



Recommendation Guidelines for submission of management reports for 2018

According to paragraphs 1 and 12 of Article 7 and paragraph 2 of Article 9 of the Law of Georgia on Accounting, Reporting and Auditing (hereinafter "the Law"), the public interest entities (PIEs), the first and the second category enterprises, the first and the second category groups shall prepare and immediately, but not later than the reporting period October 1 of the next year¹, submit to the SARAS the management report of 2018 as prescribed by law.

For the purposes of management reports of 2018, a parent enterprise, which is required by law to prepare a management report or prepares it at its discretion, is authorized not to prepare an individual management report and only submit a consolidated management report to the SARAS if all of its subsidiaries are non-material² both individually and jointly, and the difference between the individual and the consolidated management reports is also non-material. In such a case, instead of an individual management report, the parent company is obliged to submit a letter of representation signed by the management of the enterprise, which will explain the reason for not submitting the individual management report (non-material difference between individual and consolidated management reports). In addition, the letter must be accompanied by the signature and assertion of the person conducting the audit, confirming the accuracy of the abovementioned information. The parent enterprise must submit the letter of representation together with the financial statements on a single PDF file, where the text can be searched, marked and copied, and the pages on which the personal signatures are given, should be scanned in PDF format, and should be placed before or after the respective signatory pages. Also, the reason for not submitting an individual management report can be explained, instead of the letter of representation signed by the management of the enterprise, in the auditor's report that accompanies the consolidated management report of the enterprise.

In addition, for the purposes of the management reports of 2018, if the individual information required by law is given in the consolidated management report submitted to the SARAS by the parent enterprise of a group, then the subsidiary, which is required by law to prepare an individual and/or consolidated management report or prepares it at its discretion, to avoid duplication, is entitled to make clear and specific references for this information in the relevant section of its individual and/or consolidated management report. The auditor shall express his/her opinion on the above mentioned document in accordance with paragraph 10 of Article 7, of the Law.

The submission of the management report of 2018 in this form shall be deemed to be in compliance with the requirements of the Law.

¹ The same principle shall apply to those enterprises whose reporting period does not coincide with the calendar year considering relevant reporting dates.

² Materiality is defined in accordance with International Financial Reporting Standards (IFRS).