KÄRCHER LLC

FINANCIAL STATEMENTS

For the year ended 31 December 2019

Together with the Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Management of Kärcher LLC

Opinion

We have audited the financial statements of **Kärcher LLC**, (hereinafter - the Company) which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and 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 2019, 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 (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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is:

Ivane Zhuzhunashvili (Registration number **SARAS-A- 720718)**

For and on behalf of BDO LLC

Tbilisi, Georgia

6 February, 2020

KÄRCHER LLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(In GEL)

	Note	2019	2018
Revenue	5	10,312,929	8,077,583
Cost of sales	6	(6,035,723)	(4,789,042)
Gross Profit		**4,277,206**	**3,288,541**
Other operating income		-	11,829
General and administrative expenses	7	(1,341,541)	(1,392,566)
Commercial expenses	8	(1,963,786)	(1,594,835)
Operating profit		**971,879**	**312,969**
Interest expense	9	(135,832)	(71,023)
Foreign exchange gain/(loss), net	10	(171,745)	87,240
Profit before income tax		**664,302**	**329,186**
Income tax expenses		-	-
Total comprehensive income for the year		**664,302**	**329,186**

The financial statements for the year ended 31 December 2019 were approved on behalf of the management on 6 February 2020 by:

Director ______________________ Nikoloz Batirashvili

Finance & Administrative Manager ______________________ Kristine Antadze

KÄRCHER LLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(In GEL)

	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property and equipment	11	250,778	372,048
Right-of-use assets	12	679,732	-
Intangible assets		43,817	56,416
		974,327	**428,464**
Current assets			
Inventories	13	2,204,651	2,036,301
Trade and other receivables	14	3,066,155	1,897,599
Cash and cash equivalents	15	111,056	72,867
		5,381,862	**4,006,767**
Total assets		**6,356,189**	**4,435,231**
OWNER'S EQUITY AND LIABILITIES			
Owner's equity			
Charter capital		1,173,329	1,173,329
Retained earnings		979,878	315,576
Other reserve	16	122,395	122,395
		2,275,602	**1,611,300**
Non-current liabilities			
Lease liabilities	12	424,569	55,762
Borrowings	16	446,434	728,416
		871,003	**784,178**
Current liabilities			
Lease liabilities	12	267,824	46,947
Borrowings	16	464,145	110,846
Trade and other payables	17	2,477,615	1,881,960
		3,209,584	**2,039,753**
Total owner's equity and liabilities		**6,356,189**	**4,435,231**

KÄRCHER LLC

STATEMENT ON CHANGES IN EQUITY

For the year ended 31 December 2019

(In GEL)

	Charter Capital	Retained Earnings/ (Accumulated loss)	Other reserves	Total
31 December 2017	1,173,329	(13,610)	122,395	1,282,114
Total comprehensive Income for the year	-	329,186	-	329,186
31 December 2018	1,173,329	315,576	122,395	1,611,300
Total comprehensive Income for the year	-	664,302	-	664,302
31 December 2019	1,173,329	979,878	122,395	2,275,602

KÄRCHER LLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(IN GEL)

	Note	2019	2018
Cash flows from operating activities			
Profit before income tax		**664,302**	**329,186**
Adjustments for:			
Depreciation and amortisation		100,858	97,789
Amortisation of right-of-use assets		262,248	-
Impairment of trade receivables		670	178,608
Change in warranty provision		(19,200)	40,230
Interest expense	9	135,832	71,023
Write off of PPE		3,796	-
Foreign exchange loss(gain), net	10	171,745	(87,240)
Cash inflows from operating activities before changes in operating assets and liabilities		**1,320,251**	**629,596**
Movements in working capital			
Increase in inventories		(168,350)	(558,251)
Increase in trade and other receivables		(1,130,416)	(575,496)
Increase in trade and other payables		497,032	563,228
Cash inflow from operating activities		**518,517**	**59,077**
Interest paid		(102,447)	(92,961)
Net cash (outflow)/inflow from operating activities		**416,070**	**(33,884)**
Cash flows from investing activities			
Purchase of property and equipment		(70,840)	(151,694)
Purchase of Intangible assets		(3,473)	(6,813)
Net cash outflow from investing activities		**(74,313)**	**(158,507)**
Cash flows from financial activities			
Payments for the principal portion of the lease liability		(288,090)	(16,050)
Net cash outflow from financing activities		**(288,090)**	**(16,050)**
Net (decrease)/ increase in cash and cash equivalents		**53,667**	**(208,441)**
Cash and cash equivalents at the beginning of the year	15	**72,867**	**299,419**
Effect of changes in foreign exchange rate on cash and cash equivalents	10	(15,478)	(18,111)
Cash and cash equivalents at the end of the year	15	**111,056**	**72,867**

1. General information

Kärcher LLC (the "Company") is a limited liability company incorporated on 5 March 2015 under the laws of Georgia. The address of the Company's registered office is Beliashvili Street N167, Tbilisi, Georgia.

The founder and 100% shareholder of the Company is **Kärcher Beteiligungs GmbH** a duly registered and operating under the laws of Germany. The director of the Company is Nikoloz Batirashvili.

The principal activity of the Company includes: to engage in the import, export, wholesale distribution, rental, repair and service of all cleaning machinery, equipment, spare parts, accessories and chemical products in the field of cleaning systems.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements are disclosed in Note 3.

The financial statements are presented in Georgian Lari, which is also the Company's functional currency.

Amounts are rounded to the nearest Lari, unless otherwise stated.

Basis of measurement

The financial statements have been prepared under the historical cost bases.

The reporting period for the Company is the calendar year from January 1 to December 31.

Going concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and shareholder have the intention to further develop the business of the Company in Georgia, Armenia and Azerbaijan. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The management believes that the going concern assumption is appropriate for the Company.

Adoption of new or revised standards and interpretations

a) New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Company's accounting policies are:

- IFRS 16 Leases (IFRS 16);

Details of the impact this standard has had are given in Note 21 below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

2. Basis of preparation (Continued)

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these is are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Company is currently assessing the possible impact of the new standard on its financial statements.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the financial statements.

3. Critical accounting estimates and judgments

In the application of the Company's accounting policies, which are described in note 22, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant areas requiring the use of management estimates and assumptions relate to useful lives of property and equipment and intangible assets.

Useful lives of property and equipment and intangible assets

The estimation of the useful life of an item of property and equipment and intangible assets is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Provision for warranty

The Company recognizes provision for warranty at the point of recording related revenue. The Company accrues provision for warranty based on the best estimate of amounts necessary to settle future and existing claims on products sold as of each statement of financial position date.

Impairment of the financial assets

The Company assesses the probability of the non-payment of the trade receivables. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the financial assets. Significant and unanticipated changes to these assumptions and estimates included within the impairment of financial assets could result in significantly different results than those recorded in the financial statements.

4. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Borrowings
- Trade and other payables
- Other liabilities

Principal financial instruments can be presented as follows:

Financial assets	31.12.2019	31.12.2018
Trade receivables	2,832,127	1,791,811
Cash and cash equivalents	111,056	72,867
	2,943,183	**1,864,678**

Financial liabilities	31.12.2019	31.12.2018
Borrowings	910,579	839,262
Lease liabilities	692,393	102,709
Trade payables	2,409,267	1,801,977
	4,012,239	**2,743,948**

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

General objectives, policies and processes

The Company does not have a written policy of risk management. However, Top management maintains control to the risks and aims to work out such policy that will reduce risks, in order to protect Company's competitiveness and flexibility from negative effect arising from the risks. It is possible to get more accurate information about the Company risk management approach below.

The director 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 overall objective of the directors 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.

4. Financial instruments - risk management (Continued)

Credit risk

Credit risk is the risk if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from its trade receivables and cash and cash equivalents (Excluding cash on hand).

The Company's Management has established a credit policy under which each customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references.

In monitoring customer credit risk, customers are grouped according to their overdue status, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, maturity and existence of previous financial difficulties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31.12.2019	31.12.2018
Trade and other receivables	2,832,127	1,791,811
Cash and cash equivalents except cash on hand	91,440	60,079
	2,923,567	**1,851,890**

Market risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The interest rate risk is the risk (with variable value) related to the interest-bearing assets, liabilities, because of the variable rate. The Company does not have interest rate risk, as it does not have any interest bearing financial assets or liabilities.

Currency risk

Foreign exchange 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 carrying amounts of the Company's foreign currency denominated monetary assets and liabilities in GEL are as follows:

	GEL	USD USD 1=GEL 2.8677	EUR EUR 1= GEL 3.2095	31.12.2019
Financial assets				
Trade and other receivables	1,480,522	-	1,396,484	**2,877,006**
Cash and cash equivalents	50,264	4,939	55,853	**111,056**
	1,530,786	**4,939**	**1,452,337**	**2,988,062**
Financial liabilities				
Trade and other payables	169,982	-	2,214,285	**2,384,267**
Lease liabilities	-	660,468	31,925	**692,393**
Borrowings	-	-	910,579	**910,579**
	169,982	**660,468**	**3,156,789**	**3,987,239**
Total net exposure	**1,360,804**	**(655,529)**	**(1,704,452)**	

4. Financial instruments - risk management (Continued)

	GEL	USD USD 1= GEL 2.6766	EUR EUR 1= GEL 3.0701	31.12.2018
Financial assets				
Trade and other receivables	750,968	-	1,040,843	**1,791,811**
Cash and cash equivalents	66,669	5,746	452	**72,867**
	817,637	**5,746**	**1,041,295**	**1,864,678**
Financial liabilities				
Trade and other payables	177,885	-	1,624,092	**1,801,977**
Lease liabilities	-	55,624	47,085	**102,709**
Borrowings	-	-	839,262	**839,262**
	177,885	**55,624**	**2,510,439**	**2,743,948**
Total net exposure	**639,752**	**(49,878)**	**(1,469,144)**	

Currency risk sensitivity

The following table details the Company's sensitivity to a 20% increase and decrease in the USD and EUR against the GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates.

For the year ended 31 December 2019:

	GEL/USD + 20%	GEL/USD - 20%	GEL/EUR +20%	GEL/EUR - 20%
Profit/(loss)	(131,106)	131,106	(340,890)	340,890

For the year ended 31 December 2018:

	GEL/USD + 20%	GEL/USD - 20%	GEL/EUR + 20%	GEL/EUR - 20%
Profit/(loss)	(9,976)	9,976	(293,829)	293,829

Liquidity risk

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

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as at 31 December 2019 and 2018. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

4. Financial instruments - risk management (Continued)

Liquidity of Financial assets and liabilities can be presented in the following table:

31.12.2019	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets				
Cash and cash equivalents	91,440	-	-	91,440
Trade receivables	2,832,127	-	-	2,832,127
	2,923,567	-	-	2,923,567
Financial liabilities				
Lease liabilities	267,824	424,569	-	692,393
Borrowings	464,145	446,434		910,579
Total interest bearing financial liabilities	731,969	871,003	-	1,602,972
Trade payables	2,409,267			2,409,267
	3,141,236	871,003	-	4,012,239
Liquidity gap	(217,669)	(871,003)	-	
Cumulative liquidity gap	(217,669)	(1,088,672)	(1,088,672)	
Interest sensitivity gap	731,969	871,003	-	
Cumulative interest sensitivity gap	731,969	1,602,972	1,602,972	

31.12.2018	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets				
Cash and cash equivalents	60,079	-	-	60,079
Trade receivables	1,791,811	-	-	1,791,811
	1,851,890	-	-	1,851,890
Financial liabilities				
Lease liabilities	46,947	55,762	-	102,709
Borrowings	110,846	728,416		839,262
Total interest bearing financial liabilities	157,793	784,178	-	941,971
Trade payables	1,801,977			1,801,977
	1,959,770	784,178	-	2,743,948
Liquidity gap	(107,880)	(784,178)	-	
Cumulative liquidity gap	(107,880)	(892,058)	(892,058)	
Interest sensitivity gap	157,793	784,178	-	
Cumulative interest sensitivity gap	157,793	941,971	941,971	

Capital management

The Company manages its capital to ensure that entities of the Company will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. Management of the Company reviews the capital structure on a regular basis.

Equity includes all capital of the Company that are managed as capital.

5. Revenue

Revenue can be presented as follows:

	Timing of transferring of goods/services	2019	2018
Professional			
Machines	Point in time	3,808,460	2,986,468
Spare Parts	Point in time	1,663,768	1,167,236
Detergents	Point in time	345,676	124,250
Home & Garden			
Machines	Point in time	3,918,323	3,252,992
Spare Parts	Point in time	466,323	374,028
Detergents	Point in time	22,866	98,676
Service	Point in time	87,513	73,933
		10,312,929	**8,077,583**

6. Cost of sales

Cost of sales can be presented as follows:

	2019	2018
Professional		
Machines	(2,268,954)	(1,758,443)
Spare Parts	(977,927)	(729,369)
Detergents	(205,869)	(93,700)
Home & Garden		
Machines	(2,299,236)	(1,901,523)
Spare Parts	(249,120)	(206,487)
Detergents	(11,756)	(55,024)
Service	(22,861)	(44,496)
	(6,035,723)	**(4,789,042)**

7. General and administrative expenses

General and administrative expenses can be presented as follows:

	2019	2018
Staff Cost	(510,651)	(379,519)
Amortization of right-of-use assets	(149,708)	-
Business trip	(135,513)	(126,509)
Legal and other Professional service	(116,901)	(208,735)
Depreciation and amortization	(81,706)	(73,685)
Office expenses	(63,057)	(52,443)
IT support service	(58,638)	-
Representative expenses	(51,785)	(44,839)
Bank fees	(38,379)	(28,798)
Fuel expense	(23,411)	(16,212)
Expenses related to warranty service	(13,143)	(72,583)
Utility expenses	(9,995)	(3,410)
Property insurance	(4,761)	(4,638)
Communication expenses	(4,658)	(3,362)
Security expense	(2,686)	(24,976)
Impairment of trade receivables	(670)	(178,608)
Rent expense	-	(78,938)
Other Expenses	(75,879)	(95,311)
	(1,341,541)	**(1,392,566)**

8. Commercial expenses

Commercial expenses can be presented as follows:

	2019	2018
Staff cost	(700,737)	(441,682)
Marketing Expense	(488,475)	(459,166)
Storage service expense	(323,601)	(408,874)
Declaration expenses	(126,360)	(117,292)
Amortization of right-of-use assets	(112,540)	-
Transportation expense	(95,680)	(100,105)
Depreciation and amortization	(19,152)	(24,104)
Other Expenses	(97,241)	(43,612)
	(1,963,786)	**(1,594,835)**

9. Interest expense

Interest expenses can be presented as follows:

	2019	2018
Interest expenses:		
Kärcher Beteiligungs GmbH	(66,910)	(62,887)
Lease Liability	(68,922)	(8,136)
	(135,832)	**(71,023)**

10. Foreign exchange gain / (loss), net

Foreign exchange loss, net can be presented as follows:

	2019	2018
Realized exchange rate difference	(15,478)	(18,111)
Unrealized exchange rate difference	(156,267)	105,351
	(171,745)	**87,240**

11. Property and equipment

Property and equipment can be presented as follows:

Historical cost	**Vehicles**	**Office equipment, furniture and other**	**Total**
Balance at 31 December 2017	**210,433**	**130,652**	**341,085**
Additions	55,874	165,670	**221,544**
Disposal	-	(8,214)	**(8,214)**
Balance at 31 December 2018	**266,307**	**288,108**	**554,415**
Additions	67,274	31,168	**98,442**
Disposal	-	(6,452)	**(6,452)**
Reclassification due to adoption of IFRS 16	(188,896)	-	**(188,896)**
Balance at 31 December 2019	**144,685**	**312,824**	**457,509**
Accumulated depreciation			
Balance at 31 December 2017	**(62,129)**	**(40,981)**	**(103,110)**
Depreciation charge for the year	(46,012)	(37,631)	**(83,643)**
Disposal		4,386	**4,386**
Balance at 31 December 2018	**(108,141)**	**(74,226)**	**(182,367)**
Depreciation charge for the year	(20,782)	(64,004)	**(84,786)**
Disposal	-	2,086	**2,086**
Reclassification due to adoption of IFRS 16	58,336	-	**58,336**
Balance at 31 December 2019	**(70,587)**	**(136,144)**	**(206,731)**
Net book value			
31 December 2018	**158,166**	**213,882**	**372,048**
31 December 2019	**74,098**	**176,680**	**250,778**

12. Leases

The Company leases one space for office and shop in Tbilisi and another space for shop in Batumi. Property rent for office and shop is fixed over the lease term and is denominated in US dollars. Company also has leases of vehicles previously classified as finance type under IAS 17.

Right-of-use assets	Buildings	Vehicles	Total
Balance at 1 January 2019	811,420	130,560	941,980
Amortisation	(224,469)	(37,779)	(262,248)
Balance at 31 December 2019	586,951	92,781	679,732

Lease liabilities	Building	Vehicles	Total
At 1 January 2019	811,420	102,709	914,129
Additions	-	-	-
Interest expense	63,109	5,813	68,922
Other accrued expenses	-	7,948	7,948
Repayment of principal	(230,602)	(57,488)	(288,090)
Interest paid	(63,109)	(5,813)	(68,922)
Effect of exchange rate changes	53,117	5,289	58,406
At 31 December 2019	633,935	58,458	692,393

At 31 December 2019 Maturity analysis of lease liabilities can be presented as follows:

Lease liabilities on:	Up to 3 months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years	Over 5 years	Total
Building	56,361	162,494	209,378	205,702	-	**633,935**
Vehicles	31,491	17,478	9,489	-	-	**58,458**

At 31 December 2018 Maturity analysis of lease liabilities can be presented as follows:

Lease liabilities on:	Up to 3 months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years	Over 5 years	Total
Vehicles	14,422	32,525	44,426	11,336	-	**102,709**

13. Inventories

Inventories can be presented as follows:

	31.12.2019	31.12.2018
H&G		
Machines	728,501	600,126
Spare parts	147,568	126,835
Detergents	4,369	24,121
Professional		
Machines	593,294	618,554
Spare parts	640,827	618,538
Detergents	63,442	32,618
Other	26,650	15,509
	2,204,651	2,036,301

14. Trade and other receivables

Trade and other receivables can be presented as follows:

	31.12.2019	31.12.2018
Financial Receivables		
Trade and other recievable	2,877,006	1,970,419
less: allowance for doubtful debts	(44,879)	(178,608)
	2,832,127	**1,791,811**
Non-Financial receivables		
Paid advances	42,349	40,894
Prepaid taxes	191,679	64,894
	234,028	**105,788**
	3,066,155	**1,897,599**

Carrying amounts of financial assets within trade accounts receivables approximate fair values due to their short-term maturities. All trade receivable payments should be received up to 60 days after at the end of the period. Trade receivable distribution by currency is disclosed in Note 4.

At 31 December 2019 the lifetime expected loss provision for trade receivables is as follows:

	Inter-company receivables current	Current	Less than 30 days past due	between 31-60 days past due	between 61-120 days past due	Total
Expected loss rate	0%	1.66%	1.66%	3%	10%	
Gross carrying amount	248,679	2,545,302	33,132	43,034	6,859	**2,877,006**
Loss provision	-	42,350	551	1,291	687	**44,879**

At 31 December 2018 the lifetime expected loss provision for trade receivables is as follows:

	Current	past due	More than 45 days	More than 135 days	More than 320 days	Defaulted Receivable	Total
Expected loss rate	1%	3%	5%	50%	50%	100%	
Gross carrying amount	1,317,453	185,866	313,093	16,888	2,720	134,399	**1,970,419**
Loss provision	13,174	5,576	15,655	8,444	1,360	134,399	**178,608**

Movements in the impairment allowance for trade receivables are as follows:

	2019	2018
At 1 January under IAS 39	-	-
Restated through opening retained earnings	-	-
Opening provision for impairment of trade receivables	**178,608**	-
Increase during the year	670	178,608
Receivable written off during the year as uncollectible	(134,399)	-
Unused amounts reversed	-	-
Impairment loss during the year	**(133,729)**	**178,608**
At 31 December	**44,879**	**178,608**

The movement in the impairment allowance for receivables has been included in the administrative expense line in the statement of profit or loss and other comprehensive income.

15. Cash and cash equivalents

Cash and cash equivalents can be presented as follows:

	31.12.2019	31.12.2018
Cash at bank in GEL	30,648	53,881
Cash at bank in foreign currencies	60,792	6,198
Petty cash	19,616	12,788
	111,056	**72,867**

Cash and cash equivalents distribution by currency is disclosed in Note 4.

16. Borrowings

Borrowings can be presented as follows:

					31.12.2019		
					Current		Non-Current
	Interest rate	Currency	Origination date	Maturity date	Interest	principal	principal
Kärcher Beteiligungs GmbH	3.5%	EUR	13-Oct-17	30-Sep-22	52,694	411,451	446,434
					52,694	**411,451**	**446,434**

According to the agreement signed in October 2017, trade payables amounting GEL877,200 (EUR300,000) to Kärcher Beteiligungs GmbH (Ultimate shareholder) was reclassified as a borrowing at an interest rate 3.5% per annum with the grace period to December 2019. The borrowing is measured at amortised cost based on cash flows discounted at the average annual market rate for similar financial instruments published by National Bank of Georgia (NBG), which comprises 8%. The difference (GEL122,395) between nominal and carrying value of borrowing is recognised directly in owner's equity.

The carrying value of borrowings classified as financial liabilities measured at amortised cost approximates fair value due to their short-term maturities.

Borrowings distribution by currency is disclosed in Note 4.

Reconciliation of liabilities from financing transactions for the year ended 31 December 2019 can be presented as follows:

As at 31 December 2018	**839,262**
Interest accrued	66,910
Interest paid	(33,525)
Effect of exchange rate changes	37,932
As at 31 December 2019	**910,579**

Reconciliation of liabilities from financing transactions for the year ended 31 December 2018 can be presented as follows:

As at 31 December 2017	**824,436**
Interest accrued	62,887
Interest paid	(38,125)
Effect of exchange rate changes	(9,936)
As at 31 December 2018	**839,262**

17. Trade and other payables

Trade payables can be presented as follows:

	31.12.2019	31.12.2018
Financial Liabilities		
Trade payables	2,384,267	1,801,977
Salary payables	25,000	-
	2,409,267	**1,801,977**
Non-Financial Liabilities		
Received advances	16,559	2,908
Other	51,789	77,075
	68,348	**79,983**
	2,477,615	**1,881,960**

Carrying amounts of financial liabilities within trade payables approximate fair values due to their short-term maturities. Trade payables distribution by currency is disclosed in Note 4.

18. Related party transaction and outstanding balances

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;
b) Members of key management personnel of the Company or its parent;
c) Close members of the family of any individuals referred to in (a) or (b);
d) 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);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below:

		31.12.2019		31.12.2018	
Financial statement caption	Relationship	Related party balance	Total as per the financial statements caption	Related party balance	Total as per the financial statements caption
Trade and other receivables		**248,679**	**3,066,155**	-	**1,791,811**
LLC Karcher AK-AM	Under Common Control	248,679	-	-	-
Trade and other payables		**2,255,565**	**2,477,615**	**1,644,092**	**1,881,960**
Alfred Kärcher SE & Co. KG	Under Common Control	2,230,565	-	1,624,092	-
Nikoloz Batirashvili	Director	25,000	-	20,000	-
Borrowings		**910,579**	**910,579**	**839,262**	**839,262**
Kärcher Beteiligungs GmbH	Shareholders	910,579	-	839,262	-

		2019		2018	
Income statement caption	Relationship	Related party balance	Total as per the financial statements caption	Related party balance	Total as per the financial statements caption
Interest expense, net		**(66,910)**	**(135,832)**	**(62,887)**	**(71,023)**
Kärcher Beteiligungs GmbH	Shareholders	(66,910)	-	(62,887)	-
Administrative expenses		**(58,638)**	**(1,341,541)**	-	-
Kärcher Beteiligungs GmbH	Shareholders	(58,638)			

18. Related party transaction and outstanding balances (Continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company. The remuneration of directors and other members of key management were as follows:

	2019	2018
Key management personnel compensation:	**205,820**	**167,770**
Short-term employee benefits	205,820	167,770

19. Contingent liabilities

Taxes - Georgian tax legislation may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest. The Company believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Legal proceedings - As at 31 December 2019 and 2018 the Company was not engaged in any material litigation proceedings. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision liability has been made in these financial statements.

Operating environment - Emerging markets such as Georgia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

20. Events after the reporting date

There have been no subsequent events that need to be disclosed in the financial statements.

21. Effects of changes in accounting policies

The Company adopted IFRS 16 with a transition date of 1 January 2019. The Company has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below.

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

21. Effects of changes in accounting policies (Continued)

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;

(b) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for leases.

On adoption of IFRS 16, the Company recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Right-of-use assets	Lease liabilities
operating leases	Office and shop space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. All other: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.	Measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 January 2019. The Company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 9%.
Finance leases	Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).	

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	Adjustments	31 December 2018	IFRS 16	1 January 2019
Assets				
Property and Equipment	(a)	372,048	(130,560)	**241,488**
Right-of-use assets	(b)	-	941,980	**941,980**
Liabilities				
Lease Liabilities	(c)	-	914,129	**914,129**
Other Liability	(d)	102,709	(102,709)	-

a) Property and Equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property and equipment by 188,896 GEL and accumulated amortisation by 58,336 GEL for a net adjustment of 130,560 GEL

b) The adjustment to right-of-use assets is as follows:

Adjustment noted in (a) - finance type leases	130,560
Operating type leases	811,420
Right-of-use assets	**941,980**

21. Effects of changes in accounting policies (Continued)

c) The following table reconciles the minimum lease commitments disclosed in the Company's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	1 January 2019
Minimum operating lease commitment at 31 December 2018	**1,128,133**
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(316,713)
Lease liabilities for leases classified as operating type under IAS 17	**811,420**
Plus: leases previously classified as finance type under IAS 17	102,709
Lease liability as at 1 January 2019	**914,129**

d) Leases previously classified as finance type under IAS 17 were reclassified to Lease Liabilities.

22. Summary of significant 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

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Company's presentation currency is the national currency of Georgia, Lari.

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities and from the settlement of transactions are recognised immediately in profit or loss. Translation at year-end rates does not apply to nonmonetary items.

At 31 December 2019 and 2018 the closing exchange rates used for translating foreign currency balances were:

	Official rate of the National Bank of Georgia	
	USD	***EUR***
Exchange rate as at 31 December 2019	2.8677	3.2095
Exchange rate as at 31 December 2018	2.6766	3.0701

Revenue

Performance obligations and timing of revenue recognition

The majority of the Company's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question.

Some goods sold by the Company include warranties which require the Company to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

22. Summary of significant accounting policies (continued)

Determining the transaction price

Most of the company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered).

Recognition of expenses

Expenses are recognized in the income statement if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed.

Expenses are recognized in the income statement immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the statement of financial position.

Staff costs and related contributions

Wages, salaries, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

Property and equipment

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation/amortisation and recognized impairment loss, if any.

Depreciation/amortisation is charged on the carrying value of an item and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight-line basis at the following annual prescribed rates:

Group	Useful life (year)
Property and equipment	
Vehicles	5-6
Office equipment, furniture and other	5-7
Intangible assets	
Software	5-7

Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount. Impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge on property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

22. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Movements in goods for resale are accounted for weighted average cost basis.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial Instruments

Financial assets

The Company accounts for its financial assets according to IFRS 9 - Financial Instruments. According to IFRS 9 financial assets could be classified for three category - "Financial assets at amortized cost", "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income".

The Company has estimated which business model was sufficient to the Company's financial assets and has classified them as "Financial assets at amortized cost"

Financial assets at amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables and contract assets is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables and contract assets. For trade receivables and contract assets, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within operational expenses in the statement of comprehensive income. On confirmation that the trade receivable and contract asset will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents are assets which can be easily converted into predetermined amount of cash and risk associated with their value is insignificant. Cash and cash equivalents include all bank placements and receivables with original maturities of less than three months. Bank placements with original maturities of more than three months are not classified as cash and cash equivalent asset.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired: "Financial liability at fair value through profit or loss" and "Other financial liabilities". The Company classified all of its financial liabilities as "Other financial liabilities".

22. Summary of significant accounting policies (continued)

Other financial liabilities

Other financial liabilities include the following items: trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is 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.

Derecognition of financial assets and financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in total comprehensive income.

The Company derecognises financial assets when, and only when, when the rights to receive cash flows from the contract expires or these rights shall be transferred to the other party along with all risks and benefits related to the right of ownership. Any share in the financial asset which is retained by the Company shall be recognized as a separate asset or liability.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 21. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

22. Summary of significant accounting policies (continued)

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the updated discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Charter capital

The amount of Company's authorised charter capital is defined by the Company's Charter. The changes in the Company's Charter (changes in charter capital, ownership, etc.) shall be made only based on the decision of the Company's owner. The authorised capital is recognised as charter capital in the equity of the company to the extent that it was contributed by the owners to the company. Charter capital is recognized at the fair value of the contributions received by the company.

Dividends

Dividends are recognised when they become legally payable. In the case of interim or final dividends to equity shareholders, this is when approved by the shareholders at the shareholders general meetings.

Taxation

According to Georgian Tax code corporate income tax is postponing taxation of corporate income until distribution of net income. Corporate income tax rate is 15%, technically, the 15%/85% rate is applied to the amount of taxable object. Corporate income tax is paid for dividends paid to individuals and non-residents (both individuals and organizations).

According to the tax code, the objects of taxation under corporate income tax are following transactions/actual payments:

- Payment of dividends
- Differences between contract price and market price
- Expenses not related to economic activity
- Payments not related to economic activity
- Free of charge supply and gifts
- Representative expenses above limits

The Company recognises the income tax payable on the distribution of dividends as a liability and an expense in the period in which the dividends are declared regardless of the period for which the dividends are declared or the period in which the dividends are ultimately distributed.

Owing to the specific nature of the taxation system in Georgia, there are no differences between the carrying amounts and tax bases of the assets and liabilities of companies registered in Georgia that could result in deferred tax assets or deferred tax liabilities.

Taxes other than income tax are recognised when obligating events have occurred. The obligating events are an event that raises a liability to pay a tax. Taxes are calculated in accordance with Georgian legislation. Prepaid taxes are recognised as assets.

Events after the reporting date

Events after the reporting date and events before the date of financial statements authorization for issue that provide additional information about the Company's financial statements are reported in the financial statements. Events after the reporting date that do not affect the financial position of the Company at the statement of financial position date are disclosed in the notes to the financial statements when material.

22. Summary of significant accounting policies (continued)

Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities are not reflected in the financial statements, except for the cases when the outflow of economic benefits is likely to origin and the amount of such liabilities can be reliably measured. The information on contingent liabilities is disclosed in the Notes to the financial statements with the exception of cases, when the outflow of economic benefits is unlikely.

Contingent assets are not reflected in the financial statements, but the information on them is disclosed when inflow of economic benefits is possible. If economic benefits are sure to occur, an asset and related income are recognized in the financial statements for the period, when the evaluation change occurred.

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. An obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation. A legal obligation is an obligation that derives from:

(a) A contract (through its explicit or implicit terms);

(b) Legislation; or

(c) Other operation of law.

A constructive obligation is an obligation that derives from an entity's actions where:

(a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and

(b) As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.