

# Financial Statements and Independent Auditor's Report

**JSC Nikora**

31 December 2017



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# Independent auditor's report

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შპს გრანტ თორნტონ

ქეთევან წამებულის გამზირი 54  
0144, თბილისი, საქართველო

ტ. + 995 322 604 406

**Grant Thornton LLC**

54 Ketevan Tsamebuli Avenue  
0144 Tbilisi, Georgia

T + 995 322 604 406

To the shareholders of JSC Nikora

## *Qualified Opinion*

We have audited the accompanying financial statements of JSC Nikora (the “Company”), which comprise the statement of financial position as of 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

## *Basis for Qualified Opinion*

Machinery and equipment are stated at Georgian lari 869 thousand on the statement of financial position as at 31 December 2017 (31 December 2016: Georgian lari 1,323 thousand) (refer to note 4 to the financial statements). Because of the nature of the Company’s accounting records we were unable to obtain sufficient appropriate audit evidence about the amount of the opening balance of accumulated depreciation of the Company’s machinery and equipment. Consequently, we were unable to determine whether any adjustment might have been necessary to the carrying amount of the Company’s machinery and equipment included in the statement of financial position as at 31 December 2017 and to the depreciation expense of Georgian lari 285 thousand related to the noted part of the machinery and equipment included in the statement of profit and loss and other comprehensive income and to the cash flows from operating activities for the year then ended.

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. 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 financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. In addition to the matter described in the *Basis for Qualified Opinion* section of our report, we have determined the matter described below to be key audit matter. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

#### **Revaluation of land and buildings**

The Company has land and building with a net book value of Georgian lari 29,585 thousand (2016: Georgian lari 25,533 thousand). Given the size of the land and buildings balance relative to the total assets of the Company and the estimates and judgments described below, the revaluation of land and buildings required significant audit attention.

As disclosed in note 3.3, land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation. The revaluation was performed by independent certified valuator, external for the Company. Details of the revaluation are disclosed in the note 4 to the financial statements.

We have performed the following audit procedures:

- We evaluated the objectivity, completeness and independence of the external independent valuator;
- We obtained an understanding of the work of the valuator, by reviewing the valuation report prepared by external valuator to determine the appropriateness of the nature, scope and objectives of the work performed;
- We compared key inputs, used by the external independent valuator, with publicly accessible data and/or historical available data;
- We considered the methodology of accounting for the gains/(losses) on the revaluation;
- We reviewed the disclosures included in the Company's financial statements against the requirements of the accounting standards.

#### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 engagement partner on the audit resulting in this independent auditor's report is Ketevan Ghambashidze.

Vakhtang Tsabadze  
Managing Partner  
13 August 2018



Ketevan Ghambashidze  
Registered Auditor



# Statement of financial position

In thousands of Georgian lari		<b>As of 31 December 2017 (Audited)</b>	<b>As of 31 December 2016 (Unaudited)</b>	<b>As of 31 December 2015 (Unaudited)</b>
	<u>Note</u>			
<b>Assets</b>				
<i>Non-current assets</i>				
Property, plant and equipment	4	30,976	27,437	29,376
Intangible assets	5	323	182	211
Loan issued	0	17,078	-	660
Investments in subsidiaries	7	29,415	28,207	27,659
Other financial assets		20	16	11
		<u>77,812</u>	<u>55,842</u>	<u>57,917</u>
<i>Current assets</i>				
Trade and other receivables	8	1,020	898	1,369
Current income tax asset		47	53	59
Other current assets		527	569	347
Cash and bank balances	9	72	17	9
		<u>1,666</u>	<u>1,537</u>	<u>1,784</u>
<b>Total assets</b>		<u><u>79,478</u></u>	<u><u>57,379</u></u>	<u><u>59,701</u></u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 43.

# Statement of financial position (continued)

In thousands of Georgian lari	Note	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)	As of 31 December 2015 (Unaudited)
<i>Equity and liabilities</i>				
<i>Capital and reserves</i>				
Share capital	10	31,258	34,761	34,351
Treasury shares		(1,294)	(1,294)	(1,294)
Revaluation reserve		7,284	3,667	4,229
Accumulated profit		14,465	11,646	10,628
		<u>51,713</u>	<u>48,780</u>	<u>47,914</u>
<i>Non-current liabilities</i>				
Loans and borrowings	11	-	3,868	4,949
Bonds	12	25,660	-	-
Deferred tax liabilities		-	-	480
		<u>25,660</u>	<u>3,868</u>	<u>5,429</u>
<i>Current liabilities</i>				
Trade and other payables	13	1,089	132	915
Dividends payables		539	-	-
Loans and borrowings	11	477	4,599	5,443
		<u>2,105</u>	<u>4,731</u>	<u>6,358</u>
Total equity and liabilities		<u>79,478</u>	<u>57,379</u>	<u>59,701</u>

The financial statements were approved on 13 August 2018 by:

Irakli Bokolishvili  
Chief Executive Office



Besarion Pachuashvili  
Chief Financial Officer



The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 43.



# Statement of profit or loss and other comprehensive income

In thousands of Georgian lari

	Note	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Revenue	14	6,188	5,593
Revenue from sale of goods		615	391
Cost of sales		(505)	(368)
Gross profit		6,298	5,616
Distribution and marketing expenses	15	(86)	(116)
Administrative expenses	16	(5,287)	(3,495)
Income from dividends		7,765	6,120
Results from operating activities		8,690	8,125
Finance income		759	5
Finance costs		(1,621)	(903)
Other financial items	17	(1,777)	(616)
Other non-operating income/(expenses)	14	5,047	(428)
Profit before income tax		11,098	6,183
Income tax expense	19	(6)	(319)
Profit for the year		11,092	5,864
<i>Other comprehensive income</i>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation of property, plant and equipment		3,644	521
Total comprehensive income for the year		14,736	6,385

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 43.

# Statement of changes in equity

In thousands of Georgian lari

	Share capital	Treasury shares	Revaluation reserve	Accumulated profit/(loss)	Total
as of 1 January 2016 (Unaudited)	34,351	(1,294)	4,229	10,628	47,914
Profit for the year	-	-	-	5,864	5,864
Deferred tax reversal effect on revaluation reserve	-	-	521	-	521
Total comprehensive income for the year	-	-	521	5,864	6,385
Issue of preference shares	1,872	-	-	-	1,872
Redemption of preference shares	(1,462)	-	-	-	(1,462)
Dividends	-	-	-	(5,929)	(5,929)
Transfer of revaluation reserve of disposed assets to retained earnings	-	-	(1,083)	1,083	-
Transactions with owners	410	-	(1,083)	(4,846)	(5,519)
as of 31 December 2016 (Unaudited)	34,761	(1,294)	3,667	11,646	48,780
Profit for the year	-	-	-	11,092	11,092
Revaluation surplus	-	-	3,644	-	3,644
Total comprehensive income for the year	-	-	3,644	11,092	14,736
Redemption of share capital	(3,503)	-	-	-	(3,503)
Dividends	-	-	-	(8,300)	(8,300)
Transfer of revaluation reserve of disposed assets to retained earnings	-	-	(27)	27	-
Transactions with owners	(3,503)	-	(27)	(8,273)	(11,803)
as of 31 December 2017	31,258	(1,294)	7,284	14,465	51,713

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 43.

# Statement of cash flows

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Cash flows from operating activities		
Profit for the year	11,092	5,864
<i>Adjustments for:</i>		
Depreciation and amortization	698	913
Repayment of dividends with subsidiary's shares	(1,100)	-
Dividend income	(7,765)	(6,120)
Interest expense	1,587	907
Finance income	(759)	-
Income tax expense/(recovery)	6	319
Foreign exchange (gain)/loss	1,748	683
<i>Operating profit before working capital changes</i>	5,507	2,566
Change in trade and other receivables	(493)	471
Change in other current assets	42	(222)
Change in trade and other payables	941	(783)
Dividends payable	539	-
<i>Cash generated from operations</i>	6,536	2,032
Interest paid	(1,562)	(907)
Interest received	740	-
Income tax paid	-	(313)
<i>Net cash from operating activities</i>	5,714	812
Cash flows from investing activities		
Acquisition of property, plant and equipment	(613)	(2,355)
Acquisition of intangible assets	(167)	-
Loans issued	(16,741)	-
Proceeds from disposal of property, plant and equipment	408	3,450
Proceeds from issued loans	987	660
Dividends received	7,765	6,120
Increase of investment in subsidiaries	(1,213)	(573)
Decrease in restricted bank deposits	-	21
<i>Net cash from/(used in) investing activities</i>	(9,574)	7,323

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 43.

# Statement of cash flows (continued)

In thousands of Georgian lari	<b>Year ended 31 December 2017 (Audited)</b>	<b>Year ended 31 December 2016 (Unaudited)</b>
Cash flows from financing activities		
Cash paid as dividends	(7,200)	(5,929)
Proceeds from issue of preferred stock	-	1,872
Proceeds from loans and borrowings	23,151	4,935
Redemption of preferred stock	(5,177)	(1,462)
Repayment of loans and borrowings	(30,630)	(7,541)
Bonds issue	23,775	-
<i>Net cash from/(used in) financing activities</i>	<u>3,919</u>	<u>(8,125)</u>
Net increase in cash and bank balances	59	10
Foreign exchange effect on cash	(4)	(2)
Cash and bank balances at the beginning of the year	<u>17</u>	<u>9</u>
Cash and bank balances at the end of the year	<u><u>72</u></u>	<u><u>17</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 43.

# Notes to the financial statements

## 1 Nature of operations and general information

Nikora JSC (the Company) together with its subsidiaries (together the “Group”) is a leading local food producer and retailer on Georgian market. Nikora JSC, the Group’s ultimate parent company, was established as a limited liability company in Georgia in 1998. Its primary business was meat production. The Company soon gained strong market positions and established several enterprises in retail, distribution and food production industries.

The registered address of Nikora JSC is: 11 M. Kavtaradze street, Tbilisi, Georgia.

The average number of employees of the Company during 2017 was 210 employees (2016: 205).

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). These are the separate financial statements of the Company and the management has also prepared and issued consolidated financial statements of the Group. Refer to note 7 for the list of subsidiaries including their names, activities and ownership proportions.

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception for certain financial instruments that are stated at present discounted value of future cash flows. The details of measurement for each category of assets and liabilities are disclosed further in these notes.

### 2.3 Functional and presentation currency

The national currency of Georgia is the Georgian lari (“lari”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in thousands of Georgian lari. All financial information presented in Georgian lari has been rounded to the nearest thousand.

### 2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the note 20 to the financial statements.

### 2.5 Adoption of new and revised standards

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Company.

## **New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2017**

### **Disclosure Initiative (Amendments to IAS 7 *Statements of Cash Flows*)**

The amendments to IAS 7, effective 1 January 2017, require the Company to provide disclosures about the changes in liabilities from financing activities. The Company categorizes those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by IAS 7 (refer to note 26).

## **Annual Improvements 2014-2016**

The Annual Improvements 2014-2016 made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarized below:

### **IFRS 12 *Disclosure of Interests in Other Entities***

Clarification of the scope of the Standard.

IFRS 12 is required to be applied retrospectively in accordance with IAS 8.

## **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

### **IFRS 9 *Financial Instruments***

The IASB released IFRS 9 *Financial Instruments*, representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Company's management have yet to assess the impact of this new standard on the Company's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

### **IFRS 16 *Leases***

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability.

IFRS 16 also:

changes the definition of a lease;

- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;

- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided IFRS 15 *Revenue from Contracts with Customers* is also applied. The Company's management have not yet assessed the impact of IFRS 16 on these financial statements.

### **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Company's management have not yet assessed the impact of IFRS 15 on these financial statements.

## **3 Significant accounting policies**

### **3.1 General conditions and first time adoption of IFRSs**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which were valid as of 31 December 2017.

The concepts of accounting policy were applied to each period presented in the financial statements.

Though the Company was preparing certain financial information for the consolidation purposes of the parent company, which did produce IFRS-compliant general purpose financial statements in the preceding years, the Company itself did not produce general purpose financial statements for external users in the preceding periods, therefore these financial statements are the first set of the Company's financial statements prepared in accordance with IFRS. The Company has used IFRS 1 *First Time Adoption of International Financial Reporting Standards* in preparing these financial statements.

Refer to note 2.5 for standards and interpretations that were issued, but were not yet effective and were not early adopted by the Company.

The significant accounting policies applied for the preparation of the financial statements are presented below.

### **3.2 Foreign currencies**

#### ***Foreign currency transactions***

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 2.5922 lari for 1 US dollar and 3.1044 lari for 1 euro as of 31 December 2017 (31 December 2016: 2.6468 lari for 1 US dollar, 2.7940 lari for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

### 3.3 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being 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 sufficient regularity by independent valuers 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, plant and equipment 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, plant 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.

The revaluation surplus remaining in the revaluation reserve attributable to an item of property, plant and equipment is transferred directly to the accumulated profit when the asset is sold or otherwise derecognized.

Other items of property, plant 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, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant 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, borrowing costs capitalized in accordance with the Company's accounting policy. Buildings that are leasehold property are also included in property, plant and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful or over the term of the lease, if shorter.

The gain or loss arising on the disposal or retirement of an item of property, plant 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.

Expenditure to replace a component of an item of property, plant 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 will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a reducing balance 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:

Buildings and facilities	- 30 years
Machinery and equipment	- 5 years
Office equipment, furniture and fixtures	- 5-years
Vehicles	- 5 years
Leasehold improvements	- 7-10 years



### 3.4 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a reducing balance basis over the estimated useful lives of the intangible assets, which is estimated at 5-7 years for software, rights and others.

Intangible asset with an indefinite useful life are not amortized, instead they are tested for impairment by comparing its recoverable amount with its carrying amount annually, and whenever there is an indication that the intangible asset may be impaired.

### 3.5 Investments in subsidiaries

Investments in subsidiaries are accounted at cost. Dividends from subsidiaries, are recognised in the separate financial statements when the Company's right to receive the dividend is established. The dividend is recognised in profit or loss.

### 3.6 Leased assets

In accordance with IAS 17 *Leases*, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as an obligation under finance lease, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable assets which are legally owned by the Company. The corresponding obligation under finance lease is reduced by lease payments less finance charges, which are expensed to finance costs. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a reducing balance basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

### 3.7 Financial instruments

#### *Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

#### *Classification and subsequent measurement of financial assets*

For the purpose of subsequent measurement financial assets are divided into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss

- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in profit or loss or in other comprehensive income. Refer to note 21.2 for a summary of the Company's financial assets by category.

Generally, the Company recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other non-operating expenses.

#### *i Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables as well as cash and bank balances.

#### *Trade and other receivables*

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The balance of the allowance is adjusted by recording a charge or income to profit or loss of the reporting period. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. All accounts receivable for which collection is not considered probable are written-off.

#### *Cash and bank balances*

The Company's cash and bank balances comprise cash in hand, bank accounts and cash in transit

#### *ii Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

#### *Classification and subsequent measurement of financial liabilities*

The Company's financial liabilities include loans and borrowings and trade and other payables. A summary of the Company's financial liabilities by category is given in note 21.2.

### *i*      **Loans and borrowings**

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in profit or loss, except when the borrowing was received from the owners. In this instance the difference between fair value and nominal value is recognized in equity as additional capital. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

### *ii*      **Trade and other payables**

Trade and other payables are stated at fair value and subsequently stated at amortized cost.

## **3.8 Impairment**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

### *Impairment of property, plant and equipment and intangible assets*

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. 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. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

### *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

### 3.9 Equity

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premium received on issue of share capital. Any transaction costs associated with issuing of shares are deducted from share premium, net of any related income tax benefits.

Non-redeemable preference shares are included in equity only if amount of dividends payable for these shares is at the discretion of the issuer. Otherwise they are recorded as liability.

Repurchased own shares are reported as treasury shares.

Accumulated profit/(loss) includes all current and prior periods' profits and losses.

Dividends are recognized as a liability in the period in which they are declared.

All transactions with owners of the parent acting in their capacity as owners are recorded separately within equity.

Revaluation reserve comprises gains and losses from the revaluation of land and buildings.

### 3.10 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### *Changes in corporate income tax effective from 1 January 2017*

Effective 1 January 2017, there are significant amendments to the Tax Code of Georgia. Most significant changes relate to introduction of new model for corporate income taxation.

The new model 2017, implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the company's profit before tax, regardless of profit retention or distribution. As a result of changes, starting 1 January 2017 companies pay corporate income tax on profit distribution (dividends) and on individual transactions that may be considered as indirect distribution of profits (benefits, gifts, payments and expenses not related to economic activities, etc). In the case of profit distribution, the tax rate is 15/85.

According to the amended concept of corporate income taxation, there are no temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Therefore, deferred tax assets and liabilities, as defined in IAS 12 *Income Taxes*, cannot be formed subsequent to 1 January 2017.

### 3.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates allowed by the Company.

Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### *Sale of goods*

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Rendering of services*

Revenue from a contract to provide services 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 reporting date may be reliably measured; and
- the costs incurred for the transaction and the costs to complete the transaction may be reliably measured.

#### *Rental income*

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

### 3.12 Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

## 4 Property, plant and equipment

In thousands of Georgian lari								
	Land	Buildings	Machinery and equipment	Office equipment, furniture, fixtures	Vehicles	CIP	Other	Total
<i>Cost (revaluation for land &amp; buildings)</i>								
as of 1 January 2016	8,234	25,136	6,904	1,305	341	488	2	42,410
Additions	20	2,233	26	73	-	-	2	2,354
Internal movement	-	488	-	-	-	(488)	-	-
Disposals	(535)	(9,715)	(5)	-	-	-	-	(10,255)
as of 31 December 2016	7,719	18,142	6,925	1,378	341	-	4	34,509
Additions	25	967	4	5	-	-	-	1,001
Disposals	(13)	(243)	(850)	(28)	(101)	-	-	(1,235)
Revaluation surplus	1,526	1,462	-	-	-	-	-	2,988
as of 31 December 2017	9,257	20,328	6,079	1,355	240	-	4	37,263
<i>Accumulated depreciation and impairment</i>								
as of 1 January 2016	-	6,714	5,234	807	277	-	2	13,034
Charge for the year	-	458	369	53	4	-	-	884
Eliminated on disposal	-	(6,844)	(2)	-	-	-	-	(6,846)
as of 31 December 2016	-	328	5,601	860	281	-	2	7,072
Charge for the year	-	333	285	49	5	-	-	672
Eliminated on disposal	-	(6)	(676)	(26)	(94)	-	-	(802)
Eliminated on revaluation	-	(655)	-	-	-	-	-	(655)
as of 31 December 2017	-	-	5,210	883	192	-	2	6,287
<i>Carrying amount</i>								
as of 31 December 2015 (Unaudited)	8,234	18,422	1,670	498	64	488	-	29,376
as of 31 December 2016 (Unaudited)	7,719	17,814	1,324	518	60	-	2	27,437
as of 31 December 2017 (Audited)	9,257	20,328	869	472	48	-	2	30,976

Property, plant and equipment of the Company at the carrying amount of lari 30,976 thousand have been pledged as a security for loans and borrowings as of 31 December 2017 (31 December 2016: Georgian lari 27,437 thousand).

Land and buildings are stated at revaluated amounts. Revalued amounts are fair values based on appraisals conducted by external professional valuers once every two years or more frequently if market factors indicate a material change in fair values. The Company's land and buildings were last revalued as of 31 December 2017 by independent valuers. Valuations were performed using the sales comparison, the cost and the income capitalization approaches.

Depreciation is charged to profit and loss.

## 5 Intangible assets

In thousands of Georgian lari	<u>Software</u>	<u>Rights</u>	<u>Total</u>
<i>Cost</i>			
as of 1 January 2016	291	9	300
as of 31 December 2016	291	9	300
Additions	165	2	167
as of 31 December 2017	456	11	467
<i>Accumulated amortization</i>			
as of 1 January 2016	89	-	89
Charge for the year	29	-	29
as of 31 December 2016	118	-	118
Charge for the year	26	-	26
as of 31 December 2017	144	-	144
<i>Carrying amount</i>			
as of 1 January 2016 (Unaudited)	202	9	211
as of 31 December 2016 (Unaudited)	173	9	182
as of 31 December 2017 (Audited)	<u>312</u>	<u>11</u>	<u>323</u>

## 6 Loans issued

Loans issued by the Company as of 31 December 2017:

In thousands of Georgian lari

<b>Subsidiary</b>	<b>Maturity</b>	<b>Annual interest rate %</b>	<b>Original currency</b>	<b>As of 31 December 2017 (Audited)</b>
Nikora LLC	28 June 2019	9%	USD	6,222
Nikora Trade JSC	28 June 2019	9%	USD	3,476
Multitrade LLC	28 June 2019	9%	USD	1,332
Nikora 7 LLC	28 June 2019	9%	USD	1,190
Partniori LLC	28 June 2019	9%	USD	1,082
Intrade LLC	28 June 2019	9%	USD	1,072
Kulinari LLC	28 June 2019	9%	USD	907
Chveni Fermeri LLC	28 June 2019	9%	USD	734
Okeane LLC	28 June 2019	9%	USD	484
Mzareuli 1 LLC	28 June 2019	9%	USD	455
Mzareuli 1 LLC	1 January 2019	13%	GEL	105
				<hr/> 17,059
Accrued interest				<hr/> 19
				<hr/> 17,078



## 7 Investments

Investments in subsidiaries as of 31 December 2017:

Subsidiary	Ownership %	Country	Date of incorporation	Industry	Date of acquisition	As of 31 December 2017 (Audited)
Nikora Trade LLC	92.40	Georgia	14 August 2006	Retail	22 December 2009	21,608
Napareulis Dzveli Marani LLC	100	Georgia	25 July 2009	Wine production	25 July 2009	1,399
Nikora-Kakheti LLC	100	Georgia	10 March 2006	Distribution	10 March 2006	1,275
Mzareuli 1 LLC	100	Georgia	5 November 2004	Bakery products production	5 November 2004	1,012
Nikora LLC	100	Georgia	2 December 2014	Meat and semi-final food production	2 December 2014	1,000
Vakjivris Kalmakhi LLC	82.50	Georgia	15 December 1995	Trout farm	13 November 2006	850
Intrade-Poti LLC	100	Georgia	3 November 2004	Distribution	3 November 2004	726
Nikora 7 LLC	100	Georgia	15 March 2006	Meat production	15 March 2006	700
Nikora Bakuriani LLC	50	Georgia	18 December 2015	Hotel	18 December 2015	347
Chveni Fermeri LLC	100	Georgia	5 June 2008	Dairy products production	5 June 2008	200
Kulinari LLC	50	Georgia	5 July 2015	Semi-final food	5 July 2015	175
Okeane LLC	100	Georgia	5 June 2008	Fish production	5 June 2008	117
Achinebuli 2005 LLC	100	Georgia	4 February 2005	Inactive	4 February 2005	4
Intrade LLC	100	Georgia	19 September 2007	Distribution	19 September 2007	2
Nugeshi LLC	100	Georgia	18 June 2010	Retail	1 July 2015	-
Partner LLC	100	Georgia	2 December 2014	Distribution	2 December 2014	-
Multitrade LLC	100	Georgia	29 June 2009	Importing	29 June 2009	-
Lazi Holding LLC	67	Georgia	4 December 2014	Retail	4 December 2014	-
Nikora Agro LLC	100	Georgia	11 March 2009	Agriculture	11 March 2009	-
Royal Kaspi LLC	50	Georgia	9 March 2010	Inactive	9 March 2010	-
Tsutskhvati LLC	100	Georgia	7 May 2004	Inactive	7 May 2004	-
Web trade LLC	100	Georgia	13 June 2016	Online store	13 June 2016	-
						29,415

Investments in subsidiaries as of 31 December 2016:

<b>Subsidiary</b>	<b>Ownership %</b>	<b>Country</b>	<b>Date of incorporation</b>	<b>Industry</b>	<b>Date of acquisition</b>	<b>As of 31 December 2016 (Unaudited)</b>
Nikora Trade LLC	100	Georgia	14 August 2006	Retail	22 December 2009	22,446
Napareulis Dzveli Marani LLC	100	Georgia	25 July 2009	Wine production	25 July 2009	1,399
Nikora-Kakheti LLC	100	Georgia	10 March 2006	Distribution	10 March 2006	1,275
Mzareuli 1 LLC	100	Georgia	5 November 2004	Bakery products production	5 November 2004	712
Nikora LLC	100	Georgia	2 December 2014	Meat and semi-final food production	2 December 2014	-
Vakjivris Kalmakhi LLC	80.25	Georgia	15 December 1995	Trout farm	13 November 2006	827
Intrade-Poti LLC	100	Georgia	3 November 2004	Distribution	3 November 2004	726
Nikora 7 LLC	100	Georgia	15 March 2006	Meat production	15 March 2006	-
Nikora Bakuriani LLC	50	Georgia	18 December 2015	Hotel	18 December 2015	347
Chveni Fermeri LLC	100	Georgia	5 June 2008	Dairy products production	5 June 2008	200
Kulinari LLC	50	Georgia	5 July 2015	Semi-final food	5 July 2015	175
Okeane LLC	100	Georgia	5 June 2008	Fish production	5 June 2008	94
Achinebuli 2005 LLC	100	Georgia	4 February 2005	Inactive	4 February 2005	4
Intrade LLC	100	Georgia	19 September 2007	Distribution	19 September 2007	2
Nugeshi LLC	100	Georgia	18 June 2010	Retail	1 July 2015	-
Partner LLC	100	Georgia	2 December 2014	Distribution	2 December 2014	-
Multitrade LLC	100	Georgia	29 June 2009	Importing	29 June 2009	-
Lazi Holding LLC	67	Georgia	4 December 2014	Retail	4 December 2014	-
Nikora Agro LLC	100	Georgia	11 March 2009	Agriculture	11 March 2009	-
Royal Kaspi LLC	50	Georgia	9 March 2010	Inactive	9 March 2010	-
Tsitskhvati LLC	100	Georgia	7 May 2004	Inactive	7 May 2004	-
Web trade LLC	100	Georgia	13 June 2016	Online store	13 June 2016	-
						<b>28,207</b>

## 8 Trade and other receivables

In thousands of Georgian lari	<b>As of 31 December 2017 (Audited)</b>	<b>As of 31 December 2016 (Unaudited)</b>	<b>As of 31 December 2015 (Unaudited)</b>
Trade receivables	1,009	897	1,368
Other receivables	11	1	1
	<u>1,020</u>	<u>898</u>	<u>1,369</u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Trade receivables are generally settled on 30-90 days terms. No interest is charged on the trade receivables. No trade and other receivables were overdue beyond 365 days. The Company's management has not created allowance for trade and other receivables as there was no indication of impairment loss or events that could cast a doubt on the collectability of trade and other receivables.

Refer to note 22 for the currencies in which the trade and other receivables are denominated.

## 9 Cash and bank balances

In thousands of Georgian lari	<b>As of 31 December 2017 (Audited)</b>	<b>As of 31 December 2016 (Unaudited)</b>	<b>As of 31 December 2015 (Unaudited)</b>
Bank accounts	72	-	3
Cash in hand	-	17	6
	<u>72</u>	<u>17</u>	<u>9</u>

Refer to note 22 for the currencies in which the cash and bank balances are denominated.

## 10 Capital and reserves

### 10.1 Share capital

Shareholders as of 31 December 2017 are presented on below table:

Shareholders	Number of shares	Common/Non-redeemable preference	Share %	Voting rights %	Capital in GEL
Sukhiashvili Vasil	1 876 471	Common	6.0	29.00	1,876,471
Nikora JSC	1 294 118	Common	4.14	20.00	1,294,118
Gubanov Oleg	1 035 293	Common	3.31	16.00	1,035,293
Dumbadze David	711 765	Common	2.28	11.00	711,765
Tsirekidze Taliko	582 353	Common	1.86	9.00	582,353
Salukvadze Maka	452 941	Common	1.45	7.00	452,941
Tsertsvadze Guram	323 529	Common	1.04	5.00	323,529
Nikolaishvili Irakli	194 118	Common	0.62	3.00	194,118
Sukhiashvili Vasil	40	Non-redeemable preference	15.28	-	4,775,200
PELICAN					
VENTURES CORP	20	Non-redeemable preference	8.61	-	2,692,200
Tsertsvadze Guram	20	Non-redeemable preference	7.20	-	2,252,100
Bokolishvili Irakli	20	Non-redeemable preference	7.20	-	2,252,100
Park capital LLC	20	Non-redeemable preference	6.50	-	2,031,600
Nikolaishvili Irakli	17	Non-redeemable preference	6.12	-	1,914,285
Nizharadze Taras	10	Non-redeemable preference	2.66	-	830,100
Agrovin LLC	8	Non-redeemable preference	3.07	-	960,800
Anchabidze Aleks	7	Non-redeemable preference	2.68	-	836,325
Gachechiladze					
Davit	7	Non-redeemable preference	2.68	-	836,325
Godgiashvili Zurab	7	Non-redeemable preference	2.68	-	836,325
Maziashvili Archil	6	Non-redeemable preference	1.59	-	498,060
Vachnadze Giorgi	6	Non-redeemable preference	1.64	-	512,025
Jokhadze Gocha	6	Non-redeemable preference	2.18	-	681,960
Dumbadze David	4	Non-redeemable preference	1.06	-	331,100
Pitchkhaia Tamar	4	Non-redeemable preference	1.55	-	485,025
Emukhvari Tamar	4	Non-redeemable preference	1.47	-	458,640
Ambroladze					
Murman	4	Non-redeemable preference	1.06	-	332,040
Gubanov Oleg	4	Non-redeemable preference	1.27	-	397,685
Tsaava Davit	2	Non-redeemable preference	0.72	-	225,210
Meladze Goderdzi	1	Non-redeemable preference	0.27	-	83,010
Vadatchkoria Davit	1	Non-redeemable preference	0.39	-	120,520
Dgandgava Ivane	1	Non-redeemable preference	0.27	-	83,190
Nareshelashvili					
Irakli	1	Non-redeemable preference	0.38	-	117,405
Kiknadze Nodar	1	Non-redeemable preference	0.40	-	124,515
Gvazava Otari	1	Non-redeemable preference	0.38	-	119,380
Nikora JSC	36	Non-redeemable preference	-	-	-
	<b>6,470,846</b>		<b>100.00</b>	<b>100.00</b>	<b>31,257,713</b>

Shareholders as of 31 December 2016 are presented on below table:

<b>Shareholder</b>	<b>Number of shares</b>	<b>Common/Non-redeemable preference</b>	<b>Share %</b>	<b>Voting rights %</b>	<b>Capital in GEL</b>
Sukhiashvili Vasil	1,876,471	Common	5.46	29.00	1,876,471
Nikora JSC	1,294,118	Common	3.77	20.00	1,294,118
Gubanov Oleg	1,035,293	Common	3.01	16.00	1,035,293
Dumbadze David	711,765	Common	2.07	11.00	711,765
Tsirekidze Taliko	582,353	Common	1.70	9.00	582,353
Salukvadze Maka	452,941	Common	1.32	7.00	452,941
Tsertsvadze Guram	323,529	Common	0.94	5.00	323,529
Nikolaishvili Irakli	194,118	Common	0.57	3.00	194,118
Sukhiashvili Vasil	61	Non-redeemable preference	20.22	-	7,027,681
Tsertsvadze Guram	31	Non-redeemable preference	9.78	-	3,400,543
Bokolishvili Irakli	29	Non-redeemable preference	9.18	-	3,192,405
Nikolaishvili Irakli	25	Non-redeemable preference	8.26	-	2,872,795
Akhvlediani Akaki	20	Non-redeemable preference	6.64	-	2,309,731
LLC Park capital	20	Non-redeemable preference	5.84	-	2,031,600
LLC Magtiwin	8	Non-redeemable preference	2.76	-	960,800
Gubanov Oleg	11	Non-redeemable preference	2.69	-	936,067
Nizharadze Taras	10	Non-redeemable preference	2.39	-	830,100
Jokhadze Gocha	6	Non-redeemable preference	1.96	-	681,960
Dumbadze David	8	Non-redeemable preference	1.91	-	664,080
Vachnadze Giorgi	6	Non-redeemable preference	1.47	-	512,025
Maziashvili Archil	6	Non-redeemable preference	1.43	-	498,060
Ambroladze Muman	6	Non-redeemable preference	1.42	-	494,971
Lomaia Irakli	4	Non-redeemable preference	1.40	-	485,025
Emukhvari Tamar	4	Non-redeemable preference	1.32	-	458,640
Shelia Giorgi	3	Non-redeemable preference	0.79	-	276,315
Novikov Volodimir	2	Non-redeemable preference	0.72	-	249,505
Kiknadze Nodar	1	Non-redeemable preference	0.36	-	124,515
Nareshelashvili Irakli	1	Non-redeemable preference	0.34	-	117,405
Djandjghava Ivane	1	Non-redeemable preference	0.24	-	83,010
Meladze Goderdzi	1	Non-redeemable preference	0.24	-	83,010
	<b>6,470,852</b>		<b>100.00</b>	<b>100.00</b>	<b>34,760,831</b>

As of 31 December 2017 Nikora JSC had 6,470 thousand ordinary shares issued with par value of Georgian lari 1 each and 258 preference shares with par value of US dollar 50,000 amounting to total share capital of Georgian ari 31,258 thousand. (31 December 2016: Georgian lari 34,761 thousand).

Holders of non-redeemable preference shares are entitled to receive an annual dividend at the fixed interest rate which is not constant and can be changed by the decision of common shareholders. The preference shares do not carry a right to vote.

## 10.2 Treasury shares

The Company has repurchased 1,294 own shares, which are recorded as treasury shares at par value amounting to Georgian lari 1,294 thousand (31 December 2016: Georgian lari 1,294 thousand). The excess of consideration paid for the repurchase of own shares over the par value of those shares was debited to the retained earnings in the period when the shares were repurchased.

## 10.3 Dividends

In 2017 dividends amounting to Georgian lari 8,300 thousand have been paid to holders of ordinary and preference shares. In 2016 the dividends paid to holders of ordinary shares and preference shares was Georgian lari 5,929 thousand.

## 10.4 Revaluation reserve

The revaluation reserve arises on the revaluation of land and buildings. Most recent revaluation was performed at 31 December 2017.

## 11 Loans and borrowings

In thousands of Georgian lari

	Current		Non-current	
	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)
Borrowings	477	4,599	-	3,868
	<u>477</u>	<u>4,599</u>	<u>-</u>	<u>3,868</u>

The Company has a credit line from Basis Bank with maturity period under 1 year and an annual interest rate of 14%.

## 12 Bonds

On 28 June 2017 Georgian brokerage firm TBC Capital LLC, as a brokerage agent, issued bonds for Nikora JSC, with a value of US dollar 10 million. Bonds bear 9% of annual interest rate (effective interest rate is 9.74%) and have two years of maturity. Interest is paid quarterly. Below table represents the financial information regarding bonds:

In thousands of Georgian lari

	Current		Non-current	
	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)
Bonds – principal amount	-	-	25,660	-
Bonds – interest payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>25,660</u>	<u>-</u>

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Balance at the beginning of the year	-	-
Issue of bonds	23,775	-
Interest accrued	450	-
Interest paid	(450)	-
Foreign exchange loss	1,885	-
	<u>25,660</u>	<u>-</u>

Property, plant and equipment of JSC Nikora and its subsidiaries at the carrying amount of Georgian lari 75,467 thousand have been pledged as a security for Bonds as of December 2017.

### 13 Trade and other payables

In thousands of Georgian lari	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)	As of 31 December 2015 (Unaudited)
Payables to employees	540	-	-
Trade payables	377	128	745
Tax payables	80	-	166
Other	92	4	4
	<u>1,089</u>	<u>132</u>	<u>915</u>

### 14 Revenue

in thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Revenue from services	3,104	3,153
Revenue from rent	2,986	2,426
Other	98	14
	<u>6,188</u>	<u>5,593</u>

### 15 Non-operating gain/(losses)

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Income from sale of Nikora Trade's shares	5,162	-
Loss from sale of property	-	(1,083)
Other non-operating gains/(losses)	(115)	655
	<u>5,047</u>	<u>(428)</u>

## 16 Distribution and marketing expenses

The distribution and marketing expenses include fuel expense, transportation service expense, advertisement expense and other related expenses.

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Marketing expenses	50	83
Distribution	36	33
	<u>86</u>	<u>116</u>

## 17 Administrative expenses

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Employee compensation	3,413	2,158
Depreciation and amortization	698	913
Taxes other than income tax	231	4
Consultation and professional service	182	128
Office expenses	73	61
Utility expenses	68	65
Rent expenses	10	11
Loss on write-off of inventory	3	6
Maintenance	-	8
Bank charges	2	4
Other expenses	607	137
	<u>5,287</u>	<u>3,495</u>

## 18 Other financial items

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Loss from exchange differences on:		
Cash and receivables	4	2
Financial liabilities measured at amortized cost	1,773	614
	<u>1,777</u>	<u>616</u>



## 19 Income tax expense/(recovery)

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Year ended 31 December 2016 (Unaudited)
Current tax	6	799
Deferred tax	-	(480)
	<u>6</u>	<u>319</u>

Reconciliation of effective tax rate for 2017 is as follows:

In thousands of Georgian lari	Year ended 31 December 2017 (Audited)	Effective tax rate (%)
Dividends declared	8,300	
Tax calculated at tax rate of 15/85	1,465	17.65
Tax credit for income tax paid on undistributed earnings prior to 1 January 2017	-	-
Income tax credit on dividends received from subsidiaries (as already taxed by subsidiaries)	(1,459)	17.58
Income tax expense/(recovery)	<u>6</u>	<u>0.07</u>

Reconciliation of effective tax rate for 2016 is as follows:

In thousands of Georgian lari	Year ended 31 December 2016 (Unaudited)	Effective tax rate (%)
Profit/(loss) before taxation (under IFRS)	6,183	15.00
Tax calculated at tax rate of 15% (2016: 15%)	927	
(Non-taxable)/non-deductible items, net	(608)	9.84
Income tax expense/(recovery)	<u>319</u>	<u>5.16</u>

## 20 Critical accounting estimates and judgments

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.

### 20.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Useful lives of property and equipment*

Management has estimated useful lives of the property, plant and equipment. Management believes that estimated useful lives of the property, plant and equipment are not materially different from

economic lives of those assets. If actual useful lives of property, plant and equipment are different from estimations, financial statements may be materially different.

### *Fair values of property and equipment accounted for using the revaluation model*

Land and buildings of the Company are stated at fair value. Fair value of these classes of property, plant and equipment was approximated based on valuation report of professional independent valuers who performed valuation of these assets. Valuation itself requires use of estimates and assumptions. Thus the actual fair value of the Company's PP&E may differ from the amount disclosed in these financial statements.

### *Bad debts*

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

### *Market interest rate*

Management has estimated market interest rates which are used to evaluate fair value of Company's financial instruments. Changes in market interest rates may affect reported amounts of financial liabilities and finance costs.

## 20.2 Key assumptions concerning the future

Management strongly believes that gross profit margin will continue to increase and reach to the certain point. This assumption is based on the strong market position of the Company.

## 21 Financial instruments

### 21.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

### 21.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

#### *Financial assets*

In thousands of Georgian lari

	<b>As of 31 December 2017 (Audited)</b>	<b>As of 31 December 2016 (Unaudited)</b>
Loans and receivables:		
Loan issued	17,078	-
Trade and other receivables	1,020	898
Cash and bank balances	72	17
	<u>18,170</u>	<u>915</u>

## Financial liabilities

In thousands of Georgian lari	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)
Financial liabilities measured at amortized cost:		
Bonds	25,660	-
Trade and other payables	1,089	132
Loans and borrowings	477	8,467
	<u>27,226</u>	<u>8,599</u>
Net position	<u>(9,056)</u>	<u>(7,684)</u>

## 22 Financial risk management

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

### Financial risk factors

#### a) Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk which result from both its operating and investing activities.

#### Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Most of the Company's trade transactions are carried out in Georgian lari. Exposures to currency exchange rates risk mainly arise from the Company's loans which are denominated in foreign currencies. Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Georgian lari at the closing rate:

Item	US dollar	Euro
<b>As of 31 December 2017</b>		
<i>Financial assets</i>		
Loan issued	17,078	-
Total financial assets	<u>17,078</u>	<u>-</u>

<i>Financial liabilities</i>		
Bonds	25,660	-
Trade and other payables	76	7
Total financial liabilities	25,736	7
Net position	(8,658)	(7)

Item

As of 31 December 2016

**US dollar**

**Euro**

*Financial assets*

Cash and cash equivalents	1	-
Total financial assets	1	-

*Financial liabilities*

Loans and borrowings	5,001	1,577
Trade and other payables	63	9
Total financial liabilities	5,064	1,586
Net position	(5,063)	(1,586)

The following table details the Company's sensitivity to a 10% (2016: 10%) increase and decrease in Georgian lari against US dollar. 10% (2016: 10%) represents management's assessment of the 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 10% (2016: 10%) change in foreign currency rates.

If Georgian lari had strengthened against US dollar by 10% (2016: 10%) then this would have had the following impact:

In thousands of Georgian lari	<b>US dollar impact</b>		<b>Euro impact</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Profit or loss	866	506	1	159

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions and balances. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

### *Interest rate risk*

As of 31 December 2017 the Company's obligations are at fixed interest rates. The following table reconciles the average contract and effective interest rates:

2017 (Audited)	Average interest rate	
	Contract	Effective
Liabilities		
Bonds		
US dollar	9%	10%
2016 (Unaudited)		
	Average interest rate	
	Contract	Effective
Liabilities		
<i>Secured bank loans</i>		
Georgian lari	13%	13%
US dollar	12%	12%

### *b) Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The effect of this risk for the Company arises from different financial instruments, such as accounts receivable. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousands of Georgian lari	As of 31 December 2017 (Audited)	As of 31 December 2016 (Unaudited)
Financial assets at carrying amounts		
Loans issued	17,078	-
Accounts receivable	1,020	898
Bank balances	72	1
	<u>18,170</u>	<u>899</u>

At the reporting date there was no significant concentration of credit risk in respect of trade and other receivables.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks.

### *c) Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table includes both interest and principal cash flows.

<b>2017 (Audited)</b>	<b>Non- interest bearing</b>	<b>Variable interest rate instruments</b>	<b>Fixed interest rate instruments</b>	<b>Total</b>
Weighted average effective interest rate (%)			9.79%	
Less than 6 months	1,009	-	1,166	2,175
6 months to 1 year	80	-	1,704	1,784
1-5 years	-	-	26,827	26,827
More than 5 years	-	-	-	-
	<u>1,089</u>	<u>-</u>	<u>29,697</u>	<u>30,786</u>
<b>2016 (Unaudited)</b>	<b>Non- interest bearing</b>	<b>Variable interest rate instruments</b>	<b>Fixed interest rate instruments</b>	<b>Total</b>
Weighted average effective interest rate (%)			11,92%	
Less than 6 months	132	-	1,986	2,118
6 months to 1 year	-	-	6,586	6,586
1-5 years	-	-	3,868	3,868
More than 5 years	-	-	-	-
	<u>132</u>	<u>-</u>	<u>12,440</u>	<u>12,572</u>

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and trade receivables.

## 23 Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 23.1 Fair value measurement of financial instruments

The Company has no financial assets or financial liabilities measured at fair value on a recurring basis as of 31 December 2017 and 31 December 2016.

The Company has issued loans to subsidiaries with fixed interest rate of 9% and the maturity date on 28 June 2019. The carrying amount of loans issued, which are measured at amortized cost approximate their fair values.

The carrying amount of the bank borrowings and bonds are considered to be a reasonable approximation of the fair value.

## 23.2 Fair value measurement of non-financial assets

The land and buildings of the Company are stated at revalued amount. The estimated fair values of the land and buildings are categorized within Level 3 of the fair value hierarchy. The fair values of those assets are estimated based on appraisals performed by independent, professionally-qualified property valuers who hold necessary licenses. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

<b>Assets measured at fair value</b>	<b>Date of valuation</b>	<b>Total</b>	<b>Quoted prices in active market (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Land	31 December 2017	9,257	-	-	9,257
Buildings	31 December 2017	20,328	-	-	20,328

The appraisal was carried out using market approach. The valuation was performed as at 31 December 2017.

The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and purpose of use.

The significant unobservable input is the adjustment for factors specific to the land or property in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is subjective judgment, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

## 24 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to stakeholders.

The capital structure of the Company consists of equity comprising charter capital and accumulated profits and debt, which includes borrowings disclosed in note 11.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Company for the reporting periods are summarized as follows:

In thousands of Georgian lari	<b>As of 31 December 2017 (Audited)</b>	<b>As of 31 December 2016 (Unaudited)</b>
Total equity	51,713	48,780
Less: cash and bank balances	72	17
Capital	51,641	48,763
Total equity	51,713	48,780
Borrowings	26,137	8,467
Overall financing	77,850	57,247
Capital to overall financing ratio	0.66	0.85

## 25 Contingencies

### 25.1 Business environment

Georgia continues to undergo political and economic changes. As an emerging market, Georgia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of economic situation of countries collaborating with Georgia led to the shortage of money transfers from abroad, upon which the economy of Georgia is significantly dependent. Further depreciation of the national currency leads to increase of prices on imported goods. There are uncertainties over attraction of significant volumes of direct capital investments. These and other circumstances may lead to deterioration of situation in the Georgian economy and of the Company. However, as there are a number of variables and assumptions involved in these uncertainties, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Company may be affected.

Management of the Company believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Company.

### 25.2 Insurance

The Georgian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Georgia. The Company does not have full coverage for its facilities, business interruption, or third party liability in respect of property or environmental damage relating to the Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a materially adverse effect on the Company's operations and financial position.

### 25.3 Taxes

The taxation system in Georgia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.



These facts may create tax risks in Georgia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 25.4 Environmental matters

Environmental legislation in Georgia is in process of development and there may be some changes in the legislation which may be relevant for the Company's operations. However, the management is of the opinion that the Company has met the Government's requirements concerning environmental matters and believes that the Company does not have any current material environmental liabilities and it is not expected that material environmental liabilities will arise in the future periods.

## 26 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

In thousands of Georgian lari	<b>Long-term borrowings</b>	<b>Short-term borrowings</b>	<b>Total</b>
As of 1 January 2017	3,868	4,599	8,467
Reclassification	(3,868)	3,868	-
Cash-flows			
Interest payable	-	-	-
Repayments	-	(30,630)	(30,630)
Proceeds	-	23,151	23,151
Non-cash			
Foreign exchange (gain)/loss	-	(511)	(511)
as of 31 December 2017	<u>-</u>	<u>477</u>	<u>477</u>

## 27 Related parties

The Company's related parties include its parent and entities under common control and key management.

### 27.1 Control relationships

The Company's largest shareholder is Vasil Sukhiashvili, who owns 29.00% of the Company's voting shares. No single shareholder has control over the Company.

## 27.2 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousands of Georgian lari		
<b>Transactions</b>	<b>Year ended 31 December 2017 (Audited)</b>	<b>Year ended 31 December 2016 (Unaudited)</b>
Shareholders		
Dividends paid	(7,761)	(5,929)
Proceeds from preference shares	-	1,872
Repayment of preference shares	(5,177)	(1,462)
Revenue from services	6,188	5,593
Revenue from sale of goods	203	129
Cost of sales	(167)	(122)
Finance income	759	6
	<u>(5,955)</u>	<u>87</u>
In thousands of Georgian lari		
<b>Outstanding balances</b>	<b>As of 31 December 2017 (Audited)</b>	<b>As of 31 December 2016 (Unaudited)</b>
Shareholders		
Investment in subsidiaries	29,415	28,207
Loans issued	17,078	-
Trade and other receivables	942	681
Loans and borrowings	(70)	(70)
Dividends payable	(539)	-
	<u>46,826</u>	<u>28,818</u>
Holders of non-controlling interest		
Borrowings provided	143	143
	<u>143</u>	<u>143</u>

### 27.3 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in employee compensation.

In thousands of Georgian lari

	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>
Salaries and bonuses	940	593
	940	593