KÄRCHER LLC

FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020, and the statement of 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 2020, 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

1 March, 2021

KÄRCHER LLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(In GEL)

	Note	2020	2019
Revenue	5	8,587,564	10,312,929
Cost of sales	6	(4,789,532)	(6,035,723)
Gross Profit		**3,798,032**	**4,277,206**
General and administrative expenses	7	(1,559,530)	(1,341,541)
Commercial expenses	8	(1,802,058)	(1,963,786)
Operating profit		**436,444**	**971,879**
Interest expense	9	(119,923)	(135,832)
Foreign exchange loss, net	10	(652,860)	(171,745)
Profit before income tax		**(336,339)**	**664,302**
Income tax expenses		-	-
Total comprehensive income/(loss) for the year		**(336,339)**	**664,302**

The financial statements for the year ended 31 December 2020 were approved on behalf of the management on 1 March 2021 by:

Director		Nikoloz Batirashvili
Finance & Administrative Manager		Kristine Antadze

Notes on pages 9-28 are the integral part of these financial statements.

KÄRCHER LLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(In GEL)

	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Property and equipment	11	190,845	250,778
Right-of-use assets	12	492,841	679,732
Intangible assets		27,865	43,817
		711,551	**974,327**
Current assets			
Inventories	13	1,710,407	2,204,651
Trade and other receivables	14	1,827,503	3,066,155
Cash and cash equivalents	15	266,640	111,056
		3,804,550	**5,381,862**
Total assets		**4,516,101**	**6,356,189**
OWNER'S EQUITY AND LIABILITIES			
Owner's equity			
Charter capital		1,173,329	1,173,329
Retained earnings		643,539	979,878
Other reserve	16	122,395	122,395
		1,939,263	**2,275,602**
Non-current liabilities			
Lease liabilities	12	336,015	424,569
Borrowings	16	295,498	446,434
		631,513	**871,003**
Current liabilities			
Lease liabilities	12	295,025	267,824
Borrowings	16	387,639	464,145
Trade and other payables	17	1,262,661	2,477,615
		1,945,325	**3,209,584**
Total owner's equity and liabilities		**4,516,101**	**6,356,189**

Notes on pages 9-28 are the integral part of these financial statements.

KÄRCHER LLC

STATEMENT ON CHANGES IN EQUITY

For the year ended 31 December 2020

(In GEL)

	Charter Capital	**Retained Earnings**	**Other reserves**	**Total**
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**
Total comprehensive loss for the year	-	(336,339)	-	**(336,339)**
31 December 2020	**1,173,329**	**643,539**	**122,395**	**1,939,263**

Notes on pages 9-28 are the integral part of these financial statements.

KÄRCHER LLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(IN GEL)

	Note	2020	2019
Cash flows from operating activities			
Profit/(loss) before income tax		**(336,339)**	**664,302**
Adjustments for:			
Depreciation and amortization		111,485	100,858
Amortization of right-of-use assets		260,965	262,248
Impairment of trade receivables		443,782	670
Change in warranty provision		(28,076)	(19,200)
Interest expense	9	119,923	135,832
Write off of PPE		938	3,796
Foreign exchange loss, net	10	652,860	171,745
Cash inflows from operating activities before changes in operating assets and liabilities		**1,225,538**	**1,320,251**
Movements in working capital			
Decrease/(Increase) in inventories		494,244	(168,350)
Decrease/(Increase) in trade and other receivables		1,006,682	(1,130,416)
Increase/(Decrease) in trade and other payables		(1,758,584)	497,032
Cash inflow from operating activities		**967,880**	**518,517**
Interest paid		(112,488)	(102,447)
Net cash inflow from operating activities		**855,392**	**416,070**
Cash flows from investing activities			
Purchase of property and equipment		(64,589)	(70,840)
Purchase of Intangible assets		-	(3,473)
Net cash outflow from investing activities		**(64,589)**	**(74,313)**
Cash flows from financial activities			
Payments for the principal portion of the lease liability		(223,349)	(288,090)
Repayment of borrowings		(417,636)	-
Net cash outflow from financing activities		**(640,985)**	**(288,090)**
Net increase in cash and cash equivalents		**149,818**	**53,667**
Cash and cash equivalents at the beginning of the year	15	**111,056**	**72,867**
Effect of changes in foreign exchange rate on cash and cash equivalents	10	5,766	(15,478)
Cash and cash equivalents at the end of the year	15	**266,640**	**111,056**

Notes on pages 9-28 are the integral part of these financial statements.

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.

Management has reviewed impact of corona virus - COVID 19 on the Company's going concern. Despite some negative consequences due to Covid-19 implications, 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 2020

There have been adopted some new standards and interpretations neither of which have material effect in the Company's financial statements for the year ended 31 December 2020:

- *Definition of a Business* (Amendments to IFRS 3);
- *Interest Rate Benchmark Reform* – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- *COVID-19-Related Rent Concessions (Amendments to IFRS 16)*
- *IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and*
- *Revisions to the Conceptual Framework for Financial Reporting.*

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 following amendments are effective for the period beginning 1 January 2022:

- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37);
- *Property, Plant and Equipment: Proceeds before Intended Use (*Amendments to IAS 16);
- *Annual Improvements to IFRS Standards 2018-2020* (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- *References to Conceptual Framework* (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022.However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

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

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.

The estimates and underlying assumptions are reviewed on an on-going 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.

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.

3. Critical accounting estimates and judgments (Continued)

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.

Lease term, incremental borrowing rate (IBR) and lease payments - The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (including the renewal option implied through customary business practices) if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Management applies judgement to determine the lease term when lease contracts include renewal options that are exercisable only by the Company. It considers all relevant factors that create an economic incentive to exercise the renewal option.

After the commencement date, the Company reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease.

The Management applies judgement to estimate the IBR. The Management uses an observable information to determine the base rate and adjustments for the lessee specific factors and the asset factors (the adjustment for security).

In Georgia it is customary that lease renewal option is implied through customary business practices and not all renewal options are documented within the lease agreements. In such cases, the initial measurement of the lease liability assumes the payments for renewal periods equal to the contractual amount and will remain unchanged throughout the lease term.

4. Financial instruments - Risk Management

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

- Credit risk
- Liquidity risk
- Market risk
- Currency 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
- Lease liabilities

Principal financial instruments can be presented as follows:

Financial assets	**31.12.2020**	**31.12.2019**
Trade receivables	1,665,180	2,832,127
Cash and cash equivalents	266,640	111,056
	1,931,820	**2,943,183**

4. Financial instruments - Risk Management (Continued)

Financial liabilities	31.12.2020	31.12.2019
Borrowings	683,137	910,579
Lease liabilities	631,040	692,393
Trade payables	1,204,213	2,409,267
	2,518,390	**4,012,239**

General objectives, policies and processes

The Company’s risk management is implemented by the key management. The key management has overall responsibility for the determination of the Company’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The management prepares monthly reports through which the effectiveness of the processes put in place and the appropriateness of the objectives and policies are reviewed. The overall objective of the management is to set polices that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

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:

	31.12.2020	31.12.2019
Trade and other receivables	1,665,180	2,832,127
Cash and cash equivalents except cash on hand	255,478	91,440
	1,920,658	**2,923,567**

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.

4. Financial instruments - risk management (Continued)

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 3.2766	EUR EUR 1= GEL 4.0233	31.12.2020
Financial assets				
Trade and other receivables	1,343,207	-	810,634	**2,153,841**
Cash and cash equivalents	260,976	5,425	239	**266,640**
	1,604,183	**5,425**	**810,873**	**2,420,481**
Financial liabilities				
Trade and other payables	74,552	7,606	1,079,844	**1,162,002**
Lease liabilities	-	594,760	36,280	**631,040**
Borrowings	-	-	683,137	**683,137**
	74,552	**602,366**	**1,799,261**	**2,476,179**
Total net exposure	**1,529,631**	**(596,941)**	**(988,388)**	

	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)**	

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 2020:

	GEL/USD + 20%	GEL/USD - 20%	GEL/EUR + 20%	GEL/EUR - 20%
Profit/(loss)	119,388	(119,388)	197,678	(197,678)

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

4. Financial instruments – risk management (Continued)

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 2020 and 2019. 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.

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

31.12.2020	**Up to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Financial assets				
Cash and cash equivalents	255,478	-	-	**255,478**
Trade receivables	1,665,180	-	-	**1,665,180**
	1,920,658	**-**	**-**	**1,920,658**
Financial liabilities				
Lease liabilities	295,025	336,015	-	**631,040**
Borrowings	387,639	295,498	-	**683,137**
Total interest bearing financial liabilities	**682,664**	**631,513**	**-**	**1,314,177**
Trade payables	1,204,213	-	-	**1,204,213**
	1,886,877	**631,513**	**-**	**2,518,390**
Liquidity gap	33,781	(631,513)	-	
Cumulative liquidity gap	**33,781**	**(597,732)**	**(597,732)**	
Interest sensitivity gap	682,664	631,513	-	
Cumulative interest sensitivity gap	**682,664**	**1,314,177**	**1,314,177**	

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**	

4. Financial instruments – risk management (Continued)

Fair value measurement

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

As at 31 December 2020 and 2019 the Company has no financial assets or liabilities measured at fair value; accordingly, they are not presented under the IFRS 7 fair value measurement hierarchy.

Fair value of cash and cash equivalents is measured based on level 1. Fair values of all other financial assets and financial liabilities are measured on level 3.

Capital disclosures

The Company's objectives when maintaining capital are:

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

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

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

5. Revenue

Revenue can be presented as follows:

	Timing of transferring of goods/services	2020	2019
Professional			
Machines	Point in time	2,194,421	3,808,460
Spare Parts	Point in time	920,110	1,663,768
Detergents	Point in time	188,300	345,676
Home & Garden			
Machines	Point in time	4,741,594	3,918,323
Spare Parts	Point in time	468,015	466,323
Detergents	Point in time	22,851	22,866
Service	Point in time	52,273	87,513
		8,587,564	**10,312,929**

6. Cost of sales

Cost of sales can be presented as follows:

	2020	2019
Professional		
Machines	(1,172,545)	(2,268,954)
Spare Parts	(529,557)	(977,927)
Detergents	(110,711)	(205,869)
Home & Garden		
Machines	(2,711,574)	(2,299,236)
Spare Parts	(239,450)	(249,120)
Detergents	(11,244)	(11,756)
Service	(14,451)	(22,861)
	(4,789,532)	**(6,035,723)**

7. General and administrative expenses

General and administrative expenses can be presented as follows:

	2020	2019
Staff Cost	(461,399)	(510,651)
Impairment of trade receivables	(443,782)	(670)
Amortization of right-of-use assets	(149,683)	(149,708)
Depreciation and amortization	(90,540)	(81,706)
Bank fees	(67,519)	(38,379)
IT support service	(58,179)	(58,638)
Legal and other Professional service	(54,677)	(116,901)
Office expenses	(25,968)	(63,057)
Fuel expense	(19,737)	(23,411)
Utility expenses	(9,980)	(9,995)
Business trip	(9,470)	(135,513)
Representative expenses	(9,263)	(51,785)
Property insurance	(8,444)	(4,761)
Communication expenses	(6,686)	(4,658)
Security expense	(2,644)	(2,686)
Other Expenses	(141,559)	(89,022)
	(1,559,530)	**(1,341,541)**

8. Commercial expenses

Commercial expenses can be presented as follows:

	2020	2019
Staff cost	(816,428)	(700,737)
Marketing Expense	(405,571)	(488,475)
Storage service expense	(256,140)	(323,601)
Amortization of right-of-use assets	(111,282)	(112,540)
Transportation expense	(81,180)	(95,680)
Declaration expenses	(23,809)	(126,360)
Depreciation and amortization	(20,945)	(19,152)
Other Expenses	(86,703)	(97,241)
	(1,802,058)	**(1,963,786)**

9. Interest expense

Interest expenses can be presented as follows:

	2020	2019
Interest expenses:		
Kärcher Beteiligungs GmbH	(64,656)	(66,910)
Lease Liability	(55,267)	(68,922)
	(119,923)	**(135,832)**

10. Foreign exchange loss, net

Foreign exchange loss, net can be presented as follows:

	2020	2019
Realized exchange rate difference	5,766	(15,478)
Unrealized exchange rate difference	(658,626)	(156,267)
	(652,860)	**(171,745)**

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 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**
Additions	9,665	27,387	**37,052**
Disposal	-	(2,600)	**(2,600)**
Balance at 31 December 2020	**154,350**	**337,611**	**491,961**
Accumulated depreciation			
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)**
Depreciation charge for the year	(28,362)	(67,236)	**(95,598)**
Disposal	-	1,213	**1,213**
Balance at 31 December 2020	**(98,949)**	**(202,167)**	**(301,116)**
Net book value			
At 31 December 2019	**74,098**	**176,680**	**250,778**
At 31 December 2020	**55,401**	**135,444**	**190,845**

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 denominated in EURO.

Right-of-use assets	Buildings	Vehicles	Total
Balance at 31 December 2019	**586,951**	**92,781**	**679,732**
Additions	74,074	-	**74,074**
Amortization	(223,185)	(37,780)	**(260,965)**
Balance at 31 December 2020	**437,840**	**55,001**	**492,841**

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

Lease liabilities	Building	Vehicles	Total
At 31 December 2019	**633,935**	**58,458**	**692,393**
Additions	74,074	-	**74,074**
Interest expense	50,027	5,240	**55,267**
Other accrued expenses		-	**-**
Repayment of principal	(193,020)	(30,329)	**(223,349)**
Interest paid	(50,027)	(5,240)	**(55,267)**
Effect of exchange rate changes	79,770	8,152	**87,922**
At 31 December 2020	**594,759**	**36,281**	**631,040**

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 2020 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	67,445	191,299	336,015	-	-	**594,759**
Vehicles	6,020	30,261	-	-	-	**36,281**

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**

13. Inventories

Inventories can be presented as follows:

	31.12.2020	31.12.2019
H&G		
Machines	678,936	728,501
Spare parts	131,621	147,568
Detergents	7,272	4,369
Professional		
Machines	331,645	593,294
Spare parts	495,716	640,827
Detergents	54,219	63,442
Other	10,998	26,650
	1,710,407	**2,204,651**

14. Trade and other receivables

Trade and other receivables can be presented as follows:

	31.12.2020	31.12.2019
Financial Receivables		
Trade and other recievable	2,153,841	2,877,006
less: allowance for doubtful debts	(488,661)	(44,879)
	1,665,180	**2,832,127**
Non-Financial receivables		
Paid advances	75,146	42,349
Prepaid taxes	87,177	191,679
	162,323	**234,028**
	1,827,503	**3,066,155**

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 2020 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	More than 120	Individual Provision*	Total
Expected loss rate	0%	0.97%	0.97%	3%	10%	50%		
Gross carrying amount	3,779	1,237,671	2,279	3,051	14,684	27,873	864,504	**2,153,841**
Loss provision	-	12,065	22	92	1,468	13,937	461,077	**488,661**

***** In 2020 the Company created individual provision for Aqua Max LLC and Construction Service LLC receivables, amounting GEL 403,427 and GEL 57,650, respectively.

14. Trade and other receivables (Continued)

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**

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

	2020	2019
At 1 January under IAS 39	-	-
Restated through opening retained earnings	-	-
Opening provision for impairment of trade receivables	**44,879**	**178,608**
Increase during the year	443,782	670
Receivable written off during the year as uncollectible	-	(134,399)
Unused amounts reversed	-	-
Impairment loss during the year	**443,782**	**(133,729)**
At 31 December	**488,661**	**44,879**

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:

	31.12.2020	31.12.2019
Cash at bank in GEL	249,814	30,648
Cash at bank in foreign currencies	5,664	60,792
Petty cash	11,162	19,616
	266,640	**111,056**

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

16. Borrowings

Borrowings can be presented as follows:

	Interest rate	Currency	Origination date	Maturity date	31.12.2020 Current	31.12.2020 Non-Current
Kärcher Beteiligungs GmbH	3.5%	EUR	13-Oct-17	30-Sep-22	387,639	295,498
					387,639	**295,498**

	Interest rate	Currency	Origination date	Maturity date	31.12.2019 Current	31.12.2019 Non-Current
Kärcher Beteiligungs GmbH	3.5%	EUR	13-Oct-17	30-Sep-22	464,145	446,434
					464,145	**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 2020 can be presented as follows:

As at 31 December 2019	**910,579**
Interest accrued	64,656
Repayment of principal	(417,636)
Interest paid	(57,221)
Effect of exchange rate changes	182,759
As at 31 December 2020	**683,137**

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**

17. Trade and other payables

Trade payables can be presented as follows:

	31.12.2020	31.12.2019
Financial Liabilities		
Trade payables	1,162,002	2,384,267
Salary payables	42,211	25,000
	1,204,213	**2,409,267**
Non-Financial Liabilities		
Received advances	34,959	16,559
Other	23,489	51,789
	58,448	**68,348**
	1,262,661	**2,477,615**

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:

		31.12.2020		31.12.2019	
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		**3,779**	**1,827,503**	**248,679**	**3,066,155**
LLC Karcher AK-AM	Under Common Control	-	-	248,679	-
Karcher MMC	Under Common Control	3,779	-	-	-
Trade and other payables		**1,114,531**	**1,262,661**	**2,255,565**	**2,477,615**
Alfred Kärcher SE & Co. KG	Under Common Control	1,079,531	-	2,230,565	-
Nikoloz Batirashvili	Director	35,000	-	25,000	-
Borrowings		**683,137**	**683,137**	**910,579**	**910,579**
Kärcher Beteiligungs GmbH	Shareholders	683,137	-	910,579	-
Purchase of inventory					
Purchase of inventory		**4,389,743**	**4,411,560**	**6,248,110**	**6,280,286**
Alfred Kärcher SE & Co. KG	Under Common Control	4,389,743		6,248,110	

18. Related party transaction and outstanding balances (Continued)

Income statement caption	Relationship	2020 Related party balance	2020 Total as per the financial statements caption	2019 Related party balance	2019 Total as per the financial statements caption
Interest expense, net		**(64,656)**	**(119,923)**	**(66,910)**	**(135,832)**
Kärcher Beteiligungs GmbH	Shareholders	(64,656)	-	(66,910)	-
Administrative expenses		**(83,787)**	**(1,559,530)**	**(58,638)**	**(1,341,541)**
Kärcher Beteiligungs GmbH	Shareholders	(83,787)	-	(58,638)	-

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:

	2020	2019
Key management personnel compensation:	**222,693**	**205,820**
Short-term employee benefits	222,693	205,820

19. Contingencies

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's management is convinced that Georgian tax legislation does not give raise to any further obligation other than already recorded and the Company's tax positions will be sustained. Tax years remain open to review by the tax authorities for three years.

Transfer pricing

The Company has material cross-border transactions with related parties and entities residing in controlled countries, as defined by the transfer pricing regulation of Georgia. The Company's management is convinced that all margins of last three years applied arm's length principle, however there is a possibility that Georgian tax authorities' interpretation will differ from management's view and the company will be subject to additional tax charge including penalties and fines.

Legal proceedings - As at 31 December 2020 and 2019 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. 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 2020 and 2019 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 2020	3.2766	4.0233
Exchange rate as at 31 December 2019	2.8677	3.2095

Revenue from contracts to customers

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.

21. 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, equipment and intangible assets

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

Depreciation/amortization 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.

21. 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.

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.

Financial instruments

Financial assets

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 arise principally from the provision of goods and services to customers (e.g. trade receivables), 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 other receivables, cash and cash equivalents and trade and other receivables in the statement of financial position. Cash

21. Summary of significant accounting policies (Continued)

and cash equivalents include all bank placements or receivables with original maturities of less than three months.

The Company uses simplified approach for expected credit loss for trade receivables and contractual assets. According to simplified approach expected credit loss is calculated using migration matrix. Simplified approach recognizes loss for whole portfolio regardless of significant increase of credit risk after initial recognition. The expected loss rates are based on the Company's historical credit losses experienced over the three–year period prior to the period end. The Company applied exemption B5.5.50 and B5.5.51 of IFRS 9 and did not used incorporate forecasts of future conditions of financial assets. Therefore, the historical loss rates are not adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

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".

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 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 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 other 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.

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.

21. Summary of significant accounting policies (Continued)

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.

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 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 authorised for issue are disclosed in the subsequent events note.

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 income statement 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 for the financial period of 2020 and 2019, there are no differences between the carrying amounts and tax bases of the assets and liabilities of company registered in Georgia that could result in deferred tax assets or deferred tax liabilities.

The company recognised taxes other than income tax when obligating event was 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, from which future economic benefits are expected, 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.