable amount, but not more than the amount that would have been determined for the asset (or group of related assets) that did not have an impairment loss in previous years. A reversal of a previously recognized impairment loss will be recognized immediately in profit or loss.

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;

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

- 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.

Financial Asset Valuation Categories

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.

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

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.

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

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);
- 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.

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

Categories of assessment of financial liabilities

The Company will classify financial liabilities as one of the following:

- Amortised cost;
- FVOCI;
- FVPL.

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

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

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

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

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.

Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is determined using the weighted average method and includes the costs associated with the acquisition of the asset and bringing it into working condition. Net realizable value is the selling price of the asset in the ordinary course of business less the costs associated with selling the asset.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and money in current banks' accounts, which are subject to a small risk of price changes. Cash and cash equivalents are recorded at amortized cost using the effective interest method. The company depreciates cash and cash equivalents in accordance with IFRS-9.

Borrowings

Interest costs on borrowings that are directly attributable to the acquisition, construction or production of an asset that necessarily requires a significant period of time to be ready for its functional use or sale are capitalized as part of the cost of the relevant asset. All other borrowing costs are expensed in the period in which they are incurred.Borrowing costs consist of interest and other costs that a person incurs in connection with borrowing funds. The company has received loans from financial institutions to finance its main activities. Additional details about received loans are discussed in Note 19.

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;

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

The Company uses cost model for subsequent measurement of right of use asset, according to which the Cost of right of use assets redused of any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, Accordingly, depreciation is accrued on other types of assets from the date of commencement of the lease term until the end of the useful life of the

lease asset. Th Company uses the diminishing balance method with right of use assets under requirements of IAS 16 “Property, plant and equipement”.

Lease liability

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

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.

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

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

An entity shall classify a liability as current when:

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

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

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.

Dividends

Dividends are recognized when the legal obligation to pay them arises. Dividends are recognized as a liability and equity is reduced by the corresponding amount. Dividends declared after the reporting period before the approval of the financial statements are disclosed in post-balance sheet events.

PROVISIONS FOR LIABILITIES AND CHARGES

Contingent liabilities are not reflected in the financial statements, unless economic benefits are expected to flow from the company, and the liability can be measured reliably. Information on contingent liabilities is provided in the notes to the financial statements, except for such contingent liabilities, related to which economic benefits are not expected to flow from the company.

Contingent assets are not reflected in the financial statements. But information about financial assets related to which economic benefits can flow to the company is reflected in the explanatory notes. If the company has certainty that the economic benefits will flow to the company, then the related asset and income are reflected in the financial statements of the period in which the change in estimate took place.

Provision is a liability associated with quantitative and temporal uncertainties. A liability is a current obligation of the company that arose as a result of a past event, and the settlement of which will result in an outflow of economic benefits from the company. An obligating event is an event that gives rise to a legal or constructive obligation, implying that the company has no other real alternative, and it must settle its obligations. The legal obligation arises from:

- from the arrangement (taking into account the conditions fixed or implied in the contract);
- from legislation; or
- From other legal actions. Constructive liability arises from the company's actions where:
    - based on established past practices, policies published by the company or specific current reporting, the company indicates to other parties that it accepts certain responsibilities; and
    - As a result, the third party has a certain expectation in relation to the company that it will fulfill these responsibilities.

3. PRINCIPAL ACCOUNTINS POLICIES (CONTINUED)

EVENTS AFTER THE REPORTING PERIOD

Subsequent events of the reporting period and events occurring before the date of authorization of the financial statements, which provide additional information about the company's financial position, are reflected in the financial statements. Post-balance sheet events that do not affect the company's financial position as of the balance sheet date.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities presented in statement of financial position and on revenue and expenses presented in the statement of comprehensive income at the end of the year.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Assumptions and estimates are reviewed continuously and 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's 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 receivables and contract assets is detailed discussed in note 14.

Revenue recognition- satisfaction of the performance obligation

During the reporting period, revenue from contracts with customers is recognized when or as soon as the transfer of goods or services under a 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.

Transactions with related parties

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

5. PREVIOUS PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

The management of the Company identified errors in the financial statements of 2021, accordingly, the amounts of the comparative reporting period were clarified.

Management believes that presenting financial statements in a similar way will present a more accurate picture. The table below presents the effect of the correction of the error on the financial statements as of December 31, 2021:

Statement of financial position

December 31, 2021	According to the previous statement	Adjustment	Adjusted amount
Property, Plant and Equipmen	18,484,889	(2,213,242)	16,271,647
Inventory	2,654,648	38,569	2,693,217
Investment Property	-	2,397,373	2,397,373
Trade and Other Receivables	1,819,852	(751,503)	1,068,349
Limited cash and cash equivalents	1,548,800	(1,548,800)	-
Cash and cash equivalents	656,035	1,548,800	2,204,835
Retained earnings	(9,769,053)	1,273,278	(8,495,775)
Contract liabilities	(3,167,901)	314,920	(2,852,981)
Trade and other liabilities	(5,090,404)	(1,059,395)	(6,149,799)

Statement of comprehensive income

2021	According to the previous statement	Adjustment	Adjusted amount
Revenue from contract with customers	39,771,536	148,595	39,920,131
Other income	428,440	16,949	445,389
Cost of sales	(31,592,950)	(890,737)	(32,483,687)
General and administrative expenses	(3,936,824)	26,289	(3,910,535)
Change in impairment reserve of financial assets	26,350	(807,562)	(781,212)
Change in fair value of investment property	-	184,131	184,131
Net foreign exchange gain (loss)	(114,854)	49,057	(65,797)

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of proceeds from contracts with customers for the ended years December 31, 2022 and 2021 is presented in the table below:

	2022	2021
Recognized over time		
Revenue from construction contracts	17,828,545	38,046,329
Recognized at a point in time		
Sale of building materials	5,079,569	-
Sale of sand and gravel	1,477,340	356,023
Sale of concrete	1,383,150	1,357,960
Other income	244,987	159,819
Total revenue from contracts with customers	**26,013,591**	**39,920,131**

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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 2022	Contract Assets 2021	Contract Liabilities 2022	Contract Liabilities 2021
1 January	**966,911**	**11,310,212**	**(2,852,981)**	**(5,388,472)**
Transfers in the period from contract assets to trade receivables	(966,911)	(11,310,212)	-	-
Amounts included in contract liabilities that recognized as revenue during the period was	-	-	2,852,981	5,388,472
Excess of revenue recognized over cash (or rights to cash) being recognized during the period	1,265,422	966,911	-	-
Excess of rights to cash over revenue recognized during the period	-	-	-	-
Cash received in advance of performance and not recognized as revenue during the period.	-	-	(4,335,936)	(2,852,981)
31 December	**1,265,422**	**966,911**	**(4,335,936)**	**(2,852,981)**

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, 2022 and 2021 are presented as follows:

	2022	2021
Building materials	11,050,677	15,055,313
Salaries	3,692,742	4,629,662
Third-party services	3,617,087	7,922,496
Fuel	1,525,463	994,136
Depreciation and amortization	1,061,389	1,085,736
Transportation	568,104	457,520
Repair and maintenance	527,284	862,124
Rent	381,522	1,127,958
Inventory write off	-	181,627
Other	149,853	167,115
Total cost of sales	**22,574,121**	**32,483,688**

8. OTHER INCOME

Other income for the ended years December 31, 2022 and 2021 are presented in the table below:

	2022	2021
Rental income	1,218,556	16,949
Other income	154,233	428,440
Total other income	**1,372,789**	**445,389**

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the ended years December 31, 2022 and 2021 are presented in the table below:

	2022	2021
Employee benefit expenses	1,584,215	3,008,624
Depreciation and Amortization	253,517	203,691
Consultation expenses	238,723	176,353
Office expenses	126,217	92,893
Fuel	124,357	66,970
Taxes	73,634	72,396
Comunication expenses	42,162	40,440
Security expenses	32,393	7,288
Business trips	27,960	9,583
Comunal expenses	22,160	36,325
Bank Charges	14,461	29,406
Rent	8,194	1,583
Other	238,131	164,983
Total general and administrative expenses	**2,786,124**	**3,910,535**

10. SALES AND MARKETING EXPENSES

Sales and marketing expenses for the ended years December 31, 2022 and 2021 are presented in the table below:

	2022	2021
Fuel	153,202	50,203
Employee benefit expenses	81,320	60,079
Delivery expenses	74,861	-
Other	33,669	82,253
Total sales and marketing expenses	**343,052**	**192,535**

11. PROPERTY, PLANT AND EQUIPMENT AND THE RIGHT OF USE ASSET

Property, plant, equipment and the right of use asset for the ended years 31 December 2022, 31 Deecember 2021 and 1 January 2020 are presented in the table below:

								Right-of-use Asset			
Historical Cost	**Land**	**Construction in progress**	**Property and plant**	**Factory**	**Construction equipment**	**Transportation facilities**	**Office equipment**	**Transportation facilities**	**Construction equipment**	**Property and plant**	**Total**
1 January 2021	**827,592**	**2,245,292**	**1,767,184**	**2,421,966**	**4,894,399**	**6,762,397**	**480,581**	**3,006,557**	**175,976**	**101,872**	**22,683,816**
Additions	374,801	635,886	16,303	-	3,730,220	2,550,331	46,162	1,483,008		32,262	**8,868,973**
Debt interest capitalization		258,240									**258,240**
Internal movement	-	(2,222,049)	1,346,601	759,351	116,097	-	-	-			**-**
Write-off	(19,914)	-	-	-	-	(337,213)	-	-	-	-	**(357,127)**
Transfer	-	(600,076)	534,597	-	(1,390,625)	(300,996)	-	(2,357,934)	(150,550)		**(4,265,584)**
Transfer to investment Property			(1,370,443)		(996,306)	-					**(2,366,749)**
31 December 2021	**1,182,479**	**317,293**	**2,294,242**	**3,181,317**	**6,353,785**	**8,674,519**	**526,743**	**2,131,631**	**25,426**	**134,134**	**24,821,569**
Additions	101,260	1,087,521	115,711	-	944,017	795,060	36,757	1,335,900	-	117,278	**4,533,504**
Internal movement		(1,187,727)	1,187,727								**-**
Write-off	-	-	(306,010)	(4,525)	(375,518)	(927,405)	(148,899)	-	-	-	**(1,762,357)**
Transfer	-	-	-	-	-	699,818	-	(699,818)	-	-	**-**
31 December 2022	**1,283,739**	**217,087**	**3,291,670**	**3,176,792**	**6,922,284**	**9,241,992**	**414,601**	**2,767,713**	**25,426**	**251,412**	**27,592,716**
Accumulated depreciation											
1 January 2021	**-**	**-**	**(734,974)**	**(1,207,703)**	**(2,035,028)**	**(3,140,370)**	**(241,528)**	**(246,454)**	**(59,673)**	**(71,362)**	**(7,737,092)**
Depreciation	-	-	(115,035)	(107,015)	(725,601)	(374,246)	(57,965)	(118,450)	(9,205)	(31,380)	**(1,538,897)**
Write-off	-	-	-	-	-	220,991	-			-	**220,991**
Transfer					6,637			282,847	62,084		**351,568**
Transfer to investment Property			153,508								**153,508**
31 December 2021	**-**	**-**	**(696,501)**	**(1,314,718)**	**(2,753,992)**	**(3,293,625)**	**(299,493)**	**(82,057)**	**(6,794)**	**(102,742)**	**(8,549,922)**
Depreciation	-	-	(126,760)	(104,749)	(409,362)	(906,504)	(77,977)	(304,300)	-	(49,264)	**(1,978,916)**
Write-off	-	-	215,792	951	304,599	818,199	123,706	-	-	-	**1,463,247**
Transfer	-	-				(31,869)		31,869	-	-	**-**
31 December 2022	**-**	**-**	**(607,470)**	**(1,418,515)**	**(2,858,754)**	**(3,413,799)**	**(253,764)**	**(354,489)**	**(6,794)**	**(152,006)**	**(9,065,591)**
Net book value											
31 December 2021	**1,182,479**	**317,293**	**1,597,741**	**1,866,599**	**3,599,793**	**5,380,894**	**227,250**	**2,049,574**	**18,632**	**31,392**	**16,271,647**
31 December 2022	**1,283,739**	**217,087**	**2,684,200**	**1,758,277**	**4,063,530**	**5,828,193**	**160,837**	**2,413,224**	**18,632**	**99,406**	**18,527,125**

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

As of December 31, 2022, loans received from financial institutions are secured by the following assets (net book value): land 884,501 GEL; Property and plant 611,100 GEL; Transportation facilities 5,786,256 GEL;

Due to the fact that certain Property, plant and equipment of the company are used in the production of supplies, accordingly, depreciation of 664,010 GEL (2021: 249,470 GEL) was added to the cost of manufactured supplies as a component in the 2022 period.

12. INVESTMENT PROPERTY

Investment property of the company for the ended years December 31, 2022 and 2021 are presented in the table below:

	Land	Buildings	Total
1 January 2021	**-**	**-**	**-**
Transfer	1	2,213,241	**2,213,242**
Change in fair value	569,865	(385,734)	**184,131**
31 December 2021	**569,866**	**1,827,507**	**2,397,373**
Change in fair value	(72,698)	397,399	**324,701**
31 December 2022	**497,168**	**2,224,906**	**2,722,074**

On February 8, 2019, a plot of land was handed over to the company from the National State Property Agency at a symbolic price. The company was assigned to create a cement construction product manufacturing enterprise on the mentioned plot of land.

The investment property was evaluated by an independent appraiser with relevant professional qualifications and experience in the valuation of similar assets. The investment property was evaluated based on the level 3 information in the hierarchy of fair value determination. The land was valued using the market method as there was sufficient information on registered sales and offers at the date of valuation. In the evaluation process, the evaluators used analogs, the values of which were adjusted to take into account the differences between the evaluated objects and the analogs. The main corrections for the differences between the used analogs and the assessed land were related to the location, size, accessibility of communications, purpose of the land. The valuation of buildings and structures was carried out using the cost method. The property was assessed based on the norms and current prices determined according to the construction and cost accounting rules. The estimated value includes assumptions related to the building's physical, functional, and economic obsolescence.

13. INTANGIBLE ASSETS

Intangible assets of the company for December 31, 2022 and December 31, 2021 are the following:

Historical cost	Licenses	Software	Total
1 January 2021	**581,260**	**362,007**	**943,267**
Additions	366,239	48,882	**415,121**
31 December 2021	**947,499**	**410,889**	**1,358,388**
Additions	12,610	29,145	**41,755**
31 December 2022	**960,110**	**440,036**	**1,400,146**
Accumulated amortization			
1 January 2021	**(268,447)**	**(232,695)**	**(501,142)**
Amortization	(172,523)	(15,856)	**(188,379)**
31 December 2021	**(440,970)**	**(248,550)**	**(689,520)**
Amortization	(279,339)	(29,367)	**(308,706)**
31 December 2022	**(720,309)**	**(277,917)**	**(998,226)**
Net book value			
31 December 2021	**506,529**	**162,338**	**668,868**
31 December 2022	**239,801**	**162,118**	**401,919**

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables for the ended years December 31,2022, 2021 and 2020 are presented in the table

	31 December 2022	31 December 2021	1 January 2021
Non-current			
Trade receivables	56,461	2,258,129	1,112,963
Total non-current trade receivables	**56,461**	**2,258,129**	**1,112,963**
Current			
Trade receivables	4,353,011	1,899,925	2,679,174
Other receivables	-	-	146,230
Allowances	(1,013,838)	(831,576)	(183,959)
Total current trade and other receivables	**3,339,173**	**1,068,349**	**2,641,445**

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

The breakdown of financial assets by currency is presented in Note 21.

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, 2022 are:

2022			**Overdue in days**				
	Current	30-60	61 - 120	121 - 180	181 - 365	365>	**Total**
Gross carrying amount	80,002	70,887	20,972	84,437	16,448	951,907	**1,224,653**
Loss provision	800	4,253	3,146	42,218	11,514	951,907	**1,013,838**

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

2021			**Overdue in days**				
	Current	30-60	61 - 120	121 - 180	181 - 365	365>	**Total**
Gross carrying amount	34,733	90,298	1,187	31,556	66,213	763,506	**987,493**
Loss provision	347	5,418	178	15,778	46,349	763,506	**831,576**

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.

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

14.TRADE AND OTHER RECEIVABLES (CONTINUED)

	2022	2021	2020
Reserve of trade and other receivables at 1 January	**(831,576)**	**(183,960)**	(452,048)
Increase of reserve	(339,344)	(765,653)	(171,003)
Reversal	157,082	118,037	439,091
Reserve of trade and other receivable at 31 December	**(1,013,838)**	**(831,576)**	**(183,960)**

15. INVENTORY

Inventories of the company as of December 31, 2022, December 31, 2021 and January 1, 2020 are in the table below:

	31 December 2022	31 December 2021	1 January 2021
Building materials	2,351,021	1,839,836	5,858,935
Spare parts	912,731	679,237	504,895
Fuel	220,697	152,734	122,542
Other	42,855	21,410	59,959
Total inventories	**3,527,304**	**2,693,217**	**6,546,332**

During 2022, the Company recognized a net impairment loss of 0 GEL (2021: 181,6282020: 14,353 GEL) in cost of sales (Note 7) related to inventories. Stocks are not encumbered in favor of third parties.

16. ISSUED LOAN

The company's issued loans as of December 31, 2022, December 31, 2021 and January 1, 2020 are in the table below:

	31 December 2022	31 December 2021	1 January 2021
Smart development	175,759	211,040	
Giorgi Akhvlediani	64,507	137,613	145,191
Beemason	13,000	-	-
Foodmart	4,035	-	-
Total issued loans	**257,301**	**348,653**	**145,191**

17. PREPAYMENTS

Company's prepayments as of December 31, 2022, December 31, 2021 and January 1, 2020 are in the table below:

	31 December 2022	31 December 2021	1 January 2021
Prepayments to suppliers	1,256,050	2,163,949	1,355,919
Prepayments to subcontractors	13,554	8,630	146,230
provision for impairment	(566,082)	(424,741)	(410,733)
Total prepayments	**703,522**	**1,747,838**	**1,091,416**

The 2022 and 2021 reserve movements' picture is presented below:

17. PREPAYMENTS (CONTINUED)

	2022	2021	2021
Reserve of prepayments at 1 January	**(424,740)**	**(410,732)**	(388,200)
Increase of reserve	(141,342)	(14,751)	(22,533)
Reversal	-	742	-
Reserve of prepayments at 1 December	**(566,082)**	**(424,741)**	**(410,733)**

18. CASH AND CASH EQUIVALENTS

The company's cash and cash equivalents as of December 31, 2022, December 31, 2021 and January 1, 2020 are in the table below:

	31 December 2022	31 December 2021	1 January 2021
Cash at bank in foreign currency	1,351,201	397,158	47,347
Cash at bank in national currency	8		-
Limited cash equivalents	-	1,548,800	2,457,450
Cash in hand	-	258,877	17,162
Total cash and cash equivalents	**1,351,209**	**2,204,835**	**2,521,959**

Prior to the recivebles bank balances in the amount of 1,351,209 GEL were placed in banks with a "BB-" rating according to the Fitch rating (December 31, 2021: 397,158 GEL).

*Limited cash facilities include deposits to secure performance and advance guarantees taken from financial institutions. The mentioned guarantees are related to the contract signed with "Pace Terminal" LLC, for the rehabilitation works of the Port of Poti.

19. BORROWINGS

Company's borrowings as of December 31, 2022, December 31, 2021 and January 1, 2020 are in the table below:

	31 December 2022	31 December 2021	1 January 2021
Non-current Borrowings			
LLC Procredit bank	2,461,877	3,916,957	4,779,943
Finance lease	1,229,886	1,132,312	1,543,430
Pasha Bank Georgia JSC	378,307	718,550	-
Individuals	100,076	-	-
Bank of Georgia	257,816	-	-
Gazelle finance Georgia	-	-	260,343
Total non-current borrowings	**4,427,962**	**5,767,819**	**6,583,716**

	31 December 2022	31 December 2021	1 January 2021
Current Borrowings			
Bank of Georgia	3,605,155	-	655,320
LLC Procredit bank	3,556,885	3,496,529	3,301,706
Gazelle finance Georgia		791,720	2,538,430
Pasha Bank Georgia JSC	471,689	1,436,179	
Individuals	228,381	322,737	514,098
Finance lease	774,021	304,868	911,974
Total current borrowings	**8,636,131**	**6,352,033**	**7,921,528**

19. BORROWINGS (CONTINUED)

According to the terms of the agreement, loans received from individuals will be repaid until 2025, and loans received from financial institutions - until 2026. Interest rates for all loans are fixed and range from 5.5%-27.5% for local financial institutions, 12% for founder loans.
Fixed assets are invested in securing loans and finance leases (details explained in Note 11).
Breakdown of received loans by currencies is presented in Note 21.

Movement of liabilities created by financial operations:

	2022	**2021**	**2020**
As at 1 January	**12,119,852**	**14,505,244**	**14,150,166**
Effect of IFRS-16			
Increase of borrowing	20,179,640	17,403,270	6,905,080
Increase of rent liability according to IFRS-16	1,690,900	1,278,878	-
Repayment of principal	(18,823,551)	(18,552,200)	(7,124,937)
Rent liability payment	(854,526)	(2,242,977)	(1,239,911)
Paid interest	(1,710,976)	(1,229,348)	(1,487,124)
Interest capitalization		258,240	207,385
Lease liability modification		-	36,519
Effect of exchange rate changes	(1,442,918)	(640,726)	1,340,508
Interest expense Bank	1,905,671	1,339,471	1,717,558
Netting with trade and other payable	-		-
As at 31 December	**13,064,092**	**12,119,852**	**14,505,244**

20. TRADE AND OTHER PAYABLES

Company's trade and other payables as of December 31, 2022, December 31, 2021 and January 1, 2020 are in the table below:

	31 December 2022	**31 December 2021**	**1 January 2021**
Financial liabilities			
Liabilities created by delivery and service	3,987,999	4,928,403	7,228,439
Salaries Payable	80,058	371,898	231,458
	4,068,057	**5,300,301**	**7,459,897**
Non-Financial liabilities			
Taxes payable	1,102,325	589,626	1,457,361
Received advances	277,048	259,872	-
	1,379,373	**849,498**	**1,457,361**
Total trade and other payables	**5,447,430**	**6,149,799**	**8,917,258**

21. CHARTER CAPITAL

Charter capital	**31 December 2022**	**31 December 2021**	**1 January 2021**
Charted capital	1,007,412	1,007,412	3,450,312
Total authorized charter capital	**1,007,412**	**1,007,412**	**3,450,312**

The authorized capital of the company was reduced by 2,442,900 GEL in cash in 2021.

Dividends

According to the legislation of Georgia, the company's distributable reserves are limited to the balance of retained earnings, as defined in the company's statutory financial statements prepared in accordance with IFRS. As of December 31, 2022, the company had retained earnings of 8,296,640 (December 31, 2021: 8,495,775 GEL; January 1, 2021: 10,135,382 GEL). The company issued a dividend of 3,405,350 GEL in 2021.

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.

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:

	2022	2021
Trade receivables		
Issued loans	257,302	348,653
Trade and other receivables	3,395,633	3,326,478
Limited cash	-	-
Cash and cash equivalents		
Cash at bank	1,351,209	656,035
Limited cash	-	-
Total maximum impact on risk	**5,004,144**	**4,331,166**

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.

The Company's exposure to foreign currency exchange rate risk as at 31 December 2022 is presented in the table below:

22. FINANCIAL RISK (CONTINUED)

2022	GEL	USD	EUR	Total
Financial assets				
Issued loans	257,302	-	-	**257,302**
Trade and other receivables	503,255	2,948,839	-	**3,452,094**
Cash and cash equivalents	1,351,202	8	-	**1,351,210**
	2,111,759	**2,948,847**	**-**	**5,004,144**
Financial liabilities				
Borrowings	4,720,621	7,960,554	382,917	**13,064,092**
Trade and other payables	3,600,941	849,283	720,173	**5,170,397**
	8,321,562	**8,809,837**	**1,103,090**	**18,234,489**
Open balance sheet position	**(6,209,803)**	**(5,860,990)**	**(1,103,090)**	**(13,173,883)**

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

2021	GEL	USD	EUR	Total
Financial assets				
Issued loans	348,653	-	-	**348,653**
Trade and other receivables	1,065,122	2,261,356	-	**3,326,478**
Cash and cash equivalents	258,877	396,220	938	**656,035**
Restricted cash		1,548,800		**1,548,800**
	1,672,652	**4,206,376**	**938**	**5,879,966**
Financial liabilities				
Borrowings	5,767,864	4,296,025	2,055,963	**12,119,852**
Trade and other payables	3,478,912	1,202,246	1,173,735	**5,854,893**
	9,246,776	**5,498,271**	**3,229,698**	**17,974,745**
Open balance sheet position	**(7,574,124)**	**(1,291,895)**	**(2,701,083)**	**(11,567,102)**

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:

	2022	2022	2021	2021
Currency rate sensitivity	**+20%**	**-20%**	**+20%**	**-20%**
USD impact gain/(loss)	(1,172,198)	1,172,198	258,379	(258,379)
EUR impact gain/(loss)	(220,618)	220,618	540,217	(540,217)

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.

22. FINANCIAL RISK (CONTINUED)

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.

The amounts in the maturity table are contractual undiscounted cash flows. These undiscounted cash flows differ from the amounts in the statement of financial position because the statement of financial position relies on discounted cash flows. Payments made in foreign currency are converted at the spot exchange rate at the end of the reporting period.

Maturity analysis of financial assets and liabilities as of December 31, 2022 is as follows:

2022	Up to 1 year	Between 1 and 5 years	Total
Financial assets			
Issued loans	203,302	54,000	**257,302**
Trade and other receivables	3,339,172	56,461	**3,395,633**
Cash at bank	1,351,209	-	**1,351,209**
	4,893,683	**110,461**	**5,004,144**
Financial liabilities			
Borrowings	8,636,130	4,427,962	**13,064,092**
Trade and other payables	5,170,397	-	**5,170,397**
	13,806,527	**4,427,962**	**18,234,489**
Net liquidity gap			
Cumulative liquidity gap	**(8,912,844)**	**(4,317,501)**	**(13,230,345)**

Maturity analysis of financial assets and liabilities as of December 31, 2021 is as follows:

2021	Up to 1 year	Between 1 and 5 years	Total
Financial assets			
Issued loans	137,613	211,040	**348,653**
Trade and other receivables	1,068,349	2,258,129	**3,326,478**
Restricted cash	1,548,800	-	**1,548,800**
Cash at bank	656,035	-	**656,035**
	3,410,797	**2,469,169**	**5,879,966**
Financial liabilities			
Borrowings	5,415,569	6,704,283	**12,119,852**
Trade and other payables	5,854,893	-	**5,854,893**
	11,270,462	**6,704,283**	**17,974,745**
Net liquidity gap			
Cumulative liquidity gap	**(7,859,665)**	**(4,235,114)**	**(12,094,779)**

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)

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, 2022 and 31 December 2021, 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. TRANSACTIONS WITH RELATED PARTIES

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. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The tables below provide information on balances and transactions with related parties as of December 31, 2022 and 2021.

Under common control	**2022**	**2021**
Statement of financial position		
Trade and other payables	161,113	-
Prepayments	75,677	66,125
Statement of comprehensive income		
Purchased inventories	70,044	196,245
Product realization	88,881	-
Marketing and provision expenses	-	-

	2022	**2021**
Statement of financial position		
Trade and other receivables	33,251	-
Issued loans	240,267	339,500
Borrowings	141,185	132,180

	2022	**2021**
Statement of comprehensive income		
Salaries / Key management	490,549	2,050,470

25. EVENTS AFTER REPORTING PERIOD

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

- During 2023, the company took loans of 2,278,000 GEL and 110,000 dollars from financial institutions and paid the principal of the loan in the amount of 357,200 GEL, 207,600 dollars and 18,400 euros.

Apart from the above-mentioned event, there were no other events after the reporting period that require the correction of the financial statements and/or the disclosure in the explanatory notes.

Prime Concrete LLC

Management report

Activity overview

Prime Concrete is an infrastructure construction and building materials manufacturing company that operates throughout Georgia. Our specialization is pre-construction and construction of port, road, industrial and civil infrastructure, as well as the production of concrete, inert materials and concrete anchor structures.

Construction

We specialize in the following directions in the construction industry:

- Port and hydro-technical construction;
- Water supply and drainage infrastructure;
- highways;
- Other civil and industrial construction.

The company implements the so-called EPC, as well as building contractor contracts. Within the framework of the contract, we produce:

- Project management (planning, execution and control);
- design;
- Procurement logistics.

In construction works, our specialization is:

- Marine construction works
- Reinforced concrete works (making molds and reinforcements, forming concrete);
- Earth works (soil movement, stabilization, foundation arrangement);
- concrete road pavement works;
- Electrical and mechanical installation works.

Production

The company specializes in the production of concrete and inert materials, both for its own construction projects and to meet external demand. It should be noted that currently more than 60% of the production volume is focused on domestic projects.
The company's production capacities are concentrated in the Samegrelo region, as of December 31, 2022, the company's production capacities were distributed as follows:

Location	Product/ Service	Performance
Poti	production of all types of concrete; construction laboratory services; Concrete pump service.	95 m^3/h
Poti - APM Terminal	production of all types of concrete; Concrete pump service.	60 m^3/h
Khobi	production of inert materials; Logistics of materials.	200-250 t/h

Also, the company has 3 concrete plants with a total capacity of 125 m^3/h which can be used for on-site production of concrete at construction sites. As of April 28, one of these 3 plants with a capacity of 60 m^3/h is in Zugdidi to ensure the supply of concrete for road projects. The company also owns a mobile crushing plant with a capacity of 180-200 t/h, which, if necessary, can also be used for the production of inert materials at the construction site.

In the field of production, the company focuses on special purpose so-called engineering concrete, which is used in marine construction and underground applications, as well as in the production of anchor structures. The company manufactures various types of anchoring structures for both road and marine construction purposes.

Mission

Our mission is - construction of European infrastructure;
Our vision is to create added value in building sustainable infrastructure with innovative construction services and engineering expertise.

At Prime Concrete, we use Lean management approaches, encourage a culture of collaboration and sharing, plan in detail and build value with a careful attitude to important resources.

At Prime Concrete, we value innovation and continuous development. To this end, we encourage our employees to develop and implement new technologies and processes. We also develop strong relationships with international partners to attract technology and deepen knowledge.

At Prime Concrete, we foster a work culture based on diversity and inclusion, in which all employees contribute creative ideas, seek challenges, and everyone has the opportunity to grow.

At Prime Concrete we understand the environmental, social and economic impact of our activities and that it is our responsibility to:-

- conduct our business in a transparent and ethical manner;
- to take care of the welfare of society;
- take care of the environment (flora and fauna);
- to take care of the safety and well-being of employees;

In the construction industry, our customers are both local construction projects and international consortia involved in the implementation of large infrastructure projects. Our company meets their basic requirements, provides acceptable prices and high quality of performed works, availability of necessary resources and effective project management.

For more competitiveness in international infrastructure projects:

- We create strategic connections with major international players;
- We take care of our own reputation and strengthen marketing.

To enable us to provide a full cycle of construction services, we establish strategic partnerships with suppliers and design organizations, while simultaneously developing in-house engineering and design capabilities.

When purchasing construction materials, our customers are commercial companies, private developers and individuals. We meet their needs by providing reasonable prices, fast delivery and availability, good product quality and additional services.

Our company is developing a line of value-added concrete products, while increasing our ability to meet our customers' concrete purchasing needs. For this purpose:

- We optimize prices at the expense of improving production processes;
- We are constantly reducing costs;
- We are developing the material and technical base to speed up the delivery of concrete;
- We expand the range of delivered goods and services;
- We are developing the production of concrete products and reinforced concrete prefabricated constructions.

Considering the acceleration of the technological development of the field:

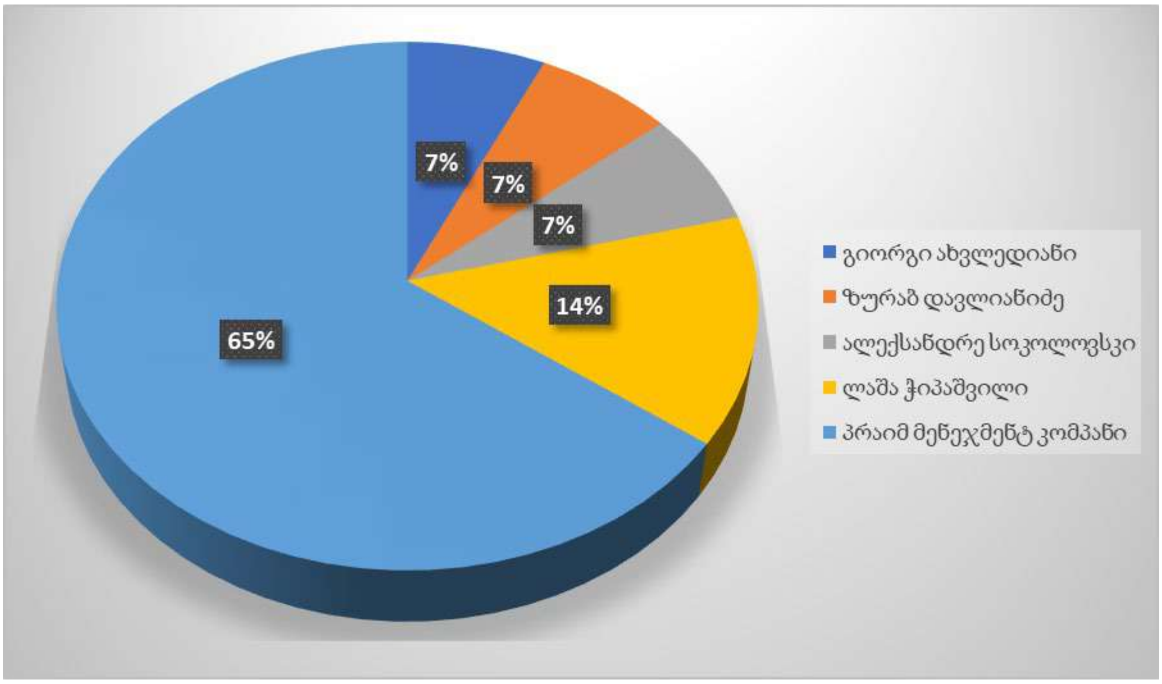
- We develop the innovativeness of the company and increase technological skills;
- We study high-tech methods of construction and material production and implement them together with our customers;
- We establish relations with leading international companies in the field of high-tech materials production and construction methodology.

To address the risks of economic instability and market volatility:

- We are looking for cheaper and more diverse sources of capital and means of financing;
- We increase our own capital;
- We are looking for new markets and are more involved in international projects;
- We meticulously budget our own activities and control cash flows;
- When concluding contracts, we hedge currency risks;

Founder structure and corporate governance

The structure of the company's employees is as follows:



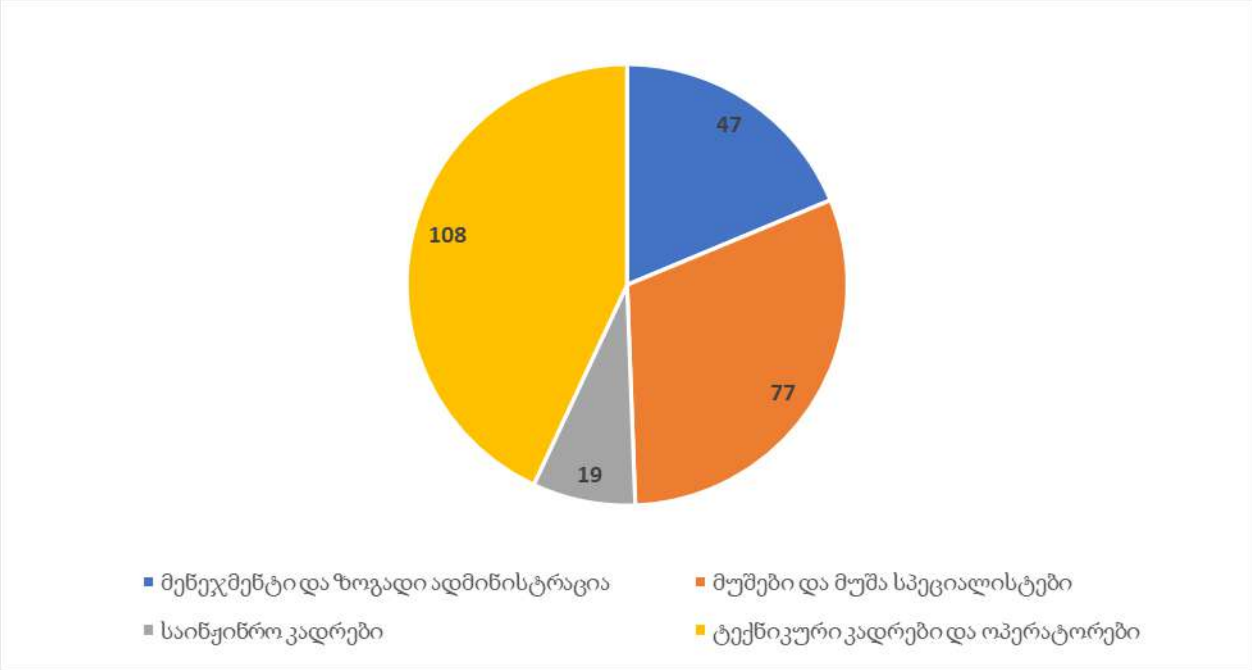
Individuals - Giorgi Akhvlediani, Zurab Davlianidze and Alexander Sokolovsky are the founding partners. Prime Management Company is owned equally by them. Alexander Sokolovsky is the Managing Partner and General Director of Prime Concrete.

Lasha Chipashvili, an individual, joined the company's partners in 2017 as a managing partner. Lasha Chipashvili heads the construction department of the company.

The management bodies of the company are represented by the Board of Founders and the Board of Directors, headed by the General Director. delegating the relationship between them according to the charter and internal governance agreement.

Human Resources

As of December 31, 2022, the number of employees of the company consists of 251 people with the following structure:



Attracting medium and high-skilled technical personnel remains a significant challenge due to the shortage of these personnel on the labor market.
Also, the challenge of the industry remains to improve the gender balance, to attract female personnel.

Financial indicators

Income is distributed according to business directions as follows:

	2022	**2021**
Construction contracts	17,828,546	38,057,553
Sale of concrete, sand and gravel	2,860,490	1,713,983
Sale of building materials	5,079,569	-
Rental income	1,218,556	16,949
Other income	244,987	159,819
	27,232,147	**39,937,082**

In 2022, the net loss of the company amounted to 290,360 GEL.

Operating profit ratios for 2022 to 2021 are as follows (2022: 4.73%, 2021: 7.45%)
The main coefficients look like this:

	2022	**2021**
Current Ratio	0.56	0.57
Quick Ratio	37%	40%
Gross Profit Margin	13%	19%
Net Profit Margin	-1.12%	4.42%

As a result of effective marketing and sales activities in 2018, we had a significant increase in the projects to be executed in 2019-2020, despite the pandemic, the company's projects executed in 2021 also look stable and did not decrease significantly, completed and ongoing projects in 2022 are presented in the following table:

Project	Name	Currency	Contract value including VAT	Contract value excluding VAT	The cost of completed works at the end of 2022 without VAT
Peisi	Rehabilitation of the port	USD	23,357,328	19,794,346	19,794,346
Zeraggia	Road construction	GEL	824,211	698,484	252,169
Nikoladze	Road construction	GEL	2,295,065	1,944,970	922,603
Kulev	Public school design	GEL	4,782,143	4,052,664	4,052,664
APM	Port Expansion Project	USD	6,324,375	5,359,640	5,359,640
Kindergarten Senak	Kindergarten construction	GEL	4,100,621	3,797,526	1,153,245
Kindergarten Poti	Kindergarten construction	GEL	3,884,994	3,292,368	1,473,123
Valley Motors	Warehouse and trade facility construction works	GEL	341,964	289,800	289,800

By 2023, the company will fully focus on the implementation of the attracted investments and operational perfection of the company.

Institutional development

Based on the 2019-2023 development plan, significant organizational and structural changes were implemented in the company in 2022:

A new organizational structure based on profit centers was developed and started to be implemented. Accordingly, a construction department and a production department were created

In order to effectively serve profit centers, cost centers were created:

- Inventory Management and Logistics Department
- Machine - Equipment Management Department
- Administrative Department
- Department of Human Resources Management
- Department of Labor Safety and Environmental Protection
- The positions of department heads were filled
- Developed planning and budgeting processes

Investment activities:

Capital growth

In 2019, fixed assets were purchased to ensure the supply of products, which partially eliminated the need to rent equipment.

The partnership with Gazelle Finance Georgia underlines Prime Concrete's internal institutional readiness to source and efficiently invest, and also indicates the credibility of Prime Concrete's strategic development plan.

Investment capital

The second important investment achievement is the loan-investment agreement signed with "Procredit Bank" with the participation of DCFT program of EBRD, INOFINN and "Produce Georgia" program in the amount of 1.7 million US dollars.

The loan agreement is aimed at the construction of a stationary crushing-sorting line for inert materials and a factory for concrete products in 2019-2021. The crushing-sorting line has been fully operational since July 2019, and as a result, "Prime Concrete" produces a quantitatively and qualitatively improved product, the cost of which is lower than that of the previous sorting line.

As a result of the said investment:

- The volume of production and its quality are increased
- Costs are reduced
- Energy efficiency is increased
- It allows us to work in both the retail and corporate market of construction materials

Market Overview:

Construction projects

The growth of the construction market has a significant positive impact on the increase in purchases of infrastructure construction by the state in 2019-2022. Which leads to 8-10% annual growth of the construction sector.

It should be noted that in the same years, important infrastructure projects are planned with the participation of private capital, such as:

- Construction of Nenskra hydroelectric station
- Expansion of APM terminal and construction of new deep water berth in Poti
- The 2nd stage of the expansion of the new port of Poti
- Construction of Anaklia port
- Construction of Kutas and Samtredia water treatment plants
- Construction of regional landfills
- Construction of regional road infrastructure
- Large road and infrastructure constructions

Based on this, the company will be focused on the growth of construction projects in 2019-2023. In 2021 and 2022, the company plans to earn an average of 50 million GEL per year based on the already contracted and planned projects.

As the market grows, so does the competition from both international and local construction companies.

The following circumstances have a significant impact on the market:

- from the construction contracts, the so-called Transition to design-build contracts
- The introduction of stricter financial requirements, both from the state and from private customers
- Tightening of labor legislation
- New construction technologies.

In response to these changes, Prime Concrete plans internal institutional improvements and increased management resources.

Building materials

The construction materials market is closely related to the investments made in infrastructure projects, therefore an average annual growth of 9% is expected in this sector as well. ~

Risk analysis:

Strategic risk

The planned growth requires the mobilization of significant human and material resources, which are in short supply in the market. Lack of access to resources will hinder the realization of plans.

To this end, the goal of the company's management is constant optimization, ensuring institutional growth, diversification of resource sources.

Commercial risk

Suspension of projects due to reasons beyond our control, failure to receive funds invested in projects.

For this purpose, the company diversifies projects according to types, types and sources of financing, actively uses financial insurance mechanisms. Performs risk analyzes of projects, both at tender and at all stages of implementation.

Operational risk

The increase in the number of operations, which in itself implies qualitative changes, requires the proper management of operational processes and professional/experienced personnel.

Financial risk

Financial risks include:

- Shortage of cash
- Currency risks
- To reduce these risks, the company conducts a budget policy, improves planning and cost control.
- In order to balance currency risks, we plan to diversify projects according to sources of financing. On the basis of existing contracts in different currencies, opportunities for managing foreign exchange risks are created.

Financial statements approved and authorized by management on April 28 2023 by the following persons:

Alexander Sokolovsky Director Tbilisi, Georgia	Giorgi Burdiashvili Financial Manager Tbilisi, Georgia