REHAU LLC

Financial Statements
Together with Independent Auditors' Report

31 December 2019

Contents

INDEPENDENT AUDITOR'S REPORT

To the Owners and the Management of Rehau LLC:

Opinion

We have audited the accompanying financial statements of Rehau LLC (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement 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 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 (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.

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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 Gela Mghebrishvili.

On behalf of Nexia TA LLC

February 28, 2020
Tbilisi, Georgia

(Amounts expressed in thousands of Georgian Lari)

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current Assets			
Property, plant and equipment	6	105	139
Total non-current assets		**105**	**139**
Current assets			
Cash and cash equivalents	4	713	460
Inventory	5	537	555
Accounts receivable	7	46	-
Tax asset	9	22	20
Prepayment		18	1
Total current assets		**1,336**	**1,036**
TOTAL ASSETS		**1,441**	**1,175**
LIABILITIES			
Current liabilities			
Accounts payable	8	157	148
Advances received		12	3
Total current liabilities		**170**	**151**
TOTAL LIABILITIES		**170**	**151**
EQUITY			
Retained earnings		1,047	799
Owner's equity		225	225
Total equity		**1,272**	**1,024**
TOTAL EQUITY AND LIABILITIES		**1,441**	**1,175**

Approved for issue and signed on behalf of the Management on 28 February 2020 by:

Executive Director **Chief Accountant**

(Amounts expressed in thousands of Georgian Lari)

	Note	2019	2018
Revenue	10	2,824	3,069
Cost of sale	11	(2,113)	(2,400)
Gross profit		**711**	**699**
General and administrative expenses	12	(469)	(440)
Other income	13	11	16
Other expenses	14	(1)	(15)
Operating profit		**252**	**230**
F/X effect on foreign currency	15	(2)	(5)
Finance income		2	1
Net finance loss		**-**	**(4)**
Non-operating expense		(4)	(3)
Profit before tax from continuing operations		**248**	**223**
Net profit for the year		**248**	**223**

Approved for issue and signed on behalf of the Management on 28 February 2020 by:

Executive Director

Chief Accountant

(Amounts expressed in thousands of Georgian Lari)

	Owner's Equity	Retained Earnings	Total
31 December 2017	**225**	**576**	**801**
Profit for the year	-	223	**223**
31 December 2018	**225**	**799**	**1,024**
Profit for the year	-	248	**248**
31 December 2019	**225**	**1,047**	**1,272**

Approved for issue and signed on behalf of the Management on 28 February 2020 by:

Executive Director **Chief Accountant**

(Amounts expressed in thousands of Georgian Lari)

	2019	2018
Cash flows from operating activities		
Profit before tax	**248**	**223**
Adjustments to:		
Depreciation and amortization	46	44
Effect of exchange rate changes	2	5
Inventory reserve	(10)	(9)
Cash inflows from operating activities before changes in operating assets and liabilities	**286**	**263**
Movements in working capital		
Change in inventories	29	37
Change in taxes payable, other than income tax	(3)	20
Change in trade and other receivables	(46)	5
Change in prepayments	(17)	7
Change in trade and other payables	18	(14)
Change in advances received	9	(1)
Cash inflows from operating activities	**276**	**317**
Net cash inflows from operating activities	**276**	**317**
Cash flows from investing activities		
Purchase of property, plant and equipment	(12)	(43)
Proceeds from sale of property, plant and equipment	-	2
Net cash outflow from investing activities	**(12)**	**(41)**
Net increase in cash and cash equivalents	**264**	**276**
Cash and cash equivalents at the beginning of the year	**460**	**190**
Effect of changes in foreign exchange rate on cash and cash equivalents	(11)	(6)
Cash and cash equivalents at the end of the year	**713**	**460**

Approved for issue and signed on behalf of the Management on 28 February 2020 by:

Executive Director

Chief Accountant

(Amounts expressed in thousands of Georgian Lari)

1 Introduction

Corporate Information

Rehau LLC (the ,,Company“) was founded and registered in tax authority on June 8, 2007. The principal activity of the Company is importing and sale of plastic materials of doors and windows.

Rehau (the ,,Company”) is a limited liability company incorporated and domiciled in Georgia under the laws and regulations of Georgia. The Company’s registered address and head office is located at 35 Ksani street, Nadzaladevi district, Tbilisi, Georgia.

Director of the Company is Alexandr Kudinov. The Company also has executive director – Davit Kighuradze.

The owner of the Company is:

	31 December 2019	31 December 2018
JSC Rehau Pervaltungstsentrale	100%	100%
	100%	**100%**

Presentation currency.

The functional currency of the Company is national currency of Georgia – Georgian Lari (GEL). Transactions in foreign currencies are initially recorded in the functional currency using the spot rate at the date of the transaction determined by National Bank of Georgia. Foreign currency monetary items at the reporting date are translated using the closing rate determined by National Bank of Georgia. All exchange differences arising on settlement are recognized in profit or loss.

The principal rate of exchange used for translating foreign currency monetary balances were are as follows:

	31 December 2019	31 December 2018
1 USD/GEL	2.8677	2.6766
1 EUR/GEL	3.2095	3.0701

	Average exchange rate for 2019 year	Average exchange rate for 2018 year
1 USD/GEL	2.8192	2.5345
1 EUR/GEL	3.1553	2.9913

2 Basis of preparation and significant accounting policies

Basis of preparation.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards. They are presented in Georgian Lari (GEL), national currency of Georgia, rounded to the nearest thousand, as management believes that this currency is more useful for users of these financial statements and best reflects the economic substance of underlying events and transactions of the Company.

The financial statements have been prepared under the historical cost basis, unless otherwise stated.

2 Basis of preparation and significant accounting policies (continued)

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

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. As described in the analysis of liquidity risk, the Company has negative liquidity gap, however it operates profitably and has positive cash flow from operating activities. Despite this negative liquidity gap, Management has an intention to further develop the business of the Company in Georgia and the management believes that the going concern assumption is appropriate for the Company.

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of PPE comprises major components having different useful lives, they are accounted for as separate items of PPE.

Properties in the course of construction for production, rental or administrative purposes, of for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, and professional fees of qualifying asset, also borrowing costs capitalized in accordance with the Company's accounting policy.
Expenditures to replace a component of an item of property and equipment that is accounted for separately is capitalized with carrying amount of the components being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from this expenditure. All other expenditures are recognized in profit or loss for corresponding period.

Freehold land is not depreciated. For all other assets, depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following useful lives are used for the depreciation of property, plant and equipment:

Group of Fixed Assets	***Useful Life in Years***
Furniture and fixtures	5 years
Office Equipment	5 years
Vehicles	5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of profit or loss when the asset is derecognized.

Revenue from contracts with customers

The Company is in the business of sale of windows and doors. Revenue from contract with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principle in its revenue arrangement, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Sale of inventory

Revenue from sale of inventory is recognized at the point in time when control of the asset is transferred to customer, generally on delivery of inventory. The normal credit term is same day to delivery.

2 Basis of preparation and significant accounting policies (continued)

The Company considers whether there are other promises in contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. (e.g. warranties). In determining transaction price for the sale of inventory, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

- Rights of return – certain contracts provide customers with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognizes a refund liability. (No refund liability is recognized as at 31 December, 2019 and 31 December 2018). A right of return asset is also recognized for the right to recover products from a customer.

Leases

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exceptions to its short-term lease of administration office and warehouse. Lease payments on short-term lease are recognized as expense on straight-line basis over the lease term.

Financial instruments.

Financial assets are classified into three measurement categories: (i) those to be measured subsequently at amortised cost, (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI) and (iii) those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the Company's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(i) Recognition and derecognition. An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

2 Basis of preparation and significant accounting policies (continued)

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

(ii) ***Measurement****.* At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or

discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments*.* Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost*.* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI*.* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

2 Basis of preparation and significant accounting policies (continued)

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL. Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments. The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment. The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Classification of financial assets. All of the financial assets of the Company fall into the initially at fair value, subsequently at amortised cost category as at 31 December 2019 and 31 December 2018 and comprise of 'trade receivables' and 'cash and cash equivalents' in the statement of financial position.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (i) held for trading which also includes financial derivatives and (ii) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss (FVPL) for the year (as finance income or finance costs) in the period in which they arise. Changes in fair values of financial liabilities that are designated optionally by the Company at FVPL are recognised in other comprehensive income (OCI), with no recycling, unless:

- OCI presentation would create or enlarge an accounting mismatch in profit and loss; or
- The liability is a loan commitment or financial guarantee contract.

Other financial liabilities are carried at amortised cost. All of the financial liabilities of the Company fall within other financial liabilities measurement category as at 31 December 2019 and 31 December 2018 and comprise of 'accounts payable' in the statement of financial position.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2 Basis of preparation and significant accounting policies (continued)

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. For example, cost of transportation, import duty and other directly attributable expenses. Weighted average cost is used for accounting of disposal of inventories.

Impairment of non-financial assets

At each reporting date, property, plant and equipment, intangible assets, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss for a non-financial asset is indicated, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are not taxable or deductible in current period. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 recognized 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 recognized as assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on current accounts in banks in national and foreign currency, which are subject to an insignificant risk of changes in value.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorized for issue are disclosed in the subsequent events note.

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.

Recognition of expenses

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

2 Basis of preparation and significant accounting policies (continued)

Expenses incurred during the services rendered are recognized in proportionate calculation with recognized income.

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

Post balance-sheet events

Post-balance sheet events 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. Post-balance sheet events that do not affect the financial position of the Company at the balance sheet date are disclosed in the notes to the financial statements when material.

Transactions with related parties

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.

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

2 Basis of preparation and significant accounting policies (continued)

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

Adoption of new IFRSs. The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on- balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard can be applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use recognition exemptions for the lease contracts that, at the commencement date, have a lease term of 12 month or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). All lease contracts identified as short-term leases, thus adoption of the new standard did not have effect on the Company's financial statements as at 31 December 2019.

3 Significant accounting judgments, estimates and assumptions

The Company makes certain estimates and assumptions regarding the future. 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. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for impairment of accounts receivables

The Company regularly reviews its receivables to assess for impairment. For accounting purposes, allowance under IFRS 9 is based on the expected credit loss (ECL) associated with the probability of default in the next twelve months unless there has been a significant or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. As disclosed in Note 7,

3 Significant accounting judgements, estimates and assumptions (continued)

allowance for impairment as at 31 December 2019 and 2018 amounted to GEL 38 and GEL 37, respectively.

Taxation

Georgian tax and customs legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group may not coincide with that of management. As a result, tax authorities may challenge transaction and additional taxes, penalties and interest, may be assessed which can be significant. Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax and customs positions will be sustained.

Related party transactions.

In the normal course of business, the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial statements based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market prices. Where there is no active market for such transactions, the basis for judgment is pricing for similar types of transactions with unrelated parties.

Useful lives of property, plant and equipment.

The Company has used judgement in determination of useful lives of property, plant and equipment, considering such factors as technical or commercial obsolesce, expected usage of the assets by reference to the assets' expected capacity of physical output and expected physical wear and tear, which depends on operational factors. Although the management has made his best estimates in determining the pattern of consumption of the future economic benefits embodied in the asset, they may substantially differ from actual results that may materially influence the figures presented in the financial statements.

(Amounts expressed in thousands of Georgian Lari)

4 Cash and cash equivalents

	2019	2018
Cash at bank in GEL	407	389
Cash at bank in EUR	304	67
Cash at bank in USD	-	3
Cash on hand	2	1
	713	**460**

5 Inventory

	2019	2018
Materials of windows and Doors	479	514
Pipes and water systems	34	21
Spinning furniture material	9	11
Other inventories	15	19
Inventory reserve	-	(10)
	537	**555**

6 Property, Plant and equipment

Historical Cost	***Office equipment***	***Furniture and fixtures***	***Vehicles***	***Total***
At 1 January 2018	**37**	**38**	**171**	**246**
Additions	1	42	-	**43**
Disposals	-	(7)	-	**(7)**
At 31 December 2018	**38**	**73**	**171**	**282**
Additions	12	-	-	**12**
Disposals	-	-	-	**-**
At 31 December 2019	**50**	**73**	**171**	**294**
Accumulated depreciation				
At 1 January 2018	**(29)**	**(32)**	**(45)**	**(106)**
Depreciation charge for the year	(4)	(5)	(35)	(44)
Disposals	-	7	-	7
At 31 December 2018	**(33)**	**(30)**	**(80)**	**(143)**
Depreciation charge for the year	(2)	(10)	(34)	(46)
Disposals	-	-	-	-
At 31 December 2019	**(35)**	**(40)**	**(114)**	**(189)**
Net book value				
At 31 December 2018	**5**	**43**	**91**	**139**
At 31 December 2019	**15**	**33**	**57**	**105**

(Amounts expressed in thousands of Georgian Lari)

7 Accounts receivable

	2019	2018
Trade receivables	84	37
Less: Allowance for impairment losses	(38)	(37)
	46	**-**

Allowance of impairment losses at the end of reporting period include only one debtor in foreign currency which is 100% reserved. The change is caused by fluctuation of denominated currency of this debtor.

8 Accounts payable

	2019	2018
Trade payables in EUR	151	128
Trade payables in GEL	6	18
Salary payable	-	2
	157	**148**

9 Tax asset, net

Tax card is unified in Georgia, therefore net effect is presented in financial statements of the Company. Tax payables other than on income are presented on net basis based on the order 407 issued by the Minister of Finance of Georgia.

10 Revenue

	2019	2018
Revenue from selling materials of windows and doors	2,214	2,894
Pipes and fittings	407	113
Revenue from Spinning furniture materials	87	41
Revenue from export	117	20
Other revenue/(returns)	(1)	1
	2,824	**3,069**

11 Cost of sales

	2019	2018
Materials of windows and doors	1,726	2,226
Pipes and water systems	232	63
Rent expense	67	40
Spinning furniture materials	47	20
Salaries	27	25
Other inventory	-	14
Depreciation and amortization	14	12
	2,113	**2,400**

(Amounts expressed in thousands of Georgian Lari)

12 General and administrative expenses

	2019	2018
Wages and other employee benefits	263	254
Advertising expenses	34	33
Depreciation and amortization	32	33
Computer expenses	24	20
Business trips	20	18
Rent	13	10
Fuel expenses	12	11
Audit fee	10	9
Insurance expenses	9	9
Miscellaneous office equipment	9	-
Commission expense	7	7
Penalties	7	2
Representative expenses	5	5
Bank fee	2	2
Other expenses	22	27
	469	**440**

13 Other income

	2019	2018
Income from reserves	10	9
Goods received free of charge	1	5
Defective gain due to inventory	-	2
	11	16

14 Other expenses

	2019	2018
Defective loss due to inventory	-	14
Other	-	1
Goods supplied free of charge	1	-
	1	15

15 F/X effect on foreign currency

	2019	2018
Realised	(11)	(6)
Unrealised	9	1
	(2)	(5)

16 Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The

(Amounts expressed in thousands of Georgian Lari)

16 Financial Risk Management (continued)

operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

	31 December, 2019	**31 December, 2018**
Cash and cash equivalents (Excluding cash on hand)	711	459
Trade receivables (before allowance for impairment losses)	84	37
	795	**496**

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 2019 is presented in the table below:

	GEL	**USD**	**EUR**	**Total**
Financial assets				
Cash and cash equivalents	407	-	304	**711**
Accounts receivables	46	-	-	**46**
	453	**-**	**304**	**757**
Financial liabilities				
Accounts payables	6	-	151	**157**
	6	**-**	**151**	**157**
Open balance sheet position	**447**	**-**	**153**	**600**

The Company's exposure to foreign currency exchange rate risk as at 31 December 2018 is presented in the table below:

	GEL	**USD**	**EUR**	**Total**
Financial assets				
Cash and cash equivalents	389	3	67	**459**
Accounts receivables	-	-	-	-
	389	**3**	**67**	**459**
Financial liabilities				
Accounts payables	18	-	128	**146**
	18	**-**	**128**	**146**
Open balance sheet position	**371**	**3**	**(61)**	**313**

Currency risk sensitivity

The following table details the Company’s sensitivity to a 10% increase, and decrease in GEL against USD. 10% represents management’s assessment of the possible change in foreign exchange rates. The

(Amounts expressed in thousands of Georgian Lari)

16 Financial Risk Management (continued)

sensitivity analysis demonstrates the sensitivity to a reasonably possible change in USD and EUR exchange rates with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Company's exposure to foreign currency changes for all other currencies is not material.

	2019		2018	
Currency rate sensitivity	**10%**	**-10%**	**10%**	**-10%**
USD impact gain/(loss)	-	-	0.3	(0.3)
EUR impact gain/(loss)	15.3	(15.3)	(6.1)	6.1
Total net impact	**15.3**	**(15.3)**	**(5.8)**	**5.8**

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activates (primarily trade receivables), considering the fact that the Company has only one fully reserved debtor, the credit risk exposure of the Company is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related to payments when those become due.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has drawn up based on the cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principle cash flows.

	2019	**2018**
	Up to 1 year	Up to 1 year
Financial assets		
Accounts receivable	46	-
	46	**-**
Financial liabilities		
Accounts payables	157	148
	157	**148**
Liquidity gap	(111)	148
Cumulative liquidity gap	**(111)**	**(148)**

Capital risk management

The capital structure of the Company consists of owner's capital and accumulated profit.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the amount of dividends paid, return capital to owners.

(Amounts expressed in thousands of Georgian Lari)

17 Transactions with Related Parties

Transactions and balances with related parties are following:

	2019	2018
Purchases from related parties	1,842	2,114
Amounts owed to related parties	151	128
Revenue from related parties	25	9

Compensation of key management personnel of the company:

	2019	2018
Salaries and other short-term employee benefits	78	95

18 Post Balance sheet Events

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