



Accountants &
business advisers

NIKORA TRADE Ltd

**Consolidated Financial Statements as at
31 December, 2014**

with

Independent Auditors' Report

NIKORA TRADE Ltd
Consolidated Financial Statements as at
31 December, 2014

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NIKORA TRADE Ltd
Consolidated Financial Statements as at
31 December, 2014
Prepared under IFRS

Statement of management's responsibilities

Management of NIKORA TRADE Ltd is responsible for accompanying consolidated financial statements of NIKORA TRADE Ltd.

This responsibility includes:

- * preparation of financial statements in accordance with International Financial Reporting Standards;
- * selection of suitable accounting policies and their consistent application;
- * making judgments and estimates which are reasonable and prudent;
- * preparation of the financial statements on the going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

- * creation, implementation and maintaining effective internal control system;
- * keeping proper accounting records in compliance with local regulations;
- * taking such steps as are reasonably open to them to safeguard the assets of the Group; and
- * prevention and detection of fraud and other irregularities.

The consolidated financial statements for the year ended 31 December, 2014 were approved by the management and signed on its behalf:

David Urushadze

Executive Director
NIKORA TRADE Ltd

Date: July 16, 2015

INDEPENDENT AUDITORS' REPORT

To the owners of Nikora Trade Ltd

1 Report on the financial statements

We have audited the accompanying consolidated financial statements of Nikora Trade Ltd and its subsidiary Lazi Holding Ltd (together the Group), which comprise consolidated statement of financial position as of 31 December 2014 and consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

2 Management's responsibility for the financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

3 Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

4 Basis for Qualified Opinion

We have been appointed to audit the consolidated financial statements of the Group in February, 2015. Therefore we were not able to attend physical count of inventories and of property and equipment of the Group as at the reporting date (December 31, 2014) and as at the balance sheet dates of previous periods. We conducted relevant roll-back procedures to confirm balances as at the reporting date and we consider that the audit evidence we have obtained on these balances is sufficient and appropriate to provide a basis for our audit. However, due to long period past after the first reported date (December 31, 2012) we consider that the roll-back procedures or other available evidence is not sufficient to confirm all material balances presented in the statement of financial position as at December 31, 2012.



Accountants &
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INDEPENDENT AUDITORS' REPORT
(Continued)

5 Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF Georgia LLC

Date: July 16, 2015

PKF Georgia



NIKORA TRADE Ltd
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2014
Amounts expressed in GEL

	Note	31-Dec-14	31-Dec-13	31-Dec-12
ASSETS				
Current Assets				
Cash and cash equivalents	4	613,574	657,823	530,336
Accounts receivable	5	201,601	519,107	408,855
Advances and other current assets	6	147,597	151,847	10,372
Current tax		328,237	-	-
Prepaid operating taxes		664,083	423,193	283,637
Merchandise inventory	7	5,597,994	3,974,997	3,518,622
Total Current Assets		7,553,085	5,726,966	4,751,823
Non-Current Assets				
Property, plant and equipment	8	8,401,569	7,071,979	5,641,617
Intangibles		712,068	198,617	221,986
Goodwill	9	1,598,623	-	-
Deferred tax	12	-	-	-
Total Non-Current Assets		10,712,260	7,270,596	5,863,603
TOTAL ASSETS		18,265,345	12,997,563	10,615,425
LIABILITIES AND EQUITY				
Current Liabilities				
Bank overdraft		1,323,254	-	-
Trade accounts payable	10	8,227,624	5,443,656	4,545,303
Liabilities to employees		125,282	407,898	66,781
Current loans and current part of non-current loans	11	2,050,361	-	-
Current tax		-	84,939	291,741
Operating taxes payable		99,626	146,387	200,490
Other current liabilities		8,524	-	-
Total Current Liabilities		11,834,670	6,082,879	5,104,315
Non-Current Liabilities				
Non-current borrowings	11	3,310,187	3,103,214	2,731,259
Deferred tax	12	721,511	486,861	279,967
Total Non-Current Liabilities		4,031,698	3,590,075	3,011,226
TOTAL LIABILITIES		15,866,368	9,672,954	8,115,541
Equity				
Charter capital		2,000,000	2,000,000	2,000,000
Accumulated profit / (loss)		383,495	1,324,609	499,884
Non-Controlling Interest		15,481	-	-
TOTAL EQUITY		2,398,977	3,324,609	2,499,884
TOTAL LIABILITIES AND EQUITY		18,265,345	12,997,563	10,615,425

David Urushadze
 Executive Director
 Date: July 16, 2015

NIKORA TRADE Ltd
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2014
Amounts expressed in GEL

	Note	Year 2014	Year 2013
Sales revenue		95,911,372	77,688,496
Retro bonuses		3,295,820	3,044,266
Cost of goods sold		(77,233,384)	(62,369,028)
GROSS PROFIT		21,973,809	18,363,735
Other operating income		560,307	505,812
Personnel expenses		(7,844,332)	(6,239,777)
Operating lease expenses		(4,223,288)	(3,189,899)
Utilities and communication expenses		(2,724,075)	(1,804,327)
Damaged or obsolete inventory written off		(803,015)	(348,325)
Inventory losses		(793,100)	(834,076)
Packaging materials		(561,789)	(509,155)
Office supplies		(421,490)	(221,752)
Advertisement and commercial expenses		(251,111)	(159,963)
Professional services		(180,076)	(46,959)
Bank charges		(347,993)	(226,371)
Transportation		(261,386)	(192,519)
Repair and maintenance costs		(227,711)	(120,962)
Property tax expense		(60,461)	(78,146)
Business trips		(36,631)	-
Gain/(loss) from disposal of PPE		755,390	(500)
Currency translation gain / (loss), net		(250,999)	(158,075)
Other expenses		(508,803)	(454,191)
Total Expenses		(18,740,871)	(14,584,998)
EBITDA		3,793,245	4,284,548
Depreciation and amortisation	8	(2,023,663)	(936,559)
Interest expenses		(288,156)	(382,323)
Profit / (Loss) before tax		1,481,426	2,965,666
Profit tax expense / (benefit)	12	(311,000)	(601,942)
NET Profit for the Year		1,170,426	2,363,724
Net profit attributable to:			
Owners of the Parent		1,318,887	2,363,724
Non-Controlling Interests		(148,461)	-

David Urushadze
Executive Director

Date: July 16, 2015

NIKORA TRADE Ltd
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2014
Amounts expressed in GEL

Cash Flow from Operations	Note	Year 2014	Year 2013
Cash received from sales		110,920,267	90,017,963
Other operating cash inflows (rent, retro-bonuses, other)		4,911,282	2,686,460
Other cash inflows		267,203	114,075
Gross Operating Cash Inflows		116,098,752	92,818,498
Cash paid for purchases of inventory		(91,415,744)	(72,195,864)
Cash paid for salaries, wages, bonuses and other personnel costs		(6,509,694)	(4,720,307)
Cash paid for operating leases		(4,288,396)	(3,661,157)
Cash paid for taxes		(4,268,643)	(3,472,092)
Cash paid for utilities services		(1,656,314)	(1,524,761)
Cash paid for packaging and consumables		(1,239,873)	(1,027,809)
Cash paid for security services		(606,095)	(162,844)
Cash paid for repairment works		(278,566)	(254,474)
Cash paid for marketing services		(228,729)	(142,664)
Cash paid for communication services		(110,306)	(95,890)
Cash paid for vehicle maintenance		(140,508)	(88,395)
Cash paid for representative expenses		(19,120)	(11,944)
Cash paid for terminal processing commission		(334,503)	(222,774)
Cash paid for other expenses		(104,669)	(180,605)
Operating Cash Outflows		(111,201,158)	(87,761,581)
Profit tax paid		(408,000)	(619,800)
Net cash from operations		4,489,593	4,437,116
Cash Flow from Investment Activities			
Cash received from sales of PP&E		1,890,141	-
Cash paid for acquisition of PP&E		(5,179,416)	(2,609,635)
Investment in subsidiary net of cash acquired		(1,924,329)	-
Net Cash Flow from Investment Activities		(5,213,604)	(2,609,635)
Cash Flow from Financing Activities			
Cash proceeds from borrowings		2,985,971	1,650,900
Cash paid to cover interest on borrowings		(916,519)	(392,613)
Cash paid to cover principal of borrowed money		(452,943)	(1,419,282)
Cash paid for dividends to owners		(2,260,000)	(1,539,000)
Bank overdraft withdrawn		1,323,254	-
Net cash provided from financing activities		679,763	(1,699,995)
Net increase (decrease) in cash and cash equivalents		(44,248)	127,486
Cash and cash equivalents at the beginning of the period		657,823	530,336
Cash and cash equivalents at the end of the period		613,574	657,823

NIKORA TRADE Ltd
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2014
Amounts expressed in GEL

	<u>Net assets attributable to owners of the parent</u>			Non	
	Share Capital	Accumulated profit / (loss)	Total	controlling interest	Total Equity
As at January 1, 2013	2,000,000	499,884	2,499,884	-	2,499,884
Net profit/(loss) for the year	-	2,363,724	2,363,724	-	2,363,724
Distribution to owners	-	(1,539,000)	(1,539,000)	-	(1,539,000)
As at December 31, 2013	2,000,000	1,324,609	3,324,609	-	3,324,609
Business combination	-	-	-	163,942	163,942
Net profit/(loss) for the year	-	1,318,887	1,318,887	(148,461)	1,170,426
Distribution to owners	-	(2,260,000)	(2,260,000)	-	(2,260,000)
As at December 31, 2014	2,000,000	383,495	2,383,495	15,481	2,398,977

 David Urushadze
 Executive Director

Date: July 16, 2015

NIKORA TRADE Ltd**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2014

Amounts expressed in Georgian Lari (GEL) if not otherwise noted

1 FOUNDATION AND PRINCIPAL ACTIVITIES

These consolidated financial statements include financial information of Nikora Trade LTD (the Company) and of its subsidiary Lazi Holding Ltd. Nikora Trade LTD is a registered limited liability company incorporated in Georgia having its business address at Tbilisi, M. Kavtaradze street #11. Nikora Trade LTD holds 67% shares in Lazi Holding Ltd., a limited liability company incorporated in Georgia having its registered address at 67 Tsabadze street, Zugdidi, Georgia.

Joint Stock Company Nikora, a company incorporated and registered in Georgia, is the 100% owner of Nikora Trade Ltd.

The Group operates food retail stores chain in Georgia having 80 stores as at December 31, 2014. Nikora Trade is one of the leaders on Georgian retail market.

2 SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the historical cost basis except for items for which another basis of measurement is specifically mentioned in these notes.

These financial statements have been prepared on the assumption that the Group will continue as going concern in the foreseeable future.

The Group's financial year-end is on December 31.

Standards and interpretations issued and not yet effective

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that

NIKORA TRADE Ltd**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2014

Amounts expressed in Georgian Lari (GEL) if not otherwise noted

were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2015. The Company has not yet analyzed the likely impact of the improvements on its financial position or performance.

2.2 Basis of consolidation

Subsidiaries, which are those entities in which the Group has more than one half of the voting rights or otherwise has the power to govern their financial and operating policies so as to obtain benefits from their activities, are consolidated. The purchase, or acquisition, method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of the acquisition is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of exchange. All intra-group balances, transactions, income and expenses are eliminated in full.

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured either at fair value or at the non-controlling shareholders' interests proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on each acquisition individually. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions or disposals of non-controlling interests which do not affect the parent company's control of the subsidiary are accounted for as transactions with equity holders. Any difference between the fair value of the amount paid or received and the change in non-controlling interests is recognised directly in equity.

When the group ceases to have control of a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost with the adjustment being recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (This may mean that these amounts are reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRSs).

The parent company and the subsidiary use the same accounting policies in preparation of their financial information included in these consolidated financial statements.

These consolidated financial statements include financial information of Nikora Trade LTD (the Company) and of its subsidiary Lazi Holding Ltd. in which Nikora Trade holds 67%.

2.3 Presentation and functional currencies

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

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are recognized in the income statement. Such balances are translated at period-end exchange rates. Rates of main currencies at the year-end were as presented below:

NIKORA TRADE Ltd**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2014

Amounts expressed in Georgian Lari (GEL) if not otherwise noted

	USD	EURO
December 31, 2012	1.7085	2.3536
December 31, 2013	1.7363	2.3891
December 31, 2014	1.8636	2.2656

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash in banks. Bank overdrafts are not included in cash and cash equivalents and are presented separately within current liabilities section of the statement of financial position.

2.5 Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.6 Prepaid operating taxes

According to current Georgian tax legislation the Company is eligible to set off taxes payable against prepaid taxes and settle the liability on a net basis. The table below details the prepaid and payable taxes and shows the net tax advance/payable position of the Company.

2.7 Other prepayments and current assets

Advances paid to suppliers of goods and services are initially recognized at the amount paid and are adjusted as necessary to reflect possible impairment of these advances. Advances are considered to be impaired when there is objective evidence that the Company will not be able to receive all goods or services according to the original terms of the agreements with counterparties.

Advances denominated in foreign currencies are presented at the exchange rates prevailing on the payment date and are not restated at the exchange rate of the balance sheet date.

2.8 Inventory

Inventories are assets:

- (a) held for sale in the ordinary course of business;
- (b) in the process of production for such sale; or
- (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are accounted at cost and measured at the lower of cost and net realizable value which is the estimated selling price in the ordinary course of business less, if applicable, the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all costs of purchase and, if applicable, the costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.9 Property, plant and equipment

Tangible items that are held for use in supply of services, for rental to others, or for administrative purposes and are expected to be used during more than one period are recognized in the balance sheet as property and equipment.

NIKORA TRADE Ltd**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2014

Amounts expressed in Georgian Lari (GEL) if not otherwise noted

Property, plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight line method over the following estimated useful lives:

Asset group	Estimated useful life (Years)
Buildings	20
Machinery and Vehicles	5
Office equipment	5
Other Equipment	5
Rented space repairment	lower of 7 years or the lease term

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

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

2.10 Intangibles

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recognized in the balance sheet if, and only if (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and (b) the cost of the asset can be measured reliably.

Following initial recognition, intangible assets with determinable useful life are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method and over the useful life. The Company's intangible assets balance consists of the cost of software systems for which the useful life is assessed to be 7 years.

Intangible assets with indefinite useful lives are not amortized. They are rather tested for impairment annually and impairment loss recognized in profit and loss immediately, when occurs. Intangible assets with indefinite useful lives are reviewed annually with the objective to assess whether their useful lives are still undetermined. If the analysis indicates that the useful live is determinable then such intangibles are amortized over identified useful lives.

2.11 Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

NIKORA TRADE Ltd**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2014

Amounts expressed in Georgian Lari (GEL) if not otherwise noted

2.12 Impairment of assets

Financial assets: Financial assets are reviewed for impairment at each balance sheet date. For trade and other receivables, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of receivables, an impairment or bad debt loss is recognized in the statement of comprehensive income.

The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

Other assets: Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

For goodwill, intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually.

2.13 Operating leases

Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to the statement of comprehensive income 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.

2.14 Trade and other payables

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.15 Profit tax

Profit for the period is taxable at a rate of 15% in accordance with Georgian regulatory legislation on taxation. Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of income tax performed by the management in accordance with Georgian regulatory legislation on taxation. According to Georgian legislation, tax losses are carried forward for 5 years.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using Georgian tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.16 Borrowing and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Borrowing costs directly attributable to the acquisition, construction or production of

assets that necessarily take a substantial time to get ready for their intended use or sale (qualifying assets) are capitalized as part of the costs of those assets. All other borrowing costs are recognized as an expense in the period in which the Company incurs them. The Company capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalized are calculated at the Company'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 capitalized. Capitalization of borrowing costs as part of the cost of a qualifying asset begins when the Company first meets all of the following conditions:

- a) the Company incurs expenditures for the asset;
- b) the Company incurs borrowing costs; and
- c) the Company undertakes necessary activities to prepare the asset for its intended use or sale.

Capitalization of borrowing costs is suspended during extended periods in which the Company suspends active development of a qualifying asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.17 Offsetting assets and liabilities

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

2.18 Revenue recognition

The nature of the business of the Company is such, that most of sales are made on cash and revenues are recognised simultaneously with cash payment by customers. In all other cases the revenue is recognized when:

- * the amount of revenue may be reliably measured;
- * it is probable that the economic benefits associated with the transaction will flow to the Company;
- * the stage of completion of the transaction at the balance sheet date may be reliably measured; and
- * the costs incurred for the transaction and the costs to complete the transaction may be reliably measured.

2.19 Equity

Ordinary shares are classified as equity and measured at the amount of cash receivable for shares or, if shares are issued for non-cash consideration, then at the fair value of the consideration receivable. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

When the shares are issued and the payment is expected on a later date the share subscription receivable is recognized as an asset in the balance sheet and subscribed shares are credited in the equity section of the balance sheet. When the payment is received subscription receivable is eliminated and subscribed shares are reclassified into ordinary share capital.

2.20 Provisions

A provision is recognised in the financial statements only when:

- a) the Company has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

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Provisions are distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.

In cases when it may be disputed either whether certain events have occurred or whether those events result in a present obligation, the Company determines whether a present obligation exists at the end of the reporting period by taking account of all available evidence, including, for example, the opinion of experts. The evidence considered includes any additional evidence provided by events after the reporting period. On the basis of such evidence:

- a) where it is more likely than not that a present obligation exists at the end of the reporting period, the Company recognises a provision (if the recognition criteria are met); and
- b) where it is more likely that no present obligation exists at the end of the reporting period, the Company discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

The provisions are recognised in the amount which is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.21 Foreign currency translation

Transactions conducted in foreign currencies are translated into GEL at the spot exchange rate at the date of the transaction. Balances of monetary items denominated in currencies other than GEL are translated into GEL at the year-end exchange rate. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign-currency-denominated monetary assets and liabilities are recognized in the income statement.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of financial statements in accordance with IFRS requires management to make estimates and apply judgments that affect the amounts recognized in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgments that have the most significant effect on the amounts recognized 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:

3.1 Carrying value of goodwill

Carrying value of goodwill is affected by possible impairment. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Therefore the assessment of impairment of goodwill requires use of estimates and assumptions related to future operations of the Group and other events in wider business environment of the Group, many of which are out of the direct control of the Group. To measure possible impairment of goodwill the Group uses five year budget which implies assessment of many factors including sales growth rates, inflation, competition, market shares etc.

Management's calculations based on current estimates, assumptions and expectations indicate that the goodwill reported in these financial statements is not impaired. However, differences between the estimates made by the management and the actual circumstances may materially affect carrying value of goodwill.

3.2 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.

3.3 Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Management have used judgment in determining the level of deferred tax asset that has been recognised by the Group. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter.

3.4 Doubtful debts reserves

The Group estimates collectability of trade receivables based on its experience and future expectations. Actual collectability rates of receivables may differ from management's current assessment.

3.5 Fair value measurement and valuation processes

Estimations of fair value are necessary for some of the assets and liabilities during application of accounting policies described above. 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 fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- * In the principal market for the asset or liability, or
- * In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of a non-financial assets at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The board of directors of the group have set up a valuation committee that determines the appropriate valuation techniques and inputs for fair value measurements. This committee works closely with qualified external valuers who assist in establishing the appropriate techniques and inputs.

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3.6 Taxation

The Group is subject to taxation in Georgia. Georgian tax, currency and customs legislation is subject to varying interpretations. The management of the Group recognizes tax liabilities based on their understanding and interpretations of tax legislation and also considers the views of its accountants and other consultants. However the tax authorities may challenge management's interpretation of legislation. It is suggested that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, tax liabilities disclosed in these financial statements may differ from the amount which may be assessed by tax authorities.

4 Cash and cash equivalents

	31-Dec-14	31-Dec-13	31-Dec-12
Cash on hand	508,748	393,460	281,334
Cash in Bank	6,762	198,219	220,250
Due from banks	98,064	66,144	28,752
Total cash and cash equivalents	613,574	657,823	530,336

Break-down of cash and cash equivalents by currencies is disclosed in Note 14.1 below.

5 Accounts receivable

	31-Dec-14	31-Dec-13	31-Dec-12
Trade accounts receivable	183,726	507,595	376,120
Other account receivables	19,775	16,735	37,140
Gross accounts receivable	203,501	524,329	413,260
Less: Provision for doubtful receivables	(1,901)	(5,223)	(4,405)
Net accounts receivable	201,601	519,107	408,855

6 Advances and other current assets

In the normal course of business the company pays advances to some suppliers. Below table provides break-down of advances by currency:

	31-Dec-14	31-Dec-13	31-Dec-12
Salary paid in advance	14,202	-	-
Advances to staff	43,888	34,079	6,960
Office supplies and consumables	85,077	117,768	3,412
Other advances	4,431	-	-
Gross advances and other current assets	147,597	151,847	10,372

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7 Merchandise inventory

	31-Dec-14	31-Dec-13	31-Dec-12
Food and diary products	1,581,209	1,080,069	891,763
Fruit and vegetables	116,908	30,614	40,695
Meat and fish	497,518	443,923	399,483
Chocolates, candy, cakes	1,313,853	985,726	613,561
Household goods and chemicals	245,765	129,027	81,416
Cigarettes	661,067	449,664	406,775
Alcohol drinks	501,840	331,715	316,805
Non-Alcohol drinks	878,676	538,854	458,901
Jewellery	17,897	9,331	8,800
Accessories	34,159	16,798	11,102
Other	111,816	120,816	289,322
Inventory loss provision	(362,713)	(161,542)	-
Total Inventory	5,597,994	3,974,997	3,518,622

The Group establishes inventory loss provision based on the historical experience of inventory losses. Changes in this provision are recognized in profit and loss in a separate line.

8 Property, plant and equipment
Year ended 31-Dec-2013

	Buildings	Equipment for stores	Office equipment	Vehicles	Improvements to leased	Total Fixed Assets
Cost						
At 31-Dec-2012	1,205,986	3,240,069	1,757,638	460,731	752,593	7,417,017
Purchases	2,916	1,300,288	557,036	109,910	414,581	2,384,731
Disposals	-	(43,297)	(11,698)	(13,626)	(2,705)	(71,325)
At 31-Dec-2013	1,208,902	4,497,060	2,302,976	557,015	1,164,469	9,730,423
Accumulated Depreciation						
At 31-Dec-2012	286,951	430,522	821,641	161,241	75,045	1,775,401
Charge for the year	46,086	314,855	297,749	80,136	163,419	902,244
Acc. depreciation of disposals	-	(11,215)	(3,048)	(4,905)	(33)	(19,201)
At 31-Dec-2013	333,038	734,162	1,116,341	236,472	238,430	2,658,443
Net Book Value						
At 31-Dec-2012	919,035	2,809,547	935,998	299,489	677,548	5,641,617
At 31-Dec-2013	875,865	3,762,898	1,186,635	320,543	926,039	7,071,979

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Year ended 31-Dec-2014

	Buildings	Equipment for stores	Office equipment	Vehicles	Improvements to leased	Total Fixed Assets
Cost						
At 31-Dec-2013	1,208,902	4,497,060	2,302,976	557,015	1,164,469	9,730,423
Purchases	220	2,301,412	985,267	119,149	556,978	3,963,026
Acquisition in business combination	-	156,213	70,008	-	-	226,221
Disposals	(1,121,807)	(76,048)	(16,173)	-	(85,355)	(1,299,382)
At 31-Dec-2014	87,315	6,878,637	3,342,078	676,165	1,636,092	12,620,287
Accumulated Depreciation						
At 31-Dec-2013	333,038	734,162	1,116,341	236,472	238,430	2,658,443
Charge for the year	27,991	1,069,695	538,111	122,463	192,590	1,950,850
Acc. depreciation of disposals	(327,347)	(25,962)	(5,078)	-	(29,677)	(388,064)
At 31-Dec-2014	33,682	1,777,895	1,649,375	358,935	401,343	4,221,229
Net Book Value						
At 31-Dec-2013	875,865	3,762,898	1,186,635	320,543	926,039	7,071,979
At 31-Dec-2014	53,634	5,103,253	1,692,703	317,230	1,234,750	8,401,569

The immovable property with carrying value of GEL 56,729 is pledged as security for the loans from BoG. See loan details at note 11.

9 Goodwill

On December 4, 2014 Nikora Trade Ltd acquired 67% share in Lazi Holding Ltd for GEL 1,931,475. Goodwill recognized on acquisition equals GEL 1,598,623.

In the process of preparation of these consolidated financial statements the management reviewed goodwill for possible impairment and concluded it is not impaired. The management considered future cash-flows from operations based on the five-year approved budget of acquired subsidiary. All relevant factors affecting future assumptions were considered in the analysis. The management conducted analysis of retail market in Georgia, competition, current market position of the Group, its share on the market, expected developments on the market in general and chances and ways to increase market share, including marketing, sales and customer care strategies. Based on all the available current information and projections the management believes that the carrying amount of goodwill fairly represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized in these financial statements.

10 Trade accounts payable

	31-Dec-14	31-Dec-13	31-Dec-12
Accounts Payable (Goods and Raw Materials)	7,340,169	5,021,833	4,198,036
Accounts Payable (Service)	873,268	402,549	344,268
Other Accounts Payable	14,188	19,273	2,998
Trade accounts payable	8,227,624	5,443,656	4,545,303

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11 Borrowings

Lender	Loan Currency	Contractual maturity date	Annual interest	Balance		
				31-Dec-14	31-Dec-13	31-Dec-12
Bank of Georgia	USD	5-Dec-19	8.8%	2,245,638	-	-
Bank of Georgia	USD	5-Dec-19	8.8%	745,440	-	-
Bank of Georgia	USD	30-Mar-17	10.1%	132,756	168,681	198,303
Bank of Georgia	USD	7-Apr-17	10.1%	665,673	846,272	994,642
Bank of Georgia	USD	26-Dec-16	10.1%	1,101,287	1,470,554	-
Bank of Georgia	USD	26-Dec-16	10.0%	469,754	617,707	739,600
Bank of Georgia	GEL	30-Apr-15	15.0%	-	-	456,975
Bank of Georgia	USD	10-Jun-14	12.0%	-	-	62,904
TOTAL BORROWINGS				5,360,548	3,103,214	2,452,424

According to credit contract terms the immovable property with carrying value of GEL 56,729 is pledged as security for the loans from BoG.

The loan contracts with BoG set certain financial and non-financial covenants:

- * According to these requirements Nikora Trade LTD needs prior written approval from BoG to sell any tangible or intangible asset with carrying value more than 30,000 USD;
- * Financial covenants include requirements related to minimum Average Monthly EBITDA being not less than GEL 1,100,000, Debt Service Coverage ratio at least 1.4, Net Working Capital not less than GEL 7,500,000. The ratios shall be calculated according to special provisions and rules of BoG. During all reported periods and as at the reporting date Nikora Trade Ltd satisfies all loan covenants.

12 Deferred and current income taxes

Components of deferred tax: asset / (liability)	31-Dec-14	31-Dec-13	31-Dec-12
Accounts receivable (doubtful debts)	285	783	661
Property, plant and equipment	(740,513)	(548,829)	(290,645)
Liabilities to employees	18,716	61,185	10,017
Net deferred income tax asset (liability)	(721,511)	(486,861)	(279,967)

The reasons which give raise to deferred taxes are briefly described below:

Accounts receivable - Accounts receivable are stated net of doubtful and bad debts which are not recognized for tax purposes until certain administrative and legal procedures are followed and completed. Until that time bad debts recognized in balance sheet but not recognized for tax purposes give raise to deferred tax.

PP&E - There are certain differences in assets recognition criteria, depreciation method and useful life estimations between IFRS and Georgian Tax Code which cause differences between IFRS-determined carrying value of PP&E and the tax base of those assets. This difference gives raise to deferred tax. Also, some write-offs of PP&E recognized in IFRS financial statements in one period can only be deducted for tax purposes in later periods, when certain administrative procedures are completed.

Staff costs payable - Staff costs are deductible for tax purposes on a cash basis. i.e. when paid, while in IFRS financial statements they are recognized in accordance with accruals method.

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Movement in the deferred tax during the year	Year 2014	Year 2013
At the beginning of the year - asset (liability)	(486,861)	(279,967)
Movement for the year – benefit / (expense)	(234,650)	(206,894)
At the end of the year	(721,511)	(486,861)
Income tax expense for the year	Year 2014	Year 2013
Statutory income tax	(76,349)	(395,048)
Change in deferred tax	(234,650)	(206,894)
Total Income tax (expense)/benefit for the year	(311,000)	(601,942)

13 Related parties

In the normal course of business the Group enters into transactions with related parties. The details of the related party balances as at the reporting date and of transactions with them are provided in the next tables:

Balances with related parties As at	Accounts receivable	Salary payable	Accounts payable	Borrowings from
Shareholder	-	-	585,771	-
Entities under common control	31,722	-	1,209,659	-
Key management personnel	-	9,126	-	-
Total for the year	9,126	1,795,430	-	-
Transactions with related parties during the year 2014	Sales to	Purchases from	Interest expense	Salary expense
Shareholders	3,124,694	26,315,218	-	-
Entities under common control	437,194	11,645,614	-	-
Key management personnel	-	-	-	277,500
Total for the year	3,561,888	37,960,831	-	277,500

14 Contingencies, commitments and operating risks
14.1 Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Included in the next table are the Company's financial assets and financial liabilities at carrying amounts, categorized by currency:

	Denominated in GEL	Denominated in USD expressed in GEL	TOTAL expressed in GEL
December 31, 2014			
Financial Assets			
Cash and cash equivalents	613,548	26	613,574
Accounts receivable	201,601	-	201,601
Total Financial Assets	613,548	26	613,574

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Financial Liabilities			
Bank overdraft	1,323,254	-	1,323,254
Trade accounts payable	8,227,624	-	8,227,624
Current loans and current part of non-current loans	-	2,050,361	2,050,361
Non-current borrowings	-	3,310,187	3,310,187

Total Financial Liabilities	9,550,878	5,360,548	14,911,426
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Currency position	(8,937,330)	(5,360,522)	(14,297,852)
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Exchange rates 31/12/2014	1.0000	1.8636	
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As the table shows the Group is highly exposed to USD/GEL exchange rate changes due to the borrowings denominated in USD. The table below shows the effect which the realistically possible changes in USD/GEL exchange rate may have on the Group's financial position.

Exchange rate changes:	Effect on	
	Profit before tax	Equity
GEL weakens against USD by 20%	(1,072,104)	(911,289)
GEL weakens against USD by 10%	(536,052)	(455,644)
GEL strengthens against USD by 20%	1,072,104	911,289
GEL strengthens against USD by 10%	536,052	455,644

14.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments on time. Liquidity risk exists when the maturities of assets and liabilities do not match. The following table presents a maturity analysis for non-derivative financial assets and liabilities of the Company with the remaining contractual

December 31, 2014	Up to one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial Assets					
Cash and cash equivalents	613,574	-	-	-	613,574
Accounts receivable	201,601	-	-	-	201,601
Total Financial Assets	815,175	-	-	-	815,175
Financial Liabilities					
Trade Payables (current)	8,227,624	-	-	-	8,227,624
Borrowings	-	319,109	2,991,078	-	3,310,187
Total Financial Liabilities	8,227,624	319,109	2,991,078	-	11,537,811
Liquidity gap	(7,412,449)	(319,109)	(2,991,078)	0	(10,722,636)
Cumulative liquidity gap	(7,412,449)	(7,731,558)	(10,722,636)	(10,722,636)	

14.3 Interest rate risk

Interest rate risk is the risk that market interest rate fluctuations will adversely affect Company's financial position or its financial results.

The Group's has interest-bearing liabilities, such as bank borrowings where the interest rate is linked to market interest rates (LIBOR-linked borrowings). However the Group's borrowings are not so significant that the realistically possible changes in market rates could have material impact on the Group's profit and loss.

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14.4 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Credit risk arises from cash and cash equivalents (except for cash on hand) as well as outstanding receivables and thus the maximum exposure to credit risk is the carrying amount of these items which, as at December 31, 2014 equals GEL 423,773 (2013: GEL 788,692)

The Group's cash is placed with highly reliable financial institutions and the management is convinced there is no credit risk related to its cash and cash equivalent balances.

The Group's receivables are the main item which causes the credit risk exposure. 15 largest debtors with whom the Group has well established long-term relationships and the management has no reasons to believe that those receivables will not be collected according to normal trade terms constitute about 70% of gross receivables as at 31-Dec-2014 (31-Dec-2013: 80% and at 31-Dec-2012: 80%). For the remaining receivables balance a collective provision is created in accordance with provision policies described earlier in these notes and the management believes that such provision materially covers possible credit risk associated with receivables.

15 Going concern considerations

At the end of each reporting period, management of the Company considers the Company's ability to continue as a going concern, in order to ensure that presentation of financial statements based on going concern assumption is relevant in the circumstances. The management is convinced that at the reporting date the Company's functionality as going concern is not threatened and they don't have any plans for company liquidation or

16 Events after the reporting period

There have been no after balance sheet events that require any additional adjustments or disclosures in these financial statements.

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