JSC NIKORA

SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Together with the Independent Auditors' Report

CONTENTS:

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of JSC Nikora

Opinion

We have audited the separate financial statements of JSC Nikora (the Company), which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the separate financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How the scope of our audit responded to the key audit matter
Fair value accounted property, plant and equipment and investment property We have identified the fair value accounted property, plant and equipment and investment property as key audit matter. The Company's land and buildings within property, plant and equipment and investment property as disclosed in note 8 and 9. The land and buildings and investment property are independently appraiser by professionally qualified valuer using the market and cost approach.	**We have performed the following audit procedures to address the key audit matter:** • We assessed whether the valuer is independent of the Company and considered the reliability and competency of the valuer; • We selected a sample of properties which we considered to be of most audit interest and with the assistance of our Real Estate Valuations expert to audit the valuations in detail; • We assessed whether the disclosures in the financial statements are appropriate and in accordance with IFRS 13 Fair Value Measurement; and • We assessed whether all property valuations have been correctly included in the financial statements.

Responsibilities of Management and Those Charged with Governance for the separate financial statements

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

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

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

Auditor's Responsibilities for the Audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent audit report is Ivan jelia.

Ivan Jelia (Auditor's registration number SARAS -A-954810)
Managing Partner
Baker Tilly Georgia LLC
15 May 2023
Tbilisi, Georgia

JSC NIKORA

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(In thousands of GEL)

	Note	2022	2021
Income from dividends		7,021	5,987
Rental income	5	4,232	3,803
Revenue	6	3,228	2,900
Interest income		2,768	2,468
Fair value change of investment property		(920)	(832)
Salary expenses		(7,377)	(4,548)
Other expenses	7	(1,398)	(1,391)
Interest expense		(5,511)	(4,726)
Foreign exchange gain net		1,322	809
Other gain/(loss), net		648	(272)
Profit before income tax		**4,013**	**4,198**
Income tax expenses		(1,243)	(1,053)
Profit for the year		**2,770**	**3,145**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property and bearer plants		(43)	(1,057)
Total comprehensive Profit/(Loss)		**2,727**	**2,088**
Total comprehensive Profit/(Loss) for the year		**2,727**	**2,088**

Separate financial statements are presented in addition to consolidated financial statements for the year ended 31 December 2022 of Nikora Group approved on behalf of the management on 15 May 2023 by:

General Director ______________________ Irakli Bokolishvili

Financial director ______________________ Irakli Gejadze

Notes on pages 10-32 are the integral part of these separate financial statements.

JSC NIKORA

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(In thousands of GEL)

	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,853	7,634
Investment property	9	38,725	32,124
Intangible assets	10	144	171
Investments in subsidiary	11	78,441	69,214
Issued loans	12	19,293	18,833
Other financial assets		128	-
Total Non-current assets		**144,584**	**127,976**
Current assets			
Trade and other receivables	13	970	1,017
Issued loans	12	539	526
Cash and cash equivalents	14	2,753	1,218
Other financial assets		-	96
Total Current assets		**4,262**	**2,857**
Total assets		**148,846**	**130,833**
EQUITY AND LIABILITIES			
Equity			
Orinary share capital	15	6,471	6,471
Preference share capital	15	19,546	19,158
Treasury share reserve		(501)	(728)
Revaluation reserve		2,505	2,548
Retained earnings		66,593	56,582
Total Equity		**94,614**	**84,031**
Non-current liabilities			
Bonds and Borrowings	16	47,468	15,450
Total Non-current liabilities		**47,468**	**15,450**
Current liabilities			
Trade and other payables	17	5,892	2,346
Bonds and Borrowings	16	872	29,006
Total Current liabilities		**6,764**	**31,352**
Total equity and liabilities		**148,846**	**130,833**

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JSC NIKORA

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(In thousands of GEL)

	Ordinary Share capital	Preference share capital	Ordinary treasury share reserve	Revaluation reserve	Retained Earnings	Total
1 January 2021	**6,471**	**6,910**	**(696)**	**3,605**	**61,553**	**77,843**
Profit for the year	-	-	-	-	3,145	**3,145**
Other comprehensive income	-	-	-	(1,057)	-	**(1,057)**
Dividends declared on ordinary shares	-	-	-	-	(5,000)	**(5,000)**
Dividends declared on preference shares	-	-	-	-	(987)	**(987)**
Share emisission	-	12,248	-	-	-	**12,248**
Pruchase of own shares	-	-	(32)	-	(2,129)	**(2,161)**
31 December 2021	**6,471**	**19,158**	**(728)**	**2,548**	**56,582**	**84,031**
Profit for the year	-	-	-	-	2,770	**2,770**
Other comprehensive income	-	-	-	(43)	-	**(43)**
Dividends declared on ordinary shares	-	-	-	-	(5,648)	**(5,648)**
Dividends declared on preference shares	-	-	-	-	(1,373)	**(1,373)**
Share emisission	-	1,430	-	-	-	**1,430**
Pruchase of own shares	-	(1,042)	-	-	-	**(1,042)**
Purchase of treasury share	-	-	(32)	-	(2,012)	**(2,044)**
Sale of treasury shares	-	-	259	-	16,274	**16,533**
31 December 2022	**6,471**	**19,546**	**(501)**	**2,505**	**66,593**	**94,614**

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JSC NIKORA

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(In thousands of GEL)

	2022	2021
Cash flows from operating activities		
Profit before income tax	4,013	4,198
Adjustments for:		
Depreciation and amortisation	260	259
(Gain)/loss on disposal of property, plant and equipment	(470)	71
Income from dividends	(7,021)	(5,987)
Interest income	(2,768)	(2,468)
Interest expenses	5,511	4,726
Fair value change of investment property	920	832
Foreign exchange loss	(1,322)	(809)
Movements in working capital		
Decrease/(increase) in trade and other receivables	47	(135)
Decrease in trade and other payables	2,280	1,370
Cash inflow from operating activities		
Interest paid	(5,756)	(4,479)
Income tax paid	(1,139)	(1,061)
Net cash outflow from operating activities	**(5,445)**	**(3,483)**
Cash flows from investing activities		
Purchase of property,plant and equipment	(1,017)	(170)
Payments for intangible assets	-	(2)
Purchase of investment property	(11,966)	(20)
Proceeds from disposal of property, plant and equipment	349	-
Cash received from disposal of investment property	8,643	697
Payments for loans issued	(6,437)	(441)
Repayment of loans issued	5,977	441
Interest receieved	2,765	2,532
Increased investment in subsidiary	(7,795)	(3,207)
Dividends received	7,021	5,987
Net cash inflow from investing activities	**(2,460)**	**5,817**
Cash flows from financial activities		
Proceeds from borrowings and bonds	73,554	4,053
Repayment of borrowings and bonds	(65,665)	(4,243)
Purchase of own shares	(3,363)	(2,158)
Shares emission	12,278	6,344
Dividends paid	(6,995)	(5,452)
Net cash outflow from financing activities	**9,809**	**(1,456)**
Net increase/(decrease) in cash and cash equivalents	**1,904**	**878**
Effect of changes in foreign exchange rate	(369)	(17)
Cash and cash equivalents at the beginning of the year	**1,218**	**357**
Cash and cash equivalents at the end of the year	**2,753**	**1,218**

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Financial director ______________________ Irakli Gejadze

(In thousands of GEL)

1. General information

JSC Nikora (the "Company") is the ultimate parent company of the Nikora Group. The Company was established in Georgia in 1998. The registered address of Nikora JSC is: 11 M. Kavtaradze street, Tbilisi, Georgia.

JSC Nikora JSC owns immovable properties – land and buildings – which are leased out to its subsidiaries, and the lease income is the main source of income for the Company. It also provides general management and consulting services and royalty to its subsidiaries.

The following table shows the Company's subsidiaries, in addition, The Company owns three subsidiaries which as the dormant company below has no assets, liabilities, or operations as at and for the year ended 31 December 2022 and 31 December 2021:

Name	31.12.2022	31.12.2021	Type of operations
Nikora Trade JSC	96.9%	94.7%	Retail
Mila Sakartvelo LLC	50%	50%	Retail
Nikora LLC	100%	100%	Manufacturing – Meat products
Korida LLC	100%	100%	Manufacturing– Meat products
Oceane LLC	100%	100%	Manufacturing - Sea products
Chveni Fermeri LLC	100%	100%	Manufacturing – Dairy products
Mzareuli I LLC	100%	100%	Manufacturing – Bakery products
Kulinari LLC	50%	50%	Manufacturing - Salads
Partner LLC	100%	100%	Distribution
Intrade LLC	100%	100%	Import
Multitrade LLC	100%	100%	Import
Vakijvris kalmakhi LLC	94%	90.5%	Agricultural activity - Trout farm
Napareulis dzveli marani LLC	100%	100%	Agricultural activity - vineyards
Nikora Bakuriani LLC	50%	50%	Real estate
Ref N LLC	63.1%	-	Real estate
Intrade Poti LLC	100%	100%	Dormant
Nikora Kakheti LLC	100%	100%	Dormant
Nikora agro LLC	100%	100%	Dormant
Web trade LLC	100%	100%	Dormant
Krtsanisi 14 LLC	100%	100%	Dormant
Royal Kaspia LLC	50%	50%	Dormant
Lazi - Holding LLC	67%	67%	Dormant
Nugeshi LLC	100%	100%	Dormant

2. Basis of preparation

2.1 Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

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

2.2 Basis of measurement

The separate financial statements have been prepared under the historical cost bases, except fair value accounted Land and Buildings within property, plant and equipment and Investment property. The reporting period for the Company is the calendar year from January 1 to December 31. Amounts are rounded to the nearest thousand, unless otherwise stated.

(In thousands of GEL)

2.3 Going concern

These separate financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and shareholder have the intention to further develop the business of the Company in Georgia. In adopting the going concern basis for preparing the separate financial statements, the management have considered the Company's and the Group's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance. The management have performed a robust assessment of the Group's consolidated financial forecasts across a range of scenarios over 12 months from the date the consolidated financial statements are authorised for issue, incorporating extreme downside scenario, which involved examining the level of disruption that may cause the Group to fail. The assessment specifically incorporated analysis of the COVID-19 pandemic impact implications on the Group's projected performance, liquidity and funding. Based on this, management believes that the ability of the Group to continue operating as going concern within 12 months of the approval of the consolidated financial statements is not materially uncertain

2.4 Adoption of new or revised standards and interpretations

a) New standards, interpretations and amendments effective from 1 January 2022

There have been adopted some new standards and interpretations. Neither of interpretations and amendments have material effect, on the Company's financial statements for the year ended 31 December 2022 and did not have any material impact on the Company's financial statements :

Title	Key requirements	Effective date
Property, Plant and Equipment: Proceeds before intended use Amendments to IAS 16	The amendment to IAS 16 *Property, Plant and Equipment* (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 *Business Combinations* to update the references to the *Conceptual Framework for Financial Reporting* and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about	1 January 2022

Title	Key requirements	Effective date
	the treatment of lease incentives. • IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	

b) New standards interpretations and amendments not yet effective

The Company has not early adopted any of the amendments effective after 31 December 2022 and it expects they will have an insignificant effect, when adopted:

Title	Key requirements	Effective date
IFRS 17 *Insurance Contracts*	IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation	1 January 2023 (deferred from 1 January 2021)

(In thousands of GEL)

Title	Key requirements	Effective date
	features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.	
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. * Since approving these amendments, the IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.	1 January 2023 (deferred from 1 January 2022) *
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their *material* rather than their *significant* accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy	1 January 2023

Title	Key requirements	Effective date
	disclosures.	

3. Critical accounting estimates and judgments

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Useful lives of property, plant and equipment

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

3.2 Valuation of Land and Buildings

Land and buildings within property, plant and equipment and investment property are stated in the statement of financial position at their revalued amounts. The fair value of the Land and Buildings was determined by external, independent property valuers. Management uses significant assumptions. Significant and unanticipated changes to these assumptions and estimates could result in significantly different results than those recorded in the separate financial statements.

3.3 Impairment of Investments in subsidiaries

The Company assesses at the end of each reporting period if there is any indicator that an asset may be impaired. In assessing whether there is any indication that an asset may be impaired, the company consider, as a minimum, the following indications: the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or the dividend exceeds the total comprehensive income of the subsidiary, in the period the dividend is declared. The Company reviews future forecast budgets to identify impairments of investments in subsidiaries. Due to uncertainties related to the future period, the actual result may differ significantly from the result recorded in the separate financial statements.

3.4 Impairment of financial assets

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

4. Financial instruments - Risk Management

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

- Credit risk
- Interest rate risk
- Foreign currency risk
- Liquidity risk

(In thousands of GEL)

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these separate financial statements. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Major categories of financial instruments

The Company's principal financial liabilities comprise bonds and borrowings, trade and other payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has financial assets such as other assets, trade and other receivables, loans issued and cash and cash equivalents. The following table shows major categories of financial instruments:

	31.12.2022	31.12.2021
Other financial assets	-	96
Issued loans	19,832	19,359
Trade and other receivables	943	948
Cash and cash equivalents	2,753	1,216
Total financial assets	**23,528**	**21,619**
Trade and other payables	308	313
Bonds and borrowings	48,340	44,456
Total financial liabilities	**48,648**	**44,769**

Fair value of financial instruments

Some assets and liabilities included in the Company's separate financial statements require disclosure of, fair value. The fair value measurement of the Company's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

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 estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The estimated fair value of interest-bearing 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. Carrying amounts of trade receivables and other financial assets approximate fair values due to their short-term maturities.

Liabilities carried at amortised cost. The estimated fair value of interest-bearing instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Management of the Company considers that the carrying amounts of financial liabilities recorded in the financial statements approximate their fair values.

(In thousands of GEL)

Other financial assets fair value using level 3 inputs was made in accordance with valuation pricing models based on discounted cash flow analysis using market inputs and management judgments given volatility of interest rates available on the market. The fair value using level 3 inputs was calculated using market rates based on the range from 7% to 14% per annum interest rate. Carrying amounts of other financial assets recorded in the financial statements approximate their fair values.

The estimation of loans issued fair value using level 2 inputs was made in accordance with valuation pricing models based on discounted cash flow analysis using market inputs and management judgments given the volatility of interest rates available on the market. For loans issued, the fair value using level 2 inputs was calculated using market rates based on the range from 12.5% to 14.5% per annum interest rate. Carrying amounts of loans issued recorded in the financial statements approximate their fair values.

The estimation of bonds and borrowings fair value using level 2 inputs was made in accordance with valuation pricing models based on discounted cash flow analysis using market inputs and management judgments given the volatility of interest rates available on the market. For bonds and borrowings, the fair value using level 2 inputs was calculated using market rates based on the range from 6% to 16.5% per annum interest rate under which the Company could get financing based on currency and maturity diversification. Carrying amounts of bonds and borrowings recorded in the financial statements approximate their fair values.

The fair value of cash and cash equivalents were determined using level 1 measurement and the fair value of other financial assets and liabilities were determined using level 3 measurement.

Capital management

The Company manages its capital to ensure that entities of the Company will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. Management of the Company reviews the capital structure on a regular basis. Based on the results of this review, the Company takes steps to balance its overall capital structure through the payment of dividends, capital contributions as well as taking of new loans and borrowings or redemption of existing loans and borrowings. Bonds and borrowings agreement imposed certain financial and non-financial covenants to the Company, For further information see Note16

General objectives, policies and processes

The board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports from the Company Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign currency risk

Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company undertakes certain transactions denominated in foreign currencies. The Company does not use any derivatives to manage foreign currency risk exposure. The table shows carrying amounts of the Company's foreign currency denominated monetary assets and liabilities:

	31.12.2022		31.12.2021	
	USD	EUR	USD	EUR
Financial assets				
Other financial assets	-	-	96	-
Cash and cash equivalents	1,868	203	816	-
Total financial assets	**1,868**	**203**	**912**	**-**

(In thousands of GEL)

Financial liabilities				
Bonds and borrowings	12,488	72	14,832	-
Total financial liabilities	**12,488**	**72**	**14,832**	**-**
Net financial position	**(10,620)**	**131**	**(13,920)**	**-**

The Company's sensitivity to a 20% increase and decrease in the GEL against the relevant foreign currencies equals to GEL2,098 thousand (2021: GEL2,784 thousand) profit or loss. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company does not use any derivatives to manage interest rate risk exposure. The Company is exposed to cash flow interest rate risk as entities in the Company borrow funds at floating interest rates. Company's borrowings at variable rate were denominated in USD and GEL.

A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding, at the end of the reporting period was outstanding for the whole year. Based on the simulations performed, the impact on profit or loss of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates [basis point: 1/100th of a percentage point)].

	31.12.2022		31.12.2021	
	Increase 100 base point	Decrease 100 base point	Increase 100 base point	Decrease 100 base point
Profit/(loss)	(480)	480	(442)	442

Limitations of sensitivity analysis. The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

(In thousands of GEL)

Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from its trade receivables, issued loans and cash and cash equivalents (excluding cash on hand). The Company credit risk is related to the receivables from subsidiaries and owners. The carrying amount of financial assets represents the maximum credit exposure. The table below shows the maximum exposure to credit risk:

	31.12.2022	31.12.2021
Other financial assets	-	96
Issued loans	19,832	19,359
Trade and other receivables	943	948
Cash and cash equivalents except cash on hand	2,753	1,216
Total	**23,528**	**21,619**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle borrowings and other financial liabilities as they are due. In order to manage liquidity risk, the Company systematically monitors expected future cash flows that are part of the asset and liability management process.

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

	Less than 6 months	From 6 month to 1 year	1 - 5 year	More than 5 year	Total
Trade and other payables	308	-	-	-	**308**
Bonds and borrowings	3,256	3,458	61,071	-	**67,785**
Total 2022	**3,564**	**3,458**	**61,071**	**-**	**68,093**
Trade and other payables	313	-	-	-	**313**
Bonds and borrowings	3,495	30,067	18,151	-	**51,713**
Total 2021	**3,808**	**30,067**	**18,151**	**-**	**52,026**

5. Rental income

The Company's land and buildings are transferred to subsidiary under operating lease agreements. The table shows fixed and variable rental income.

	2022	2021
Variable rental income	2,684	2,348
Fixed rental income	1,548	1,455
Total	**4,232**	**3,803**

Variable rental income is related to JSC Nikora Trade and is calculated according to the sales of the stores located in the leased area.

6. Revenue

	2022	2021
Revenue from royalty	1,800	1,800
Revenue from management services	1,428	1,100
Total	**3,228**	**2,900**

(In thousands of GEL)

7. Other expenses

	2022	2021
Taxes other than income tax	(309)	(370)
Depreciation and amortization charge	(260)	(259)
Consulting expenses	(175)	(228)
Utility	(108)	(103)
Office expenses	(138)	(83)
Business trips and Representative expenses	(63)	(76)
Advertisment exspenses	(31)	(35)
Maintenance	(51)	(34)
Fuel expenses	(22)	(25)
Insurance expenses	(14)	(16)
Charity	(89)	(23)
Other	(138)	(139)
Total	**(1,398)**	**(1,391)**

The cost of audit of the separate financial statements for the year 2022 is GEL 29 thousand.

8. Property, plant and equipment

Cost or valuation	Land	Buildings	Plant and equipment	Office Equipment	Vehicles	Construction in progress	Total
31.12.2020	**4,277**	**3,628**	**5,296**	**1,390**	**174**	**-**	**14,765**
Opening balance reclassification	-	-	(260)	384	(124)	-	**-**
Addition	-	103	125	38	-	30	**296**
Disposal	-	-	-	(365)	-	(1)	**(366)**
Intra movement	-	-	-	1	-	(1)	**-**
Revaluation	(1,136)	9	-	-	-	-	**(1,127)**
31.12.2021	**3,141**	**3,740**	**5,161**	**1,448**	**50**	**28**	**13,568**
Addition	-	-	849	30	-	48	**927**
Disposal	-	-	(4,543)	(384)	(50)	-	**(4,977)**
Intra movement	-	-	-	(46)	-	46	**-**
Reclassification to investment property	-	-	-	-	-	(122)	**(122)**
Revaluation	(53)	(78)	-	-	-	-	**(131)**
31.12.2022	**3,088**	**3,662**	**1,467**	**1,048**	**-**	**-**	**9,265**
Accumulated depreciation							
31.12.2020	**-**	**-**	**(4,910)**	**(1,030)**	**(144)**	**-**	**(6,084)**
Opening balance reclassification	-	-	348	(445)	97	-	**-**
Depreciation	-	(70)	(100)	(60)	(1)	-	**(231)**
Disposals	-	-	-	311	-	-	**311**
Revaluation	-	70	-	-	-	-	**70**
31.12.2021	**-**	**-**	**(4,662)**	**(1,224)**	**(48)**	**-**	**(5,934)**
Depreciation	-	(88)	(85)	(60)	-	-	(233)
Disposals	-	-	4,257	362	48	-	4,667
Revaluation	-	88	-	-	-	-	88
31.12.2022	**-**	**-**	**(490)**	**(922)**	**-**	**-**	**(1,412)**
Net book value							
31.12.2020	**4,277**	**3,628**	**386**	**360**	**30**	**-**	**8,681**
31.12.2021	**3,141**	**3,740**	**499**	**224**	**2**	**28**	**7,634**
31.12.2022	**3,088**	**3,662**	**977**	**126**	**-**	**-**	**7,853**

(In thousands of GEL)

As at 31 December 2022 and 2021 land, buildings and other tangible assets have been pledged to secure borrowings of the Company.

Valuation technique and significant unobservable inputs

The fair value of the Land and Buildings as of 31 December 2022 and 2021 was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The Company uses land and buildings for administrative purposes.

The management estimates, that the administrative building is not specific due to its purpose, scale and other characteristics and there is an active market for such assets in Georgia, therefore the fair value is determined based on the principles of market approach. Market approach was used in the case of land valuation. The fair value is classified as level 2. There was no change in valuation technique between periods. Fair value is measured based on the highest and best use of the assets listed above, which are not different from their current use. If the revalued property were measured at cost, net book value would be GEL11,600 (2021: 2,200) thousand for land and GEL2,320 (2021: 2,368) thousand for buildings.

9. Investment property

Fair value	Land	Buildings	CIP	Total
31.12.2020	**7,377**	**26,257**	**-**	**33,634**
Addition	16	3	-	19
Disposals	(35)	(662)	-	(697)
Revaluation	187	(1,019)	-	(832)
31.12.2021	**7,545**	**24,579**	**-**	**32,124**
Addition	9,400	1,285	919	11,604
Disposals	(345)	(3,860)	-	(4,205)
Reclassification from PPE	-	122	-	122
Revaluation	692	(1,612)	-	(920)
31.12.2022	**17,292**	**20,514**	**919**	**38,725**

As at 31 December 2022 and 2021 Land and buildings have been pledged to secure borrowings of the Company.

The fair value of the land and buildings as of 31 December 2022 and 2021 was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Investment property are leased out to subsidiaries or are vacant. For further information see Note 5.

As at 31 December 2022 and 2021 land and buildings are not specific due to its purpose, scale and other characteristics and there is an active market for such assets in Georgia, therefore the fair value is determined based on the principles of market approach. Market approach was used in the case of land valuation. The fair value is classified as level 2.

As at 31 December 2022 and 2021 fair value is measured based on the highest and best use of the assets listed above, which are not different from their current use.

(In thousands of GEL)

10. Intangible assets

Historical cost	Programs	License	Total
31.12.2020	**254**	**16**	**270**
Addition	1	2	3
31.12.2021	**255**	**18**	**273**
Addition	-	-	-
31.12.2022	**255**	**18**	**273**
Accumulated amortization			
31.12.2020	**(74)**	**-**	**(74)**
Amortization	(28)	-	(28)
31.12.2021	**(102)**	**-**	**(102)**
Amortization	(27)	-	(27)
31.12.2022	**(129)**	**-**	**(129)**
Net book Value			
31.12.2020	**180**	**16**	**196**
31.12.2021	**153**	**18**	**171**
31.12.2022	**126**	**18**	**144**

11. Investment in subsidiaries

Subsidiary	Activity	Share 2022	Share 2021	31.12.2022	31.12.2021
JSC Nikora Trade	Retail	97%	95%	66,671	59,432
Korida LLC	Manufactoring	100%	100%	2,800	2,800
Mzareuli 1 LLC	Manufactoring	100%	100%	2,050	1,778
Napareulis dzveli marani LLC	Agricultural activity	100%	100%	1,581	1,581
Nikora LLC	Manufactoring	100%	100%	1,640	1,400
Vakijvris kalmakhi LLC	Manufactoring	94%	91%	1,008	932
Chveni fermeri LLC	Manufactoring	100%	100%	460	460
Nikora Bakuriani LLC	Real estate	50%	50%	347	347
Oceane LLC	Manufactoring	100%	100%	307	307
Kulinari LLC	Manufactoring	50%	50%	175	175
Intrade LLC	Import and distribution	100%	100%	2	2
Ref N LLC	Real estate	63%	-	1,400	-
Total				**78,441**	**69,214**

All subsidiaries are registered and operate in Georgia. Voting rights are equal to the shares owned. Investments in subsidiaries are accounted in separate financial statement at cost. 26 percent of JSC Nikora Trade's share have been pledged to secure borrowings of the Company and the member of the JSC Nikora Group.

The table below shows dividends declared in subsidiaries:

	2022	2021
Korida LLC	1,631	2,355
Nikora LLC	1,971	2,177
Intrade LLC	643	400
Partner LLC	2,776	1,055
Total	**7,021**	**5,987**

(In thousands of GEL)

12. Issued loans

	31.12.2022	31.12.2021
Long term		
Nikora LLC	6,740	6,740
Nikora Trade JSC	3,600	3,800
Multitrade LLC	1,430	1,430
Korida LLC	1,360	1,360
Partner LLC	1,900	1,240
Intrade LLC	1,230	1,230
Kulinari LLC	1,123	1,123
Chveni Fermeri LLC	840	840
Oceane LLC	550	550
Mzareuli 1 LLC	520	520
	19,293	**18,833**
Short term		
Interest receivable	539	526
	539	**526**
Total	**19,832**	**19,359**

Loans are issued to subsidiaries. The Company has not experience for impairment of loans and does not recognize any provision for impairment. The interest is payable on a quarterly basis, and the principal – at the end of the contract.
As at 31 December 2022 and 2021 issued loans have been pledged to secure borrowings of the Company and the member of the JSC Nikora Group.

13. Trade and other receivables

	31.12.2022	31.12.2021
Trade receivables	943	948
Other	27	69
Total	970	**1,017**

Trade receivables are short-term receivables from subsidiaries, which arise from consulting and other services provided to subsidiaries. The company has not experience of impairment of trade receivables and does not recognize any provision for impairment.

As at 31 December 2022 and 2021, all trade and other receivables have been pledged to secure borrowings of the Company and the member of the JSC Nikora Group.

14. Cash and cash equivalents

	31.12.2022	31.12.2021
Cash on bank accounts in foreign currency	2,072	816
Cash on bank accounts in national currency	681	400
Cash on hand	-	2
Total	**2,753**	**1,218**

(In thousands of GEL)

15. Share capital

The table below shows ordinary shares holders:

	Voting rights		Quantity/Amount (GEL)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Sukhiashvili Vasil	25%	32%	1,488,235	1,876,471
Gubanovi Oleg	17%	18%	1,035,293	1,035,293
Dumbadze David	11%	12%	679,413	695,589
Taradini Vasil	9%	11%	517,638	647,050
Cirekidze Taliko	10%	10%	582,353	582,353
Salukvadze Maka	7%	8%	388,236	404,412
Tsertsvadze Guram	5%	6%	323,529	323,529
Nikolaishvili Irakli	3%	3%	177,942	177,942
Sukhiashvili Nika	3%	-	194,118	-
Sukhiashvili Sopho	3%	-	194,118	-
Taradini Gleb	2%	-	129,412	-
Taradini Dementi	2%	-	129,412	-
Taradini Denis	2%	-	129,412	-
JSC Nikora (treasury shares)	-	-	501,477	727,949
Total	**100%**	**100%**	**6,470,588**	**6,470,588**

The table below shows preference shares holders:

	Quantity		Amount	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Isaevi Andrei	78	78	12,248	12,248
Pelicans venture corp	20	20	2,692	2,692
JSC Galt and Taggart (nominal holder)	6	12	734	1,468
Maziashvili Archil	6	6	498	498
Fichkhaia Tamar	4	4	485	485
Vachnadze Giorgi	3	3	263	263
Tsertsvadze Guram	2	2	225	225
Tsertsvadze Eka	-	2	-	225
Novikovi Volodimer	1	2	140	279
Ambrolidze Murman	1	2	83	166
Janjgava Ivane	1	1	83	83
Jangidze Tamar	1	1	164	164
Nareshelashvili Irakli	1	1	117	117
Kiknadze Nodar	1	1	125	125
Gvazava Otar	1	1	120	120
Nizharadze Taras	10	-	1,430	-
Tikhonova Daria	1	-	139	-
Redeemed preference shares	23	24	-	-
Total	**160**	**160**	**19,546**	**19,158**

As at 31 December 2022 The Company has 6,471 thousand (2021: 6,471 thousand) authorized ordinary shares at the par value 1 GEL. The Company has authorized 160 preference shares (issued 145 and 151 as 31 December 2022 and 31 December 2021 respectively), at the par value USD 50,000. Issued ordinary and preferred shares are fully paid.

Holders of non-redeemable preference shares are entitled to receive an annual dividend at a fixed interest rate, which is not fixed and may change at the discretion of ordinary shareholders. Preferred shares have no voting rights.

In 2021 The Company changed own 78 preferred share to 402,667 ordinary share of its subsidiary JSC Nikora trade with one of the physical persons. Preferred and ordinary share were valued at 3,900 and 3,920 thousand US Dollar, the difference was paid by the Company.

(In thousands of GEL)

As of 31 December 2022, the Company had 501 thousand (2021: 728 thousand) treasury ordinary shares, which are recorded at a total nominal value of GEL501 thousand (2021: 728 thousand). The difference between the amount paid/received at the redemption/resale of own shares and the face value was recorded in retained earnings for the period when the shares were redeemed/sold.

In October 2022 the Company signed an agreement with one of its shareholders for selling its 64,706 treasure shares for 1,430 thousand US dollars. Per the agreement, transfer of ownership and relevant registration should occur after 7 days from the settlement of the contract amount. The original settlement date was 31 December 2022, but subsequently, the date has changed to 30 September 2023. Advance GEL 270 thousand is recorded as a liability.

16. Bonds and borrowings

	31.12.2022	31.12.2021
Bank borrowings with floating interest rates	12,718	15,240
Bank borrowings with fixed interest rates	106	210
Bonds with floating interest rates	34,644	-
Total non-current borrowings	**47,468**	**15,450**
Bank borrowings with floating interest rates	225	214
Bank borrowings with fixed interest rates	105	94
Borrowings with fixed interest rates from related parties	86	
Bonds with floating interest rates	456	28,698
Total current borrowings	**872**	**29,006**
Toal borrowings	**48,340**	**44,456**

The following table shows reconciliation of liabilities from financing transactions:

	2022	2021
1 January	**44,456**	**45,306**
Proceeds from borrowings	38,913	4,053
Bonds emission	34,641	-
Principal paid	(37,665)	(4,237)
Settlement with share purchase agreement receivable	(1,433)	-
Repayment of bonds	(28,000)	-
Interest expense, netted by 89 (115 for the year 2021) relevant state subsidy	5,516	4,726
Interest paid	(5,756)	(4,479)
Effect of changes in foreign exchange rate	(2,332)	(913)
31 December	**48,340**	**44,456**

Bank loan terms are within the range of 1 to 5 years. Borrowings denominated in Georgian GEL have an average annual floating rate tied (plus interest rate in the range of 5.75 percent) to the Tbilisi Interbank Offered rate (2022 and 2021: 11% and 10.5% respectively). Borrowings denominated in USD have an average annual rate of 6.35%, tied to LIBOR. Borrowings with fixed interest rates are denominated in Georgian GEL and bear 11% annual rate. Borrowings are secured by property, plant equipment, investment property, inventories, trade receivables, issued loans and subsidiaries shares. For additional information, see relevant notes.

In October 2019, the Company issued bonds with the total value of GEL28,000 thousand with scheduled maturities 3 years. Bonds rate are floating and tied to TIBR3M +4% annually (12.5% on average). Interest should be paid quarterly. The bonds are the Company's direct unsecured obligations that are equal in priority and equal to the Company's unsecured and non-subordinated obligations. In 2022 the Company settled all the liabilities related to this bond.

In November 2022, the Company issued bonds with the total value of GEL35,000 thousand with scheduled maturities 3 years. Bonds rates are floating and tied to TIBR3M +3.5 % annually (TIBR3M average rate from 28 November to 31 December 2022 was 11.1466 %). Interest should be paid quarterly. The bonds are the Company's direct unsecured obligations that are equal in priority and equal to the Company's unsecured and non-subordinated obligations.

(In thousands of GEL)

Bonds and borrowings agreement set out certain financial and non-financial covenants, including restrictions on the payment of dividends. In the event of breach of covenants, the lender has the right but not the obligation to demand part or full repayment of the liabilities. The bond and borrowings agreement includes restrictions on the payment of dividends in the event of breach of financial covenants.

The following table shows financial covenants in accordance with bond and bank loan agreements. As of 31 December 2022, the Group did comply with these financial covenants:

	Bonds
Debt service coverage ratio (DSCR)	1.1
Interest coverage ratio (ICR)	1.1
(DEBT/EBITDA)	4.5(4 with bank contract)

Per the main bank loan agreement, the Group commits to maintain some financial ratios, which are calculated based on the specific non-IFRS-based financial figure for full and partial consolidated levels. Per bank calculation as of 31 December 2022, the Group did comply with all of the ratios and requirements.

17. Trade and other payables

	31.12.2022	31.12.2021
Trade payables	308	313
Salaries payable	5,179	1,850
Tax payables	135	183
Advance received	270	-
Total	**5,892**	**2,346**

18. Related party transactions

Transactions	**Relationship**	**2022**	**2021**
Revenue	Subsidiaries	3,140	2,886
Rental income	Subsidiaries	4,074	3,741
Interest income	Subsidiaries	2,719	2,458
		28	–
Income from dividends	Subsidiaries	7,021	5,987
Property, plant and equipment	Subsidiaries	-	2
		626	
		30	
		24	
Other administrative expenses	Subsidiaries	3	2
Other income/(expenses)	Subsidiaries	39	27
Balances			
Issued loan	Subsidiaries	19,832	19,359
Trade receivables	Subsidiaries	935	967
Other assets	Owners	-	96
Trade and other payables	Subsidiaries	4	8
		270	–
		86	–
Key management compensation		2,754	1,732
Liability to the key management at the end of the year		1,621	748

(In thousands of GEL)

19. Commitments and Contingencies

Legal proceedings - As at 31 December 2022 the Company was not engaged in any significant litigation proceedings. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these separate financial statements.

Suretyship – The Company, as well as all member companies of JSC Nikora Group, is a surety of all current and future bank loans taken from JSC TBC Bank based on a certain framework agreement concluded between the bank and the group member companies of JSC Nikora, accordingly the Company has undertaken the liability jointly. Total balances of such loans as of 31 December 2022 amount to 46,478. (Principal, guarentee and interest liability, 36,541, 9,846 and 91 thousand GEL). Management believes that there will be no economic benefits flow from the Company regarding this relationship, and all the above-mentioned companies will independently service the respective loans. Due to these reasons, no provision was recognized in the financial statements.

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

20. Events after the reporting period

In 2023 before the authorisation of financial statement:

The company received and distributed dividends amounted to 5,429 and 5,414 thousand GEL.

The Company signed a new long-term agreement for 650 thousand USD.

The Company sold 32,500 shares of its subsidiary JSC Nikora Trade (0.325% of authorized ordinary shares). The Company sold 20% of the equity of another subsidiary "Mzareuli 1" LLC.

There have been no other after reporting date events that require additional adjustments or disclosure in the financial statements.

Approval of financial statement. On 15 May 2023 the management approved financial statement, the Company owners have the power to amend the financial statements after the issue.

21. Summary of significant accounting policies

Principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

21.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the separate financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). Separate financial statements are presented in Georgian Lari, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in the separate statement of profit or loss and other comprehensive income for the period. Foreign exchange gains and losses that relate to financial instruments are presented in the separate statement of comprehensive income.

Official rate of the National Bank of Georgia	USD	EUR
Exchange rate as at 31.12.2022	2.7020	2.8844
Exchange rate as at 31.12.2021	3.0976	3.5040

21.2 Property plant and equipment

Land and buildings within property, plant and equipment are stated in the statement of financial position at their revalued amounts, the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluations are performed with a sufficient regularity by independent valuator such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such property is recognized in other comprehensive income (except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged) and is shown as revaluation reserve in shareholder's equity. A decrease in the carrying amount arising on the revaluation of such property and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated profit.

Other items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, capitalized in accordance with the Company's accounting policy.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use.

The estimated useful lives are as follows:

	Useful life
Buildings	10-70
Plant and equipment	2-20
Office equipment	2-10
Vehicles	2

21.3 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. The Company recognizes an investment property as an asset when, (a) it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and (b) the cost of the investment property can be measured reliably.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Depreciation is not accrued on investment property recognised at fair value.

Rental income and operating expenses from investment property are included in rental income and other expenses, respectively.

An investment property derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

21.4 Investment in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are accounted for under the cost method from the date that control commences until the date that control ceases.

Income from dividends are recognised in profit or loss in the period when dividend is declared.

21.5 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, useful lives of intangible assets are 6-7 year. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset.

21.6 Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit or loss and other comprehensive income.

21.7 Financial instruments

Financial assets

Financial assets are 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). The Company's management has assessed which business models apply to the financial assets held by the Company and has classified financial assets within "financial assets measured at amortised cost" category.

Financial assets at amortised cost

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

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

Impairment provision for loans issued are recognised using the expected credit loss model. The Company assesses whether the credit risk on a financial instrument has increased compared to initial recognition. If there is no significant increase in credit risk, the Company assesses the expected 12 months credit loss and recognizes full interest income. In the event of a significant increase in credit risk, the expected credit loss is estimated, and the full interest income is recognised. For loans issued with impaired credit, the expected credit loss is estimated, and the net interest income is recognised.

The Company's financial assets measured at amortised cost comprise other financial assets, trade and other receivables, loans issued and cash and cash equivalents in the statement of financial position. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. the Company has classified financial liabilities within "fair value through profit or loss" and "Other financial liabilities" category. Other financial liabilities include the following items: Borrowings and trade and other payables.

Other financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

21.8 Revenue from contract with customers

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company uses five-step model for all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Performance obligations and timing of revenue recognition

The Company's main revenue stream is management and consulting services and royalty to its subsidiaries. Revenue from providing services is recognised over time in the accounting period in which the services are rendered.

Determining the transaction price

The Company's contract prices are fixed. The Company recognizes revenue monthly, according to contract.

Allocating amounts to performance obligations

The Company provides management services to its subsidiaries. Each management services are considered as a single performance obligation. Therefore, there is no judgement involved in allocating the contract price to performance obligations.

21.9 Leasing

The Company has mainly leased buildings with lands to subsidiaries for temporary use, from which it receives monthly income. The Company does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, therefore the company classifies leases as an operating lease. The company recognises rental income on a straight-line basis, according to lease payments.

21.10 Income taxation

The Company recognises the income tax payable on the distribution of dividends as a liability and an expense in the period in which the dividends are declared regardless of the period for which the dividends are declared or the period in which the dividends are ultimately distributed. Owing to the specific nature of the taxation system in Georgia, there are no differences between the carrying amounts and tax bases of the assets and liabilities of companies registered in Georgia that could result in deferred tax assets or deferred tax liabilities.

21.11 Taxes other than income tax

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

21.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made to the amount of the obligation. Also, If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

The onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

21.13 Contingent assets and liabilities

Contingent liabilities are not recognised in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognised only when the contingency is resolved.

21.14 Expenses

Expenses are recognised in the separate income statement if there arises any decrease of economic benefit related to the decrease of an asset or increase of a liability that can be reliably assessed. Expenses are recognised in the separate income statement immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the separate financial statement.

21.15 Share capital and treasury shares

Share capital is determined by the owners of the company. Share capital includes ordinary shares, the holders of which have voting rights and non-redeemable preferred shares, that do not have voting rights. Preferred shares are recorded in equity when owners of which, are entitled to receive an annual dividend at the fixed interest rate which is not constant and dividends distribution to preference shareholders is at the discretion of the common shareholders. Otherwise, they are recorded as liabilities.

Purchased own shares are recognized at fair value. The difference between the amount paid/received at the redemption/resale of own shares and the face value was recorded in retained earnings for the period when the shares were redeemed/sold.

Redeemed shares from the owner for the purpose of subsequent reissuance, are recognized as treasury shares. Purchased own shares for cancelation, are recognized as a reduction of share capital.

21.16 Dividends

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