TEGETA MOTORS GROUP

International Financial Reporting Standards Consolidated and Separate Financial Statements and Independent Auditor's Report

31 December 2016

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Independent Auditor's Report

To the Shareholders and Management of Tegeta Motors LLC

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Tegeta Motors LLC ("Company") and its subsidiaries (the "Group") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements and the Company's separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2016;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

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 consolidated and separate Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Company's and Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 separate and consolidated 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 consolidated and separate 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 and the Group'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 Group's and 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 consolidated and separate 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 Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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.

PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch

Tbilisi, Georgia
17 July 2017

Lasha Janelidze (Reg.# SARAS-A-562091)
for and on behalf of PricewaterhouseCoopers Central Asia and Caucasus B.V. Georgia Branch (Reg.# SARAS-F-379305)

(Amounts in thousands of Georgian Lari)

	Note	GROUP 31 December 2016	GROUP 31 December 2015	*COMPANY 31 December 2016*	*COMPANY 31 December 2015*
ASSETS					
Non-current assets					
Property, plant and equipment and investment property	7	62,302	61,890	*52,516*	*50,694*
Intangible assets	8	2,745	2,937	*2,686*	*2,868*
Rent prepaid	12	1,887	2,010	-	-
Loans issued	28	-	-	*249*	-
Investments in subsidiaries	1	-	-	*98*	*27*
Investments in associates	9	254	268	*206*	*205*
Deferred income tax asset	23	-	409	-	-
Total non-current assets		**67,188**	**67,514**	***55,755***	***53,794***
Current assets					
Inventories	10	48,119	39,237	*38,127*	*30,801*
Trade and other receivables	11	19,311	15,967	*12,238*	*11,245*
Prepayments		5,406	2,738	*1,834*	*1,858*
Current income tax prepaid		867	736	*705*	*954*
Loans issued	28	1,108	412	*1,608*	*3,572*
Cash and cash equivalents	13	5,443	5,080	*2,438*	*2,743*
Total current assets		**80,254**	**64,170**	***56,950***	***51,173***
TOTAL ASSETS		**147,442**	**131,684**	***112,705***	***104,967***
EQUITY					
Charter capital	24	4,133	4,133	*4,133*	*4,133*
Retained earnings		21,163	15,222	*29,310*	*21,095*
Equity attributable to the Company's owners		**25,296**	**19,355**	***33,443***	***25,228***
Non-controlling interest		-	**210**	-	-
TOTAL EQUITY		**25,296**	**19,565**	***33,443***	***25,228***
LIABILITIES					
Non-current liabilities					
Borrowings	14	39,775	44,181	*18,600*	*25,620*
Deferred income tax liability	23	-	6,520	-	*5,054*
Deferred revenue		1,039	180	-	*58*
Total non-current liabilities		**40,814**	**50,881**	***18,600***	***30,732***
Current liabilities					
Borrowings	14	50,069	33,986	*35,902*	*21,558*
Trade and other payables	15	24,081	21,458	*20,758*	*24,585*
Current income tax payable		203	-	-	-
Deferred revenue		306	390	-	*329*
Other taxes payable		3,690	2,229	*2,834*	*1,316*
Advances received		2,983	3,175	*1,168*	*1,219*
Total current liabilities		**81,332**	**61,238**	***60,662***	***49,007***
TOTAL LIABILITIES		**122,146**	**112,119**	***79,262***	***79,739***
TOTAL EQUITY AND LIABILITIES		**147,442**	**131,684**	***112,705***	***104,967***

Approved for issue and signed on 17 July 2017.

Temur Kokhodze
General Director

Revaz Zirakadze
Finance Director

The accompanying notes on pages 5 to 41 are an integral part of these consolidated and separate financial statements.

(Amounts in thousands of Georgian Lari)

		GROUP		*COMPANY*	
	Note	**2016**	**2015**	***2016***	***2015***
Revenues	16	**271,978**	**233,008**	***162,255***	***140,124***
Cost of sales	17	(217,438)	(185,553)	*(118,839)*	*(101,759)*
Gross profit	18	**54,540**	**47,455**	***43,416***	***38,365***
Other operating income	19	1,782	5,746	*3,410*	*4,960*
General and administrative expenses	20	(28,427)	(26,132)	*(24,324)*	*(22,398)*
Advertising and marketing expense		(3,691)	(3,388)	*(2,768)*	*(2,307)*
Other operating expenses	21	(2,153)	(1,371)	*(1,684)*	*(991)*
Operating profit		**22,051**	**22,310**	***18,050***	***17,629***
Finance income		174	86	*257*	*642*
Finance costs	22	(20,255)	(27,674)	*(13,247)*	*(18,638)*
Share of results of associates	9	(14)	(3)	-	-
Profit/(loss) before income tax		**1,956**	**(5,281)**	***5,060***	***(367)***
Income tax credit/(expense)	23	5,440	(1,948)	*4,655*	*(202)*
PROFIT/(LOSS) FOR THE YEAR		**7,396**	**(7,229)**	***9,715***	***(569)***
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		7,441	(7,210)	*9,715*	*(569)*
- Non-controlling interest		(45)	(19)	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**7,396**	**(7,229)**	***9,715***	***(569)***

The accompanying notes on pages 5 to 41 are an integral part of these consolidated and separate financial statements.

TEGETA MOTORS GROUP
Consolidated and Separate Statements of Changes in Equity
(Amounts in thousands of Georgian Lari)

GROUP	Attributable to the Company's owners: Charter capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	**4,133**	**26,682**	**30,815**	**229**	**31,044**
Dividends declared (Note 24)	-	(4,250)	(4,250)	-	(4,250)
Total comprehensive loss for the year	-	(7,210)	(7,210)	(19)	(7,229)
Balance at 31 December 2015	**4,133**	**15,222**	**19,355**	**210**	**19,565**
Dividends declared (Note 24)	-	(1,500)	(1,500)	(220)	(1,720)
Total comprehensive income/(loss) for the year	-	7,441	7,441	(45)	7,396
Disposal of subsidiary (Note 1)	-	-	-	55	55
Balance at 31 December 2016	**4,133**	**21,163**	**25,296**	**-**	**25,296**

COMPANY	*Charter Capital*	*Retained earnings*	*Total equity*
Balance at 1 January 2015	***4,133***	***25,914***	***30,047***
Dividends declared (Note 24)	*-*	*(4,250)*	*(4,250)*
Total comprehensive loss for the year	*-*	*(569)*	*(569)*
Balance at 31 December 2015	***4,133***	***21,095***	***25,228***
Dividends declared (Note 24)	*-*	*(1,500)*	*(1,500)*
Total comprehensive income for the year	*-*	*9,715*	*9,715*
Balance at 31 December 2016	***4,133***	***29,310***	***33,443***

The accompanying notes on pages 5 to 41 are an integral part of these consolidated and separate financial statements.

(Amounts in thousands of Georgian Lari)

		GROUP		*COMPANY*	
	Note	**2016**	**2015**	***2016***	***2015***
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax		1,956	(5,281)	*5,060*	*(367)*
Adjustments for:					
Depreciation of property, plant and equipment	7	3,777	3,918	*2,778*	*2,850*
Amortisation of intangible assets	8	345	348	*336*	*333*
Provision for/(reversal of) impairment of receivables	19,21	288	35	*66*	*(31)*
(Gain)/loss on disposal of property, plant and equipment	19,21	(16)	(236)	*12*	*(126)*
Charge for provisions for liabilities and charges	21	43	61	-	-
Gain on disposal of investment in joint venture	19	-	(4,378)	-	*(2,767)*
Impairment of cost of investment in subsidiaries	21	-	-	*527*	*570*
Recovery of impairment on issued loans	19	-	-	*(527)*	*(441)*
Write-off of issued loan	21	565	-	-	-
Impairment on investment property	21	-	535	-	-
Interest income		(174)	(86)	*(257)*	*(642)*
Interest expense	22	7,244	6,582	*4,387*	*4,105*
Foreign exchange translation differences, net	22	11,346	20,913	*7,987*	*14,429*
Trade payables forgiven	19	(128)	(122)	*(74)*	*(71)*
Write-down of inventories to net realisable value	10	272	180	*69*	*162*
Write off of prepayment and bad debt	21	631	-	*594*	-
Gain on disposal of subsidiary	1	(395)	-	*(50)*	-
Dividend income	19	(40)	(27)	*(1,835)*	*(601)*
Income from secondary oil sale		(148)	(162)	*(148)*	*(162)*
Share of results of associates	9	(26)	(24)	-	-
Operating cash flows before working capital changes		**25,540**	**22,256**	***18,925***	***17,241***
Increase in trade and other receivables		(4,197)	(2,534)	*(303)*	*(1,398)*
(Increase)/decrease in prepayments		(2,556)	(472)	*13*	*(762)*
(Increase)/decrease in inventories		(9,006)	(737)	*(7,247)*	*865*
Increase/(decrease) in trade and other payables		2,006	(1,714)	*(1,567)*	*(499)*
Increase/(decrease) in deferred revenue		775	267	*(387)*	*174*
(Decrease)/increase in advances received		(192)	821	*(51)*	*(59)*
Increase/(decrease) in other taxes payable		1,452	(336)	*1,517*	*(735)*
Changes in working capital		**(11,718)**	**(4,705)**	***(8,025)***	***(2,414)***
Income taxes paid		(591)	(2,073)	*(150)*	*(1,820)*
Interest paid	14	(7,093)	(6,510)	*(4,326)*	*(4,057)*
Interest received		66	86	*94*	*32*
Net cash from operating activities		**6,204**	**9,054**	***6,518***	***8,982***
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	7	(4,064)	(3,211)	*(3,253)*	*(2,330)*
Proceeds from sale of property, plant and equipment		781	839	*255*	*339*
Acquisition of intangible assets	8	(154)	(22)	*(154)*	*(22)*
Proceeds from sale of investment in joint venture		-	3,308	-	*3,308*
Proceeds from sale of subsidiary (net of cash foregone)		1	-	*50*	-
Cash contribution into the capital of subsidiaries	1	-	-	*(597)*	*(570)*
Loans issued		(1,368)	(764)	*(2,068)*	*(351)*
Repayment of loans issued		749	413	*1,207*	-
Dividends received	28	40	54	*40*	*539*
Net cash (used in)/from investing activities		**(4,015)**	**617**	***(4,520)***	***913***
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	14	75,461	53,012	*33,021*	*34,099*
Repayment of borrowings	14	(72,820)	(59,042)	*(31,062)*	*(39,172)*
Dividends paid	24,28	(2,930)	(3,807)	*(2,930)*	*(3,807)*
Net cash used in financing activities		**(289)**	**(9,837)**	***(971)***	***(8,880)***
Effect of exchange rate changes on cash and cash equivalents		(1,537)	(1,455)	*(1,332)*	*(1,053)*
Net increase/(decrease) in cash and cash equivalents		**363**	**(1,621)**	***(305)***	***(38)***
Cash and cash equivalents at the beginning of the year		5,080	6,701	*2,743*	*2,781*
Cash and cash equivalents at the end of the year	13	**5,443**	**5,080**	***2,438***	***2,743***

The accompanying notes on pages 5 to 41 are an integral part of these consolidated and separate financial statements.

(Amounts in thousands of Georgian Lari)

1 Tegeta Motors Group and its Operations

Tegeta Motors LLC (the "Company") was incorporated on 26 April 2001 and is domiciled in Georgia. The Company has been set up as a limited liability company in accordance with Georgian regulations.

The ultimate controlling party of the Company is Mr. Temur Kokhodze who achieved control through direct ownership of 70% of the interest in the Company's charter capital. Other owners include: Mr. Zaur Tskhadadze (21%), Mr. Giorgi Mshvildadze (3%), Mr. Elguja Tsakadze (3%), Mr. Beka Kiliptari (1.5%) and Mrs. Tina Kokhodze (1.5%).

Principal activity. The Company's principal business activity is trading with imported auto tyres, lubricants, accumulators and other spare parts, as well as providing the automotive maintenance and repair services through servicing facilities located in different regions of Georgia. The Company owns twelve regional retail outlets and servicing facilities around the territory of Georgia and an administrative office in Tbilisi.

The Company is a parent company of the following entities (together referred to as the "Group"):

		Shareholding/voting (%)		***Investment in subsidiaries*** *(GEL)*	
Subsidiary	**Activity**	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Direct subsidiaries					
Tegeta Truck and Bus LLC	Retail of transportation trucks and trailers	100%	100%	*200*	*200*
Tegeta Construction Equipment LLC	Retail of heavy duty construction vehicles	100%	100%	*200*	*200*
Tegeta Premium Vehicles LLC	Retail of Porsche and Mazda brand vehicles	100%	100%	-	-
Toyota Centre Tegeta LLC	Retail and service of Toyota brand vehicles	100%	100%	*22,000*	*22,000*
Tegeta Motors Kutaisi LLC	Public transportation service in Kutaisi	-	85%	-	*1,700*
Tegeta Leasing LLC	Leasing of heavy duty construction vehicles	100%	100%	*3,000*	*2,000*
Tegeta Motors Telavi LLC	Inactive	100%	100%	*200*	*200*
Tegeta Motors Akhaltsikhe LLC	Inactive	100%	100%	*200*	*200*
Tegeta Logistics LLC	Inactive	100%	100%	*72,500*	-
Geoprotector LLC	Inactive	60%	60%	-	-
Indirect subsidiary					
City Line LLC	Public transportation service in Kutaisi	-	76.5%	-	*189*
Agroservice LLC	Retail of transportation trucks and trailers	100%	100%	*200*	*200*

All subsidiaries are incorporated and domiciled in Georgia.

On 27 March 2015, Tegeta Truck and Bus LLC acquired a new subsidiary Agroservice LLC, a limited liability company established in March 2012 with no operations since the date of origination. The primary purpose of Agroservice LLC was to purchase second-hand trucks and trailers for lease/rent-out and to act as a retailer of heavy vehicles.

On 17 December 2016, the Company made a cash contribution of GEL 1,000 into the charter capital of Tegeta Leasing LLC (previously Tsitelquda LLC). Being inactive up to that date, the subsidiary took up the activities to sell heavy duty construction vehicles through finance lease agreements.

(Amounts in thousands of Georgian Lari)

1 Tegeta Motors Group and its Operations (continued)

In 2016, the Company made a cash contribution of GEL 527 thousand (2015: GEL 570 thousand) into the charter capital of Tegeta Premium Vehicles LLC. As at 31 December 2016, management of the Company assessed the carrying value of investment in Tegeta Premium Vehicles LLC for impairment and decreased it to zero.

Sale of investment in Tegeta Motors Kutaisi LLC. On 18 May 2016, Tegeta Motors LLC concluded a share purchase agreement with individuals Omar Kokhodze, Sandro Nergadze and Tengiz Kokhodze to sell 85% shareholding in Tegeta Motors Kutaisi LLC for a total consideration of GEL 50 thousand. The transaction was settled in cash on 30 May 2016. The Group ceased consolidation of Tegeta Motors Kutaisi LLC and indirect subsidiary City Line LLC from the sale date. Consolidation statement of profit or loss and other comprehensive income includes results of both subsidiaries for the period 1 January 2016 until 18 May 2016.

Details of sale of subsidiary is summarised in the below schedule:

Cash consideration received	50
Less:	
Carrying amount of sold net liability	400
Non-controlling interest at the date of transaction	(55)
Gain on sale of subsidiary	**395**

Registered address and place of business. The Company's registered address is #5, 12th Kilometre of David Agmashenebeli Alley, 0131, Tbilisi, Georgia.

2 Operating Environment of the Group

The Group's principal business activities are within Georgia. Georgia displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in Georgia.

The future economic direction of Georgia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Group.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated and separate financial statements (together are referred as "the financial statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. They have been prepared under the historical cost convention as modified by the initial recognition of financial instruments based on fair value. The 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.

Functional and presentation currency. The national currency of Georgia is the Georgian Lari ("GEL"), which is the functional currency of the Company and all of its subsidiaries and the currency in which the Group's consolidated financial statements and the Company's separate financial statements are presented.

3 Summary of Significant Accounting Policies (continued)

Foreign currency translation. Monetary assets and liabilities denominated in foreign currencies are translated into Georgian Lari at the official exchange rate of the National Bank of Georgia at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to GEL at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to GEL at the exchange rates ruling at the dates the fair values were determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as finance income or costs except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

As at 31 December 2016, the official rate of exchange, as determined by the National Bank of Georgia, was USD 1 = 2.6468 (2015: USD 1 = GEL 2.3949) and EUR 1 = 2.794 (2015: EUR 1 = GEL 2.6169). Average exchange rate for the year ended 31 December 2016 was USD 1 = 2.3667 (2015: USD 1 = GEL 2.2702) and EUR 1 = 2.6172 (2015: EUR 1 = GEL 2.5204). At present, the Georgian Lari is not a freely convertible currency in most countries outside of Georgia.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee, companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

3 Summary of Significant Accounting Policies (continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the profit or loss, and its share of post-acquisition other comprehensive income of associates is recognised in the Group's other comprehensive income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the reporting entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

3 Summary of Significant Accounting Policies (continued)

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

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. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Disclosures are made in this preliminary special purpose separate financial information if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

3 Summary of Significant Accounting Policies (continued)

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.

Separate financial statements – investments in subsidiaries, associates and joint ventures. The Company accounts investments in subsidiaries, associates and joint ventures at the original cost of the investment until the investment is de-recognised or impaired for its separate financial statements. The carrying amounts of the investments in subsidiaries, associates and joint ventures are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. Value in use is determined by the present value of expected dividend receipts. An impairment loss is recognised when the carrying amount of the investments in subsidiaries, associates and joint ventures unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure, including minor repairs and maintenance expenditure, is recognised in profit or loss as an expense as incurred.

Depreciation. Land is not depreciated. Construction in progress is not depreciated until the asset is available for use. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets:

	Useful lives
Buildings	30 to 50 years
Machinery and equipment	3 to 10 years
Office fixtures, vehicles and others	2 to 10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. Intangible assets have definite useful lives and primarily include capitalised SAP system costs and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives
SAP system costs and licenses	15 years
Other licenses	6-10 years

3 Summary of Significant Accounting Policies (continued)

Impairment of property, plant and equipment and intangible assets. The carrying amounts of the property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of property, plant and equipment and intangible assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If there has been a change in estimates that results in an increase of the recoverable amount, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had previously been recognised.

Investment property. Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the owner. Investment properties are stated at cost, less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, recoverable amount is estimated as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through statement of comprehensive income. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the reporting entity, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Finance lease receivables. Where the Group is a lessor in a lease, which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins), using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within other operating income in profit or loss for the year.

Inventories. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of spare parts and other inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of vehicles is determined on the specific identification basis.

3 Summary of Significant Accounting Policies (continued)

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently. If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. Impairment losses are always recognised through an allowance account to write down the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as ‘non-current assets held for sale’ if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group’s management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period’s statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

3 Summary of Significant Accounting Policies (continued)

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment, investment properties and intangible assets are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the control of the asset is obtained and it is probable that future economic benefits associated with the asset will flow to the reporting entity. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents comprise cash on hand and cash deposited in banks due on demand or with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Classification of financial assets. Financial assets are classified into 'Loans and receivables' measurement category being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables comprise loans issued, trade and other receivables and cash and cash equivalents.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Initial recognition of financial instruments. Financial assets and liabilities (other than financial instruments at fair value through profit or loss) are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3 Summary of Significant Accounting Policies (continued)

Offsetting. 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.

Loans and borrowings. Loans and borrowings are recognised initially at their fair values less transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective yield method, with any difference between the amount at initial recognition and redemption amount being recognised in profit or loss as an interest expense over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the reporting entity's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. At the end of each reporting period

Management estimates the Group's liability to repair or replace products sold under warranty. This provision is calculated based on past history of the level of repairs and replacements.

Where it is expected that a provision is to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Trade and other payables. Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade payables are stated inclusive of value added tax.

Income tax. Income taxes have been provided for in accordance with Georgian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits for the current and prior periods. Taxable profits are based on estimates if financial reports are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within operating expenses.

3 Summary of Significant Accounting Policies (continued)

Deferred income tax is provided, using the statement of financial position liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised (refer to Note 23).

Value added tax. Output value added tax related to sales is payable to tax authorities upon delivery of the goods to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Starting from 31 December 2015 management presents the Company's tax balances on a net basis, based on the order 407 issued by the Minister of Finance of Georgia dated to 7 December 2015.

Revenue recognition. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, net of any trade returns, discounts, volume rebates and VAT.

Revenue from sale of goods - is recognised when the significant risks and rewards of ownership of the goods have passed to the customer and the customer accepts delivery.

Revenue from rendered services - is recognised at the point at which services have been rendered.

Customer loyalty programme - since September 2013 the Company operates a loyalty programme where customers accumulate points, which could be redeemed in exchange of goods free of charge in the future. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value.

Revenue from the reward points is recognised when the points are redeemed. The expiration date for reward points is defined as 31 December 2016.

Extended warranty - Toyota Center Tegeta LLC provides warranty for sold vehicles with an extended period coverage of a manufacturer's standard warranty. The entity treats this transaction as a multiple element arrangement and defers the revenue from the sale of the extended warranty over the period covered by the warranty.

Interest income - is recognised on a time-proportion basis using the effective interest method.

Employee benefits. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments.

Charter capital. The amount of Company's authorised charter capital is defined by the Company's Charter. The changes in the Company's Charter shall be made only based on the decision of the Company's owners. 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.

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.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Deferred income tax asset recognition. Management considers applicable not to recognize deferred income tax liabilities and assets due to changes in the Tax Code of Georgia enacted on 13 May 2016, which becomes effective from 1 January 2017 (or 1 January 2019, for commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops) and impacts the recognition and measurement principles of the Company's income tax. The planned changes also affect the Company's deferred income tax assets/liabilities. Companies do not have to pay income tax on their profit before tax (earned since 1 January 2017 or 1 January 2019 for commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops) until that profit is distributed in a form of dividend or other forms of profit distributions. If dividend is paid, 15% income tax is payable at the moment of the dividend payment, regardless of whether in monetary or non-monetary form, to the foreign non-resident legal entities and, foreign and domestic individuals. The dividends paid out to the resident legal entities are tax exempted. Apart from the distribution of dividends, the tax is still payable on expenditures or other payments incurred not related to economic activities, free delivery of goods/services and/or transfer of funds and representation costs that exceed the maximum amount determined by the Income Tax Code of Georgia, in the month in which they are incurred

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 28.

Revenue recognition from the sales to leasing companies. The sales agreements with leasing companies contain a repurchase option for buyers. Management analysed the repurchase terms of sales agreements and concluded that the likelihood of an option to be exercised by the buyer is remote. As such, management considered that all significant risks and rewards of ownership of goods were transferred to the buyer and there was sufficient basis to recognise revenue at the point of sale. The total sales to leasing companies with repurchase terms were GEL 10,330 thousand (2015: GEL 3,639 thousand).

Fair values of investment property. Management estimated a fair value of investment property (located in Kutaisi) for disclosure purpose. In its assessment management used the available market information of comparable prices for similar properties and concluded that there is sufficient market activity to provide reasonable basis for fair value estimation (Note 7).

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group.

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted.

IFRS 9 “Financial Instruments: Classification and Measurement” (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity’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 no longer separated from financial assets but will be 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.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to

6 New Accounting Pronouncements (continued)

- Record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -Amendments to IFRS 10 and IAS 28 (issued on 1 f September 2014 and effective for annual periods beginning on or after a date to be determined by the IAS8). These amendments address an inconsistency between the requirements in IFRS 10 and those in LAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the new standard on its financial statements. The Group is currently assessing the impact of the new standard on its financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group is currently assessing the impact of the new standard on its financial statements.

6 New Accounting Pronouncements (continued)

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017) The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.

Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Group is currently assessing the impact of the new standard on its financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. The Group is currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28). The improvements impact three standards. The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

6 New Accounting Pronouncements (continued)

IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose.

The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. The Group is currently assessing the impact of the new standard on its financial statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Group is currently assessing the impact of the new standard on its financial statements.

Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 17 "Insurance Contracts" issued on 13 May 2017 and effective for annual periods beginning 1 January 2021 IAS13 Effective date: on or after 1 January 2021,) IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on Annual periods beginning 1 January accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the new standard on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

(Amounts in thousands of Georgian Lari)

7 Property, Plant and Equipment and Investment Property

Movements in the carrying amount of Group's property, plant, equipment and investment property were as follows:

GROUP	Land and buildings	Machinery and equipment	Office fixtures and vehicles	Others	CIP*	Total
Cost	54,472	10,759	8,717	2,578	1,926	78,452
Accumulated depreciation	(3,096)	(5,787)	(4,537)	(1,297)	-	(14,717)
Carrying amount at 1 January 2015	**51,376**	**4,972**	**4,180**	**1,281**	**1,926**	**63,735**
Additions	600	407	1,183	143	878	3,211
Transfers	517	6	-	-	(523)	-
Disposals	(58)	(70)	(719)	(6)	-	(853)
Depreciation charge	(950)	(1,376)	(1,187)	(405)	-	(3,918)
Eliminated upon disposal	5	37	207	1	-	250
Impairment of investment property (Note 21)	(535)	-	-	-	-	(535)
Carrying amount at 31 December 2015	**50,955**	**3,976**	**3,664**	**1,014**	**2,281**	**61,890**
Cost	54,996	11,102	9,181	2,715	2,281	80,275
Accumulated depreciation	(4,041)	(7,126)	(5,517)	(1,701)	-	(18,385)
Carrying amount at 31 December 2015	**50,955**	**3,976**	**3,664**	**1,014**	**2,281**	**61,890**
Additions	319	1,073	1,791	959	1,297	5,439
Transfers	2,649	-	(1)	201	(2,849)	-
Disposals	(6)	(48)	(1,003)	(17)	-	(1,074)
Sale of subsidiary	(316)	(643)	(87)	(62)	-	(1,108)
Depreciation charge	(987)	(1,245)	(1,074)	(471)	-	(3,777)
Eliminated upon disposal	-	28	271	10	-	309
Eliminated upon sale of subsidiary	1	477	88	57	-	623
Carrying amount at 31 December 2016	**52,615**	**3,618**	**3,649**	**1,691**	**729**	**62,302**
Cost	57,642	11,484	9,881	3,796	729	83,532
Accumulated depreciation	(5,027)	(7,866)	(6,232)	(2,105)	-	(21,230)
Carrying amount at 31 December 2016	**52,615**	**3,618**	**3,649**	**1,691**	**729**	**62,302**

(*) CIP - construction in progress

(**) PURP - Provision for Unrealized Profit

At 31 December 2016 the Group's and the Company's land, buildings, machinery and equipment carried at GEL 55,343 thousand and GEL 45,678 thousand (2015: GEL 54,037 thousand and GEL 43,663 thousand) respectively have been pledged to third parties as collateral for borrowings (refer to Note 25).

In December 2015 the Company acquired the land plot with accompanied building situated on Nikea Street, Kutaisi and the vacant land plot situated on Chavchavadze Street, Kutaisi from its subsidiary - Tegeta Motors Kutaisi LLC - carried at GEL 2,976 thousand and GEL 1,235 thousand, respectively. Total sales consideration of GEL 4,600 thousand (exclusive VAT) was determined with reference to the market values of each land (GEL 3,900 thousand and GEL 700 thousand, respectively). As a result of market value analysis, the carrying value of land plot on Chavchavadze street, presented as an investment property, was written-down by GEL 535 thousand and respective impairment charge was recorded in other operating expenses (refer to Note 21).

(Amounts in thousands of Georgian Lari)

7 Property, Plant, Equipment and Investment Property (continued)

Movements in the carrying amount of Company's property, plant, equipment and investment property were as follows:

COMPANY	***Land and buildings***	***Machinery and equipment***	***Office fixtures and vehicles***	***Others***	***CIP***	***Total***
Cost	*41,160*	*8,220*	*6,381*	*2,387*	*1,710*	*59,858*
Accumulated depreciation	*(2,680)*	*(5,159)*	*(4,096)*	*(1,096)*	*-*	*(13,031)*
Carrying amount at 1 January 2015	***38,480***	***3,061***	***2,285***	***1,291***	***1,710***	***46,827***
Additions	*4,952*	*269*	*736*	*96*	*877*	*6,930*
Transfers	*321*	*-*	*-*	*-*	*(321)*	*-*
Disposals	*(52)*	*(66)*	*(280)*	*(1)*	*-*	*(399)*
Depreciation charge	*(654)*	*(1,036)*	*(784)*	*(376)*	*-*	*(2,850)*
Eliminated upon disposal	*6*	*37*	*143*	*-*	*-*	*186*
Carrying amount at 31 December 2015	***43,053***	***2,265***	***2,100***	***1,010***	***2,266***	***50,694***
Cost	*46,381*	*8,423*	*6,837*	*2,482*	*2,266*	*66,389*
Accumulated depreciation	*(3,328)*	*(6,158)*	*(4,737)*	*(1,472)*	*-*	*(15,695)*
Carrying amount at 31 December 2015	***43,053***	***2,265***	***2,100***	***1,010***	***2,266***	***50,694***
Additions	*285*	*1,003*	*1,404*	*878*	*1,297*	*4,867*
Transfers	*2,649*	*-*	*-*	*200*	*(2,849)*	*-*
Disposals	*(1)*	*(39)*	*(397)*	*(16)*	*-*	*(453)*
Depreciation charge	*(704)*	*(886)*	*(795)*	*(393)*	*-*	*(2,778)*
Eliminated upon disposal	*-*	*25*	*151*	*10*	*-*	*186*
Carrying amount at 31 December 2016	***45,282***	***2,368***	***2,463***	***1,689***	***714***	***52,516***
Cost	*49,314*	*9,387*	*7,844*	*3,544*	*714*	*70,803*
Accumulated depreciation	*(4,032)*	*(7,019)*	*(5,381)*	*(1,855)*	*-*	*(18,287)*
Carrying amount at 31 December 2016	***45,282***	***2,368***	***2,463***	***1,689***	***714***	***52,516***

(Amounts in thousands of Georgian Lari)

8 Intangible Assets

GROUP	**SAP system costs and related licenses**	**Other licenses**	**Total**
Cost at 1 January 2015	3,162	1,013	4,175
Accumulated amortisation	(734)	(178)	(912)
Carrying amount at 1 January 2015	**2,428**	**835**	**3,263**
Additions	18	4	22
Amortisation charge	(232)	(116)	(348)
Carrying amount at 31 December 2015	**2,214**	**723**	**2,937**
Cost at 31 December 2015	3,180	1,017	4,197
Accumulated amortisation	(966)	(294)	(1,260)
Carrying amount at 31 December 2015	**2,214**	**723**	**2,937**
Additions	150	4	154
Sale of subsidiary	-	(2)	(2)
Amortisation charge	(234)	(111)	(345)
Eliminated upon sale of subsidiary	-	1	1
Carrying amount at 31 December 2016	**2,130**	**615**	**2,745**
Cost at 31 December 2016	3,330	1,019	4,349
Accumulated amortisation	(1,200)	(404)	(1,604)
Carrying amount at 31 December 2016	**2,130**	**615**	**2,745**

COMPANY	***SAP system costs and related licenses***	***Other licenses***	***Total***
Cost at 1 January 2015	*3,162*	*830*	*3,992*
Accumulated amortisation	*(734)*	*(79)*	*(813)*
Carrying amount at 1 January 2015	***2,428***	***751***	***3,179***
Additions	*18*	*4*	*22*
Amortisation charge	*(232)*	*(101)*	*(333)*
Carrying amount at 31 December 2015	***2,214***	***654***	***2,868***
Cost at 31 December 2015	*3,180*	*834*	*4,014*
Accumulated amortisation	*(966)*	*(180)*	*(1,146)*
Carrying amount at 31 December 2015	***2,214***	***654***	***2,868***
Additions	*150*	*4*	*154*
Amortisation charge	*(234)*	*(102)*	*(336)*
Carrying amount at 31 December 2016	***2,130***	***556***	***2,686***
Cost at 31 December 2016	*3,330*	*838*	*4,168*
Accumulated amortisation	*(1,200)*	*(282)*	*(1,482)*
Carrying amount at 31 December 2016	***2,130***	***556***	***2,686***

(Amounts in thousands of Georgian Lari)

9 Investments in Associates

The table below summarises the movements in investment in associates and joint venture, all of which are unlisted:

	2016 Associates	2015 Associates
Carrying amount at 1 January	268	271
Share of results	26	24
Dividends received	(40)	(27)
Carrying amount at 31 December	**254**	**268**

The principal associates (all incorporated in Georgia) and their summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Total assets	Total liabilities	Revenue	Profit / (loss)	Interest held	*At cost (GEL)*
At 31 December 2015						
Tegeta Motors Meskheti LLC	632	211	146	67	34%	*96,050*
DSD Tegeta LLC	615	140	603	1	25%	*109,497*
Tegeta and L LLC	107	67	280	8	15%	*15*
At 31 December 2016						
Tegeta Motors Meskheti LLC	604	206	-	72	34%	96,050
DSD Tegeta LLC	764	309	8	11	25%	109,497
Tegeta and L LLC	312	277	281	(5)	15%	15

Investments in associates

Tegeta Motors LLC is the sole supplier for Tegeta and L LLC and has access to participate in policy-making process of this entity. Management concluded that the Company has a significant influence over this entity and it meets the definition of an associate.

Investment in joint venture – held for sale

On 27 February 2012, Tegeta Motors LLC and Gebrüder Weiss GmbH (incorporated and based in Austria) established Gebrüder Weiss LLC (the "joint venture") a limited liability company, incorporated under Georgian jurisdiction. Tegeta Motors LLC made in-kind contribution of property, plant and equipment (acquired from Tegeta Logistics LLC) in the amount of GEL 1,796 thousand and cash contribution in the amount of GEL 22 thousand into the equity of the joint venture and acquired its 40% participation interest with 50% voting rights.

On 22 January 2015, Tegeta Motors LLC concluded an agreement with Gebrüder Weiss GmbH to sell 40% shareholding in Gebrüder Weiss LLC for the consideration of EUR 2,400 thousand. The total consideration is payable in three instalments: EUR 1,600 thousand in 2015, EUR 400 thousand in 2016 and the remaining in 2017 subject to fulfilment of the Company's commitment undertaken as per the service level agreement signed between Tegeta Motors LLC and Gebrüder Weiss LLC.

(Amounts in thousands of Georgian Lari)

10 Inventories

	GROUP		*COMPANY*	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Goods for resale	37,447	33,375	*29,136*	*27,119*
Goods in transit	8,956	4,573	*7,548*	*2,676*
Other	1,716	1,289	*1,443*	*1,006*
Total inventories	**48,119**	**39,237**	***38,127***	***30,801***

The Group's and the Company's inventories were written down to their net realisable values and expensed in cost of sales in amounts of GEL 272 thousand and GEL 69 thousand respectively (2015: GEL 180 thousand and GEL 162 thousand).

At 31 December 2016 the Group's and the Company's inventories, amounting to GEL 48,119 thousand and GEL 38,127 thousand (2015: GEL 32,377 thousand and GEL 23,949 thousand) respectively, have been pledged to third parties as collateral for borrowings (refer to Note 25).

11 Trade and Other Receivables

	GROUP		*COMPANY*	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Trade receivables	20,148	16,364	*12,272*	*11,205*
Receivables from subsidiaries (Note 28)	-	-	*536*	*586*
Receivables from associates (Note 28)	112	59	*112*	*59*
Less impairment loss provision	(1,357)	(1,272)	*(733)*	*(667)*
Total financial assets within trade and other receivables	**18,903**	**15,151**	***12,187***	***11,183***
Taxes prepaid and recoverable	100	498	-	-
Finance lease receivable	237	207	-	-
Dividends receivable (Note 28)	40	28	*46*	*62*
Other receivables	31	83	*5*	-
Total trade and other receivables	**19,311**	**15,967**	***12,238***	***11,245***

Analysis by credit quality of financial assets within trade and other receivables is as follows:

	GROUP		*COMPANY*	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Current and not impaired	**6,725**	**5,904**	***6,106***	***4,923***
Past due but not impaired				
- less than 30 days overdue	4,340	2,247	*776*	*890*
- 30 to 90 days overdue	767	564	*688*	*549*
- 91 to 180 days overdue	912	914	*405*	*276*
- more than 180 days overdue	1,856	3,049	*1,699*	*2,773*
Total past due but not impaired	**7,875**	**6,774**	***3,568***	***4,488***
Past due and impaired				
- less than 30 days overdue	2,744	1,216	*1,632*	*1,169*
- 30 to 90 days overdue	1,580	1,120	*782*	*425*
- 91 to 180 days overdue	326	207	*195*	*158*
- more than 180 days overdue	1,010	1,202	*637*	*687*
Total past due and impaired	**5,660**	**3,745**	***3,246***	***2,439***
Less impairment provision	(1,357)	(1,272)	*(733)*	*(667)*
Financial assets within trade and other receivables, net	**18,903**	**15,151**	***12,187***	***11,183***

(Amounts in thousands of Georgian Lari)

11 Trade and Other Receivables (continued)

Movements in the impairment provision are as follows:

	GROUP		*COMPANY*	
	2016	**2015**	***2016***	***2015***
Provision for impairment at 1 January	**1,272**	**1,244**	***667***	***698***
Provision for/(recovery of) impairment	288	35	*66*	*(31)*
Amounts written-off as uncollectible	-	(7)	-	-
Sale of subsidiary	(203)	-	-	-
Provision for impairment at 31 December	**1,357**	**1,272**	***733***	***667***

12 Rent Prepaid

On 4 April 2014, Toyota Centre Tegeta LLC concluded the agreement with Omar Pkhakadze Velodrom LLC to rent a land plot located on Universiteti Street (Vake-Saburtalo district, Tbilisi) for twenty-year period with right to construct and operate Toyota service centre. Omar Pkhakadze Velodrom LLC was incorporated in 2000 under Georgian jurisdiction and is wholly owned by Sport-Business LLC, which is 100% owned by Sandro Tskhadadze - the son of one of the owners of the Company.

Total amount of rent for the whole period is GEL 2,460 thousand out of which GEL 830 thousand was paid in 2013, GEL 1,398 thousand in 2014 and the remainder amount of GEL 232 thousand is payable on maturity. Rent expense of GEL 123 thousand is written down during the year and included in general and administrative expenses (2015: GEL 123 thousand) (refer to Note 20).

13 Cash and Cash Equivalents

	GROUP		*COMPANY*	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Cash on hand	445	357	*438*	*340*
Bank balances payable on demand	4,773	4,308	*1,804*	*2,076*
Restricted cash	85	88	*56*	-
Cash in transit	140	327	*140*	*327*
Total cash and cash equivalents	**5,443**	**5,080**	***2,438***	***2,743***

Major cash and cash equivalents balances are held by the Group with reputable Georgian commercial banks TBC Bank and Bank of Georgia, both banks having Standard and Poor's and Fitch rating of BB-. Cash and cash equivalent balances are neither past due nor impaired. The Company does not expect any counterparty to fail to meet its obligations.

14 Borrowings

	GROUP		*COMPANY*	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Bank loans – principal	39,665	44,181	*18,490*	*25,620*
Finance lease liabilities	110	-	*110*	-
Non-current liabilities	**39,775**	**44,181**	***18,600***	***25,620***
Bank loans – principal	46,394	31,651	*35,466*	*20,167*
Bank loans – interest accrued	323	220	*157*	*96*
Owner's loan – principal	162	162	-	-
Owner's loan – interest accrued	124	90	-	-
Finance lease liabilities	246	-	*246*	-
Other related party loan	-	-	-	*547*
Bank overdraft	2,820	1,863	*33*	*748*
Current liabilities	**50,069**	**33,986**	***35,902***	***21,558***
Total borrowings	**89,844**	**78,167**	***54,502***	***47,178***

14 Borrowings (continued)

Owner's loan. On 24 April 2012, Tegeta Premium Vehicles LLC concluded the loan agreement with Mr. Temur Kokhodze (major owner) for a total amount of GEL 363 thousand at an annual interest rate of 20%.

Bank overdraft. Tegeta Truck and Bus LLC and Tegeta Premium Vehicles LLC signed overdraft credit facilities with TBC Bank denominated in USD and JPY currencies as of 31 December 2016, and utilized, GEL 2,990 thousand and GEL 1,989 thousand of bank overdrafts, respectively (2015: GEL 454 thousand and GEL 669 thousand respectively). Tegeta Motors LLC did not utilize any bank overdrafts in 2016 (2015: GEL 748 thousand).

Finance lease liabilities. On 27 May 2016 Tegeta Motors LLC entered into a leasing agreement with JSC TBC Leasing for purchase of two vehicles. The lease commenced on 9 November 2016 and amounted to USD 211 thousand (GEL 519 thousand).

Bank loans. The table below summarises outstanding loans from JSC TBC Bank as at 31 December 2016:

Borrower	Contractual amount(1)	Original currency	Agreement/ amendment date	Maturity date	Contractual interest p.a.
Tegeta Motors LLC	11,000	USD	09-06-2016	22-11-2019	7.1%(2)
Tegeta Motors LLC	11,000	USD	09-06-2016	22-11-2019	7.1%(2)
Tegeta Motors LLC	435	USD	15-01-2016	15-01-2017	8.0%(2)
Tegeta Motors LLC	765	USD	01-02-2016	09-02-2017	8.0%(2)
Tegeta Motors LLC	3,800	USD	26-01-2016	26-01-2017	8.0%(2)
Tegeta Motors LLC	1,000	USD	18-02-2016	18-02-2017	8.0%(2)
Tegeta Motors LLC	3,600	USD	04-04-2016	04-04-2017	8.0%(2)
Tegeta Motors LLC	3,800	USD	14-11-2016	14-11-2017	8.0%(2)
Tegeta Motors LLC	765	USD	14-11-2016	14-11-2017	8.0%(2)
Tegeta Motors LLC	500	USD	20-12-2016	20-09-2017	8.0%(2)
Toyota Center Tegeta LLC	8,000	USD	07-04-2016	07-04-2026	8.0%(3)
Toyota Center Tegeta LLC	1,000	USD	28-04-2016	15-04-2017	9.0%(3)
Toyota Center Tegeta LLC	1,500	USD	29-06-2016	20-06-2017	9.0%(3)
Tegeta Premium Vehicles LLC	7,144	JPZ	07-04-2016	10-03-2017	8.0%(4)
Tegeta Premium Vehicles LLC	30,735	JPZ	11-05-2016	05-04-2017	8.0%(4)
Tegeta Premium Vehicles LLC	16,833	JPZ	14-06-2016	08-05-2017	8.0%(4)
Tegeta Premium Vehicles LLC	99	EUR	31-08-2016	15-02-2017	9.0%(2)
Tegeta Premium Vehicles LLC	8,940	JPZ	13-09-2016	02-08-2017	8.0%(4)
Tegeta Premium Vehicles LLC	222	EUR	09-11-2016	16-12-2017	9.0%(2)
Tegeta Premium Vehicles LLC	110	EUR	30-11-2016	15-01-2017	9.0%(2)
Tegeta Premium Vehicles LLC	18,549	JPZ	21-10-2016	30-08-2017	8.0%(4)
Tegeta Premium Vehicles LLC	8,239	JPZ	06-12-2016	28-10-2017	8.0%(4)
Tegeta Premium Vehicles LLC	1,080	EUR	16-12-2014	16-12-2017	9.0%(2)
Tegeta Truck and Bus LLC	597	EUR	10-02-2016	16-12-2017	8.0%(2)
Tegeta Truck and Bus LLC	124	EUR	30-05-2016	02-02-2017	8.0%(2)
Tegeta Truck and Bus LLC	200	USD	11-08-2016	11-02-2017	8.0%(2)
Tegeta Truck and Bus LLC	186	USD	12-07-2016	27-01-2017	4.0%(4)
Tegeta Truck and Bus LLC	100	USD	29-09-2016	29-03-2017	8.0%(2)
Tegeta Truck and Bus LLC	80	USD	07-11-2016	07-05-2017	8.0%(2)
Tegeta Truck and Bus LLC	58	USD	16-11-2016	15-02-2017	8.0%(2)
Tegeta Truck and Bus LLC	52	EUR	30-11-2016	25-07-2017	8.0%(2)
Tegeta Truck and Bus LLC	380	USD	30-11-2016	25-07-2017	8.0%(2)
Tegeta Truck and Bus LLC	336	USD	09-11-2016	30-05-2017	7.5%(4)
Tegeta Truck and Bus LLC	200	USD	14-12-2016	01-04-2017	8.0%(2)
Tegeta Construction Equipment LLC	86	GBP	23-06-2016	23-06-2017	8.0%(2)
Tegeta Construction Equipment LLC	70	EUR	07-11-2016	07-05-2017	8.0%(2)
Tegeta Construction Equipment LLC	23	EUR	16-11-2016	26-05-2017	8.0%(2)
Tegeta Construction Equipment LLC	170	GEL	29-12-2016	01-07-2017	12.0%
Tegeta Construction Equipment LLC	75	GBP	21-12-2016	01-07-2017	8.0%(2)
Tegeta Construction Equipment LLC	39	GBP	21-12-2016	21-07-2017	8.0%(2)
Tegeta Construction Equipment LLC	95	GBP	21-12-2016	21-08-2017	8.0%(2)

(1) – Contractual amounts are stated in thousands; (2) – Plus US Dollar three month LIBOR; (3) Plus US Dollar one year LIBOR; (4) – Utilised credit related commitment.

For details of assets pledged for bank loans as collateral refer to Note 25.

(Amounts in thousands of Georgian Lari)

14 Borrowings (continued)

Movements in borrowings were as follows:

GROUP	**Bank loans and overdraft**	**Owner's loan**	**Other related party loan**	**Total**
At 1 January 2015	**66,337**	**219**	**16**	**66,572**
Additions during the year	52,825	-	187	53,012
Interest expense	6,547	33	2	6,582
Interest payments	(6,507)	-	(3)	(6,510)
Principal repayments	(58,840)	-	(202)	(59,042)
Translation difference	17,553	-	-	17,553
At 31 December 2015	**77,915**	**252**	**-**	**78,167**
Additions during the year	75,979	-	-	75,979
Interest expense	7,210	34	-	7,244
Interest payments	(7,093)	-	-	(7,093)
Principal repayments	(72,820)	-	-	(72,820)
Translation difference	8,367	-	-	8,367
At 31 December 2016	**89,558**	**286**	**-**	**89,844**

COMPANY	***Bank loans and overdraft***	***Other related party loan***	***Total***
At 1 January 2015	***40,282***	***-***	***40,282***
Additions during the year	*33,934*	*985*	*34,919*
Interest expense	*4,057*	*48*	*4,105*
Interest payments	*(4,057)*	*-*	*(4,057)*
Principal repayments	*(38,686)*	*(486)*	*(39,172)*
Translation difference	*11,101*	*-*	*11,101*
At 31 December 2015	***46,631***	***547***	***47,178***
Additions during the year	*33,539*	*-*	*33,539*
Interest expense	*4,387*	*-*	*4,387*
Interest payments	*(4,322)*	*(47)*	*(4,369)*
Principal repayments	*(31,062)*	*(500)*	*(31,562)*
Translation difference	*5,329*	*-*	*5,329*
At 31 December 2016	***54,502***	***-***	***54,502***

The carrying value of the borrowings approximate to their fair values.

	GROUP		***COMPANY***	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Georgian Lari	458	261	*2*	*550*
US Dollar	85,030	73,941	*54,494*	*46,096*
Euro	2,128	2,909	*2*	*532*
Great Britain Pound	824	387	*-*	*-*
Japanese Yen	1,400	669	*-*	*-*
Russian Ruble	4	-	*4*	*-*
Total borrowings	**89,844**	**78,167**	***54,502***	***47,178***

(Amounts in thousands of Georgian Lari)

15 Trade and Other Payables

	GROUP		*COMPANY*	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Trade payables	20,114	17,036	*16,834*	*14,971*
Payables to subsidiaries (Note 28)	-	-	*335*	*5,852*
Payables to associates (Note 28)	24	51	*24*	*51*
Payables for non-current assets	994	137	*1,146*	*50*
Dividends payable (Note 24, 28)	763	2,201	*763*	*2,193*
Total financial liabilities within trade and other payables	**21,895**	**19,425**	***19,102***	***23,117***
Accrued employee benefit costs	1,708	1,485	*1,409*	*1,228*
Provisions for liabilities and charges	445	396	*246*	*240*
Other	33	152	*1*	-
Total trade and other payables	**24,081**	**21,458**	***20,758***	***24,585***

Payables to subsidiaries as of 31 December 2015 include GEL 5,302 thousand including VAT due to Tegeta Motors Kutaisi LLC for purchase of land and buildings acquired in December 2015 (refer to Note 7).

16 Revenues

	GROUP		*COMPANY*	
	2016	**2015**	***2016***	***2015***
Revenue from sales of goods	255,573	218,062	*147,928*	*127,026*
Revenue from rendered services	16,405	14,946	*14,327*	*13,098*
Total revenues	**271,978**	**233,008**	***162,255***	***140,124***

Starting from September 2013, the Company runs a loyalty programme where customers earned points for purchasing goods or services, which could be exchanged for goods. In 2016 the Company management decided to discontinue the loyalty programme, which resulted in utilization of deferred revenue balance as at 31 December 2016. As a result, GEL 809 thousand was released to the income statement as Revenue from sales of goods, out of which GEL 306 thousand is the accumulated number of earned, but not used points before 2016.

17 Cost of Sales

	GROUP		*COMPANY*	
	2016	**2015**	***2016***	***2015***
Cost of goods sold	(204,273)	(174,025)	*(107,500)*	*(91,605)*
Cost of services rendered:				
Staff costs	(9,709)	(8,351)	*(8,471)*	*(7,373)*
Depreciation charge	(1,550)	(1,550)	*(1,216)*	*(1,297)*
Spare parts used	(722)	(704)	*(570)*	*(720)*
Purchased services	(684)	(450)	*(693)*	*(382)*
Repair and maintenance	(91)	(103)	*(91)*	*(97)*
Other costs	(409)	(370)	*(298)*	*(285)*
Total cost of sales	**(217,438)**	**(185,553)**	***(118,839)***	***(101,759)***

(Amounts in thousands of Georgian Lari)

18 Gross Margins by Products and Services

The Group's gross margins by products and services for the years ended 31 December 2016 and 2015 were as follows:

Products and services	**2016** Revenue	Cost of sales	**Gross margin**		**2015** Revenue	Cost of sales	**Gross margin**	
Auto tyres	56,775	(45,641)	**11,134**	**20%**	48,494	(38,373)	**10,121**	**21%**
Lubricants	34,025	(23,542)	**10,483**	**31%**	29,908	(20,908)	**9,000**	**30%**
Spare parts	43,651	(28,345)	**15,306**	**35%**	37,130	(23,964)	**13,166**	**35%**
Accumulators	12,603	(9,122)	**3,481**	**28%**	10,199	(7,702)	**2,497**	**24%**
Tools and equipment	8,100	(6,035)	**2,065**	**25%**	6,600	(4,679)	**1,921**	**29%**
Heavy vehicles	15,571	(13,558)	**2,013**	**13%**	15,910	(13,720)	**2,190**	**14%**
Passenger vehicles	89,848	(83,059)	**6,789**	**8%**	72,264	(66,781)	**5,483**	**8%**
Automotive services	16,272	(13,142)	**3,130**	**19%**	14,543	(11,723)	**2,820**	**19%**
Other services	248	(109)	**139**	**56%**	1,230	(973)	**257**	**21%**
Eliminations	(5,115)	5,115	-	-	(3,270)	3,270	-	-
Total	**271,978**	**(217,438)**	**54,540**	**20%**	**233,008**	**(185,553)**	**47,455**	**20%**

Other services primarily include public transportation and international freight forward services.

19 Other Operating Income

	GROUP 2016	**GROUP 2015**	***COMPANY 2016***	***COMPANY 2015***
Agency fee	655	126	-	-
Gain on sale of subsidiary (Note 1)	395	-	*50*	-
Trade payables forgiven	128	122	*74*	*71*
Insurance claim reimbursement	112	94	*87*	*76*
Operating lease income	93	380	*407*	*411*
Income from storage services	64	50	*60*	*49*
Dividend income	40	27	*1,835*	*601*
Income from penalties	36	13	*9*	*10*
Gain on disposal of property, plant and equipment (Note 7)	16	236	-	*126*
Recovery of impairment on issued loans	-	-	*527*	*441*
Gain on disposal of investment in joint venture held for sale	-	4,378	-	*2,767*
Reversal of impairment on trade and other receivables	-	-	-	*31*
Other	243	320	*361*	*377*
Total other operating income	**1,782**	**5,746**	***3,410***	***4,960***

MAN Truck and Bus AG entered into a contract based on a tender announced by Tbilisi City Hall for supply of 143 new buses. Tegeta Truck and Bus LLC is entitled to a commission of EUR 5,736 per bus delivered by MAN. Agency fee includes commission for 41 buses delivered by the end of 2016.

20 General and Administrative Expenses

	GROUP 2016	**GROUP 2015**	***COMPANY 2016***	***COMPANY 2015***
Staff costs	(16,482)	(14,163)	(14,066)	(12,317)
Rent expense (Note 12)	(2,910)	(2,943)	(3,000)	(3,240)
Depreciation and amortisation	(2,572)	(2,716)	(1,898)	(1,886)
Taxes other than on income	(1,377)	(1,715)	(1,015)	(1,260)
Office expense	(1,064)	(1,003)	(836)	(723)
Professional services	(955)	(871)	(906)	(836)
Utility	(914)	(925)	(771)	(692)
Business trip expense	(534)	(376)	(419)	(285)
Security	(351)	(393)	(314)	(353)
Communication expense	(289)	(231)	(264)	(196)
Repair and maintenance	(283)	(160)	(252)	(124)
Bank charges	(235)	(202)	(197)	(169)
Fuel expense	(119)	(136)	(117)	(126)
Other expenses	(342)	(298)	(269)	(191)
Total general and administrative expenses	**(28,427)**	**(26,132)**	***(24,324)***	***(22,398)***

(Amounts in thousands of Georgian Lari)

21 Other Operating Expenses

	GROUP		*COMPANY*	
	2016	**2015**	***2016***	***2015***
Prepayment and bad debt write-off	(631)	-	*(594)*	-
Issued loan write-off	(565)	-	-	-
Impairment loss on trade and other receivables	(288)	(35)	*(66)*	-
Fines and penalties and other tax related expenses	(119)	(340)	*(107)*	*(133)*
Tender participation expenses	(70)	(49)	*(69)*	*(49)*
Charity expenses	(61)	(28)	*(61)*	*(16)*
Charge for warranty provision	(43)	(61)	-	-
Impairment loss on investments (Note 1)	-	-	*(527)*	*(570)*
Loss on disposal of property, plant and equipment (Note 7)	-	-	*(12)*	-
Impairment of investment property (Note 7)	-	(535)	-	-
Other	(376)	(323)	*(248)*	*(223)*
Total other operating expenses	**(2,153)**	**(1,371)**	***(1,684)***	***(991)***

22 Finance Costs

	GROUP		*COMPANY*	
	2016	**2015**	***2016***	***2015***
Interest expense (Note 14)	(7,244)	(6,582)	*(4,387)*	*(4,105)*
Foreign exchange losses	(11,346)	(20,913)	*(7,987)*	*(14,429)*
Other expenses	(1,665)	(179)	*(873)*	*(104)*
Total finance costs	**(20,255)**	**(27,674)**	***(13,247)***	***(18,638)***

Other expenses of the Group include GEL 1,450 thousand commission expense paid to JSC TBC Bank for approval of general agreement on guarantees and letters of credit with a limit of USD 10 million (Company GEL 750 thousand).

23 Income Taxes

	GROUP		*COMPANY*	
	2016	**2015**	***2016***	***2015***
Current tax	(671)	(617)	*(399)*	*(166)*
Deferred tax	6,111	(1,331)	*5,054*	*(36)*
Income tax credit/(expense) for the year	**5,440**	**(1,948)**	***4,655***	***(202)***

The income tax rate applicable to the Group income is 15%. Reconciliation between the expected and the actual taxation charge is provided below.

	GROUP		*COMPANY*	
	2016	**2015**	***2016***	***2015***
Profit/(loss) before tax	**1,956**	**(5,281)**	***5,060***	***(367)***
Theoretical tax (expense)/credit at statutory rate of 15%:	(293)	792	*(759)*	*55*
Tax effect of items which are not deductible or assessable for taxation purposes:				
- Income which is exempt from taxation	-	295	-	*82*
- Non-deductible expenses	(378)	(207)	-	*(258)*
- Imputed taxable benefit	-	(100)	*360*	*(94)*
- Over/(under) provision of current tax in prior years	-	13	-	*13*
- Unrecognised tax loss carried forward	-	(2,741)	-	-
Re-measurement of deferred tax due to changes in tax law	6,111	-	*5,054*	-
Income tax credit/(expense) for the year	**5,440**	**(1,948)**	***4,655***	***(202)***

(Amounts in thousands of Georgian Lari)

23 Income Taxes (continued)

To comply with newly enacted law (Note 4), management decided not to recognise deferred tax balances derived from 2016 financial year and derecognise previously recognised net deferred tax liability of GEL 6,111 thousand (Company: GEL 5,054 thousand).

The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 15%.

GROUP	**31 December 2015**	**Credited/(charged) to profit or loss**	**31 December 2016**
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
PPE, IP&IAs*	(7,388)	7,388	-
Trade and other receivables	190	(190)	-
Trade and other payables	528	(528)	-
Inventories	274	(274)	-
Issued loans	99	(99)	-
Tax loss carried forward	186	(186)	-
Net deferred tax liability	**(6,111)**	**6,111**	**-**
Recognised deferred tax asset	409	(409)	-
Recognised deferred tax liability	(6,520)	6,520	-
Net deferred tax liability	**(6,111)**	**6,111**	**-**

(*) PPE, IP&IAs - property, plant, equipment, investment property and intangible assets.

GROUP	**31 December 2014**	**Credited/(charged) to profit or loss**	**31 December 2015**
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
PPE, IP&IAs*	(7,961)	573	(7,388)
Trade and other receivables	187	3	190
Trade and other payables	453	75	528
Inventories	263	11	274
Issued loans	59	40	99
Tax loss carried forward	2,219	(2,033)	186
Net deferred tax liability	**(4,780)**	**(1,331)**	**(6,111)**
Recognised deferred tax asset	638	(229)	409
Recognised deferred tax liability	(5,418)	(1,102)	(6,520)
Net deferred tax liability	**(4,780)**	**(1,331)**	**(6,111)**

COMPANY	***31 December 2015***	***Credited/(charged) to profit or loss***	***31 December 2016***
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
*PPE, IP&IAs**	*(5,849)*	*5,849*	*-*
Trade and other receivables	*100*	*(100)*	*-*
Trade and other payables	*412*	*(412)*	*-*
Issued loans	*84*	*(84)*	*-*
Inventories	*199*	*(199)*	*-*
Net deferred tax liability	***(5,054)***	***5,054***	***-***

(Amounts in thousands of Georgian Lari)

23 Income Taxes (continued)

COMPANY	*31 December 2014*	*Credited/(charged) to profit or loss*	*31 December 2015*
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
*PPE, IP&IAs**	*(5,754)*	*(95)*	*(5,849)*
Trade and other receivables	*105*	*(5)*	*100*
Trade and other payables	*384*	*28*	*412*
Issued loans	*56*	*28*	*84*
Inventories	*191*	*8*	*199*
Net deferred tax liability	***(5,018)***	***(36)***	***(5,054)***

(*) PPE, IP&IAs - property, plant, equipment, investment property and intangible assets.

24 Charter Capital

The Company’s authorised and fully contributed charter capital as of 31 December 2015 was GEL 4,133 thousand consisting of cash contribution of 448 thousand (USD 250 thousand) and in kind contribution of GEL 3,685 thousand.

Movements in dividend payable were as follows:

	2016	**2015**
Dividends payable at 1 January	**2,193**	**1,750**
Dividends declared during the year	1,500	4,250
Dividends paid during the year	(2,930)	(3,807)
Dividends payable at 31 December	**763**	**2,193**

All dividends are declared and paid in Georgian Lari.

25 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in the financial statements.

Tax legislation. The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the consolidated and separate financial statements, if the authorities were successful in enforcing their own interpretations, could be significant.

As of the date of these financial statements, the Government of Georgia has enacted the changes in the Tax Code of Georgia effective from 1 January 2017 that may impact the recognition and measurement principles of the Company’s income tax. The planned changes may also impact the Company’s deferred income tax assets/liabilities after the enforcement of enacted changes.

25 Contingencies and Commitments (continued)

Capital expenditure commitments. Per land acquisition agreement signed on 3 November 2010 between Tegeta Motors LLC and Georgian Government, the Company took a contractual investment commitment to make a capital expenditure of GEL 500 thousand on the land plot located in Kutaisi, Akhalgazrdoba Street before 31 December 2011. On 17 July 2015, the Company signed an addendum to the above agreement to prolong the maturity till 31 December 2015 which was fulfilled by 1 December 2015 and filed at the National Agency of State Property which on 26 February 2016 confirmed the validity of commitment being accomplished. Under this addendum the Company was committed to make further GEL 500 thousand as an investment in another location in Kutaisi (Nikea Street) before 1 September 2016. The commitment was fulfilled by 1 September 2016 and filed at the National Agency of State Property, which on 16 November 2016 confirmed the validity of commitment being accomplished.

Assets pledged and restricted. The following assets were pledged as collateral towards the borrowings from banks (Note 14):

	GROUP		***COMPANY***	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Land and buildings (Notes 7,14)	52,227	50,088	44,480	*42,202*
Machinery and equipment (Notes 7,14)	3,116	3,949	1,198	*1,461*
Inventories (Notes 10,14)	48,119	32,377	38,127	*23,949*

Environmental matters. The enforcement of environmental regulation in Georgia is evolving and the enforcement position of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Guarantees. Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The following guarantees were issued in thousands of US Dollars:

		31 December 2016		**31 December 2015**	
Issuer	**Beneficiary - related parties**	**Maximum exposure**	**Amounts at risk**	**Maximum exposure**	**Amounts at risk**
Tegeta Truck and Bus LLC	Tegeta Motors LLC	50,000	20,520	50,000	19,700
Tegeta Construction Equipment LLC	Tegeta Motors LLC	50,000	20,520	50,000	19,700
Tegeta Premium Vehicles LLC	Tegeta Motors LLC	50,000	20,520	50,000	19,700
Tegeta Construction Equipment LLC	Tegeta Truck and Bus LLC	50,000	1,567	-	-
Tegeta Construction Equipment LLC	Tegeta Premium Vehicles LLC	50,000	1,330	-	-
Tegeta Premium Vehicles LLC	Tegeta Truck and Bus LLC	20,000	1,567	-	-
Tegeta Motors LLC	Toyota Center Tegeta LLC	10,500	10,456	10,500	11,167
Tegeta Truck and Bus LLC	Tegeta Premium Vehicles LLC	10,000	1,330	10,000	2,000
Tegeta Motors LLC	Tegeta Premium Vehicles LLC	5,200	1,330	5,200	2,000
Tegeta Motors LLC	Transcaucasian Distribution Company LLC	1,200	679	1,300	932
Tegeta Motors LLC	Tegeta Truck and Bus LLC	1,300	1,567	1,300	233
Tegeta Truck and Bus LLC	Tegeta Construction Equipment LLC	1,000	495	1,000	162

The amounts at risk in the above table discloses the nominal principal amounts of guarantees should beneficiaries default and contracts be drawn upon. Management believes that a significant portion of guarantees will expire without being drawn upon, therefore the total of the contractual amounts is not representative of future liquidity requirements.

(Amounts in thousands of Georgian Lari)

25 Contingencies and Commitments (continued)

Compliance with covenants. The Group is subject to certain covenants related primarily to its bank loans (refer to Note 14). Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. On 31 December 2016, the Group received the waiver from JSC TBC Bank on breach of certain covenants, which was not considered by the bank as pre-condition of default defined per respective loan agreement. The waiver was given till 31 December 2017.

26 Financial Risk Management

The risk management function within the Group 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 operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. Credit risk is the risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's and the Company's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position.

	GROUP		***COMPANY***	
	31 December 2016	**31 December 2015**	***31 December 2016***	***31 December 2015***
Trade receivables, gross (Note 11)	20,260	16,423	12,920	*11,850*
Loans issued	1,108	412	1,857	*3,572*
Cash and cash equivalents (Note 13)	5,443	5,080	2,438	*2,743*
Total maximum exposure to credit risk	**26,811**	**21,915**	***17,215***	***18,165***

The Company's management review ageing analysis of outstanding trade receivables and follows up on past due balances.

Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 11. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group and the Company use the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Credit risks concentration. The Group has no significant concentrations of credit risk since the customers portfolio is diversified among a large number of customers, both private individuals and companies. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to beyond the provisions already recorded in the consolidated and separate financial statements.

Market risk. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing liabilities all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

(Amounts in thousands of Georgian Lari)

26 Financial Risk Management (continued)

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly. The table below summarises the Group's and the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2016			31 December 2015		
GROUP	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
Georgian Lari	18,396	(5,373)	13,023	14,143	(2,217)	11,926
US Dollars	1,058	(95,195)	(94,137)	3,422	(81,487)	(78,065)
Euros	5,745	(7,481)	(1,736)	2,937	(12,170)	(9,233)
Pound Sterling	137	(1,973)	(1,836)	7	(968)	(961)
Other	118	(1,717)	(1,599)	134	(750)	(616)
Total	**25,454**	**(111,739)**	**(86,285)**	**20,643**	**(97,592)**	**(76,949)**

	31 December 2016			*31 December 2015*		
Company	***Monetary financial assets***	***Monetary financial liabilities***	***Net balance sheet position***	***Monetary financial assets***	***Monetary financial liabilities***	***Net balance sheet position***
Georgian Lari	*12,685*	*(4,179)*	*8,506*	*14,086*	*(8,013)*	*6,073*
US Dollars	*323*	*(63,564)*	*(63,241)*	*837*	*(52,809)*	*(51,972)*
Euros	*3,468*	*(4,775)*	*(1,307)*	*2,575*	*(9,160)*	*(6,585)*
Pound Sterling	*6*	*(4)*	*2*	*-*	*(231)*	*(231)*
Other	*-*	*(319)*	*(319)*	*-*	*(82)*	*(82)*
Total	***16,482***	***(72,841)***	***(56,359)***	***17,498***	***(70,295)***	***(52,797)***

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Group and the Company with all other variables held constant:

	GROUP		***COMPANY***	
	2016	**31 December 2016**	***2016***	***31 December 2016***
	Impact on profit or loss	**Impact on equity**	***Impact on profit or loss***	***Impact on equity***
US Dollar strengthening by 10%	(9,414)	(8,002)	*(6,324)*	*(5,375)*
US Dollar weakening by 10%	9,414	8,002	*6,324*	*5,375*
Euro strengthening by 10%	(174)	(148)	*(131)*	*(111)*
Euro weakening by 10%	174	148	*131*	*111*

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity. The Group's and the Company's exposure to currency risk at the end of the reporting period is not representative of the typical exposure during the year.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's and the Company's exposure to interest rate risks. The table presents the aggregated amounts of the financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest, repricing or maturity dates.

(Amounts in thousands of Georgian Lari)

26 Financial Risk Management (continued)

GROUP	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2015						
Total financial assets	20,643	-	-	-	-	20,643
Total financial liabilities	(24,828)	(7,685)	(21,805)	(40,064)	(3,210)	(97,592)
Net interest sensitivity gap at 31 December 2015	**(4,185)**	**(7,685)**	**(21,805)**	**(40,064)**	**(3,210)**	**(76,949)**
31 December 2016						
Total financial assets	25,454	-	-	-	-	25,454
Total financial liabilities	(29,317)	(25,467)	(16,417)	(26,241)	(13,534)	(110,976)
Net interest sensitivity gap at 31 December 2016	**(3,863)**	**(25,467)**	**(16,417)**	**(26,241)**	**(13,534)**	**(85,522)**

The Company does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the business.

COMPANY	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
31 December 2015						
Total financial assets	*17,498*	-	-	-	-	*17,498*
Total financial liabilities	*(26,787)*	*(4,653)*	*(13,056)*	*(25,799)*	-	*(70,295)*
Net interest sensitivity gap at 31 December 2015	***(9,289)***	***(4,653)***	***(13,056)***	***(25,799)***	**-**	***(52,797)***
31 December 2015						
Total financial assets	16,482	-	-	-	-	16,482
Total financial liabilities	(24,509)	(15,411)	(14,321)	(18,600)	-	(72,841)
Net interest sensitivity gap at 31 December 2015	**(8,027)**	**(15,411)**	**(14,321)**	**(18,600)**	**-**	**(56,359)**

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the cash flows.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to banks. Liquidity portfolio comprises cash and cash equivalents (Note 13). Management estimates that the liquidity portfolio of cash and bank deposits can be realised in cash within a day in order to meet unforeseen liquidity requirements.

The table below shows liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

(Amounts in thousands of Georgian Lari)

26 Financial Risk Management (continued)

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

GROUP	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Borrowings	8,833	16,119	28,909	34,504	16,585	104,950
Trade and other payables	21,132	-	-	-	-	21,132
Total future payments	**29,965**	**16,119**	**28,909**	**34,504**	**16,585**	**126,082**

COMPANY	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Total*
Borrowings	6,567	7,919	23,580	20,156	58,222
Trade and other payables	18,339	-	-	-	18,339
Total future payments	**24,906**	**7,919**	**23,580**	**20,156**	**76,561**

The maturity analysis of financial liabilities at 31 December 2015 is as follows:

GROUP	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Borrowings	5,277	9,611	13,592	17,553	34,216	80,249
Trade and other payables	19,425	-	-	-	-	19,425
Total future payments	**24,702**	**9,611**	**13,592**	**17,553**	**34,216**	**99,674**

COMPANY	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Total*
Borrowings	*5,891*	*6,464*	*11,596*	*26,809*	*50,760*
Trade and other payables	*23,117*	-	-	-	*23,117*
Total future payments	***29,008***	***6,464***	***11,596***	***26,809***	***73,877***

The Company does not have formal objectives set in respect with management of capital.

27 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(Amounts in thousands of Georgian Lari)

27 Fair Value of Financial Instruments (continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2016				**31 December 2015**			
GROUP	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
Assets								
- Cash and cash equivalents	5,443	-	-	5,443	5,080	-	-	5,080
- Trade receivables	-	18,903	-	18,903	-	15,151	-	15,151
- Issued loans	-	-	1,108	1,108	-	-	412	412
- Investment property	-	-	-	-	-	700	-	700
Total assets	**5,443**	**18,903**	**1,108**	**25,454**	**5,080**	**15,851**	**412**	**21,343**
Liabilities								
- Trade payables	-	21,895	-	21,895	-	19,425	-	19,425
- Borrowings	-	-	66,572	66,572	-	-	66,572	66,572
Total liabilities	**-**	**21,895**	**66,572**	**88,467**	**-**	**19,425**	**66,572**	**85,997**

	31 December 2016				***31 December 2015***			
COMPANY	***Level 1***	***Level 2***	***Level 3***	***Carrying value***	***Level 1***	***Level 2***	***Level 3***	***Carrying value***
Assets								
- Cash and cash equivalents	*2,438*	*-*	*-*	*2,438*	*2,743*	*-*	*-*	*2,743*
- Trade receivables	*-*	*12,187*	*-*	*12,187*	*-*	*11,183*	*-*	*11,183*
- Issued loans	*-*	*-*	*1,857*	*1,857*	*-*	*-*	*3,572*	*3,572*
- Investment property	*-*	*-*	*-*	*-*	*-*	*700*	*-*	*700*
Total assets	***2,438***	***12,187***	***1,857***	***16,482***	***2,743***	***11,883***	***3,572***	***18,198***
Liabilities								
- Trade payables	*-*	*19,102*	*-*	*19,102*	*-*	*23,117*	*-*	*23,117*
- Borrowings	*-*	*-*	*54,502*	*54,502*	*-*	*-*	*40,282*	*40,282*
Total liabilities	***-***	***19,102***	***54,502***	***73,604***	***-***	***23,117***	***40,282***	***63,399***

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique except for investment property for which comparable market prices have been used. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Fair value of held-to-maturity investments was determined based on quoted bid prices.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade payables and other financial liabilities approximate fair values due to their short term maturities.

(Amounts in thousands of Georgian Lari)

28 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2016, the outstanding balances with related parties were as follows:

	Owners	**Key management**	***Subsidiaries***	**Associates**	**Other related parties**
Trade receivables (Note 11)	856	-	*536*	112	375
Less impairment loss provision	(14)	-	-	-	(247)
Loans issued	1,575	-	*754*	-	767
Less provision for loan impairment	(1,425)	-	-	-	-
Borrowings (Note 14)	97	-	-	-	-
Trade and other payables (Note 15)	-	-	*335*	24	642
Dividends receivable (Note 11)	-	-	*6*	40	-
Dividends payable (Note 15)	763	-	-	-	-
Salary payable	-	333	-	-	-

At 31 December 2015, the outstanding balances with related parties were as follows:

	Owners	**Key management**	***Subsidiaries***	**Associates**	**Other related parties**
Trade receivables (Note 11)	68	-	*586*	59	268
Less impairment loss provision	(7)	-	-	-	(397)
Prepayments (Note 12)	-	-	-	-	8
Loans issued	1,325	-	*3,609*	-	670
Less provision for loan impairment	(1,325)	-	*(444)*	-	(320)
Borrowings (Note 14)	251	-	*547*	-	-
Trade and other payables (Note 15)	38	-	*5,852*	51	2,715
Advances received	-	-	-	-	34
Dividends receivable (Note 11)	-	-	*34*	28	-
Dividends payable (Note 15)	2,193	-	-	-	-
Salary payable	-	182	-	-	-

The management of the Group assessed issued loan to Tina Kokhodze-owner for impairment and provided impairment charge of GEL 1,425 thousand due to remote probability of recovery in the future (2015: 1,325 thousand) (Note 21).

Loans issued to subsidiaries as of 31 December 2016 include GEL 754 thousand receivable from Toyota Centre Tegeta LLC, with accrued interest of GEL 54 thousand.

Loans issued to subsidiaries as of 31 December 2015 include GEL 1,970 thousand receivable from Tegeta Motors Kutaisi LLC, with accrued interest of GEL 1,195 thousand and GEL 444 thousand receivable from Tegeta Premium Vehicles LLC.

(Amounts in thousands of Georgian Lari)

28 Balances and Transactions with Related Parties (continued)

The transaction amounts with related parties for the year ended 31 December 2016 were as follows:

	Owners	**Key management**	***Subsidiaries***	**Associates**	**Other related parties**
Sale of goods	12	14	793	311	493
Revenue from services rendered	12	5	332	3	29
Rental income	-	-	304	-	10
Purchases of goods for resale	-	-	(1,755)	-	(6,766)
Recovery of loans issued (Note 19)	-	-	*527*	-	-
Purchases of other services	-	-	*(23)*	-	(203)
Rent expense (Note 20)	-	-	(230)	(281)	-
Salaries	-	(664)	-	-	-
Short-term bonuses	-	(854)	-	-	-
Interest income	196	-	158	-	72
Interest expense	(32)	-	-	-	-
Share of results (Note 9)	-	-	-	26	-
Dividend income (Notes 9,19)	-	-	*1,795*	40	-
Dividends received	-	-	-	40	-
Dividends paid (Note 24)	(2,930)	-	-	-	-

The transaction amounts with related parties for the year ended 31 December 2015 were as follows:

	Owners	**Key management**	***Subsidiaries***	**Associates**	**Other related parties**
Sale of goods	44	4	*653*	198	322
Revenue from services rendered	4	3	*260*	-	33
Rental income	-	-	*314*	-	5
Purchases of goods for resale	-	-	*(1,915)*	-	-
Purchases of property and services	-	-	*(5,428)*	-	-
(Impairment)/recovery of loans issued (Note 19)	(697)	-	*441*	-	-
Income from insurance claim reimbursement	-	-	-	-	81
Purchases of other services	7	-	-	-	268
Rent expense (Note 20)	-	-	*(461)*	(236)	(72)
Salaries	-	(533)	-	-	-
Short-term bonuses	-	(471)	-	-	-
Interest income	2	-	-	-	3
Interest expense	(32)	-	*(47)*	-	-
Share of results (Note 9)	-	-	-	24	-
Dividend income (Notes 9,19)	-	-	*570*	27	-
Dividends received	-	-	*539*	54	-
Dividends paid (Note 24)	(3,807)	-	-	-	-

29 Subsequent Events

Issue of dividends. On 10 January 2017, the Company declared dividends of GEL 2,000 thousand.