Consolidated Financial Statements and Independent Auditor's Report

Nikora JSC

31 December 2019

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Independent auditor's report

შპს გრანთ თორნთონ
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 Nikora JSC

Qualified Opinion

We have audited the consolidated financial statements of Nikora JSC (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

Goodwill in the amount of Georgian lari 43,618 thousand is reported in the consolidated statement of financial position as of 31 December 2019 (31 December 2018: Georgian lari 43,618 thousand). The amount of Georgian lari 36,628 thousand included in that balance represents goodwill on acquisition of 100% of shares in Nugeshi LLC by Nikora Trade LLC in 2015.

Goodwill on acquisition of Nugeshi LLC was calculated as the difference between the consideration paid and the book value of identifiable net assets of Nugeshi LLC at acquisition date. Such method of goodwill calculation is not in accordance with IFRSs, which require calculation of goodwill as the difference between consideration paid and the fair value of identifiable net assets of the acquiree at the acquisition date. We were unable to satisfy ourselves as to the fair values of identifiable net assets of Nugeshi LLC as at acquisition date, therefore we were unable to satisfy ourselves, as to whether any adjustments might have been necessary in respect to the allocation of determined consideration between goodwill and property, plant and equipment, inventory, receivables and payables of Nugeshi LLC.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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 matters described in the *Basis for Qualified Opinion* section of our report, we have determined the matters described below to be the key audit matters. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated 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.

Inventory valuation

As of 31 December 2019, the Group held inventories of Georgian lari 73,800 thousand (2018: Georgian lari 57,876 thousand). Given the size of the inventory balance relative to the total assets of the Group and the estimates and judgments described below, the valuation of inventory required significant audit attention.

As disclosed in note 3.7 inventories are held at the lower of cost determined using the first-in first-out cost method and net realizable value. At the year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.

The determination as to whether inventory will be realized for a value less than the cost requires management to exercise judgments and apply assumptions. Management undertake the following procedures for determining the level of write down required:

- Using inventory ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory lines;
- Performing a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realisable value and a specific write down is recognized if required.

We have performed the following procedures over the valuation of inventory:

- For all inventory items of the Group, we re-performed the first-in first-out cost calculation and compared inventory balance as of 31 December 2019 with the Group’s figures;
- On a sample basis we tested the net realisable value of inventory lines to recent selling prices;
- For a sample of inventory categories, we reviewed the dynamics of last purchase invoices and subsequent period gross profit margins;
- We tested that the aging report used by management correctly aged inventory items agreeing a sample of aged inventory items to the last recorded invoice.

Revaluation of land and buildings

The Group has land and building with a carrying amount of Georgian lari 55,552 thousand (2018: Georgian lari 46,394 thousand). Given the size of the land and buildings balance relative to the total assets of the Group 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 to the Group. The Details of the revaluation are disclosed in the note 5 to the consolidated financial statements.

We have performed the following audit procedures:

- We evaluated the objectivity, competence 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 Group's consolidated financial statements against the requirements of the accounting standards;

Report on other legal and regulatory requirements

Management is responsible for the Management Reporting. The Management Reporting comprises the information about the activities of the Group, risk analysis, future plans and other matters as required by the Law of Georgia on Accounting, Reporting and Auditing.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Reporting identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated and to present relevant report.

In addition, our responsibility is to express an opinion whether the Management Reporting is prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing and includes all required information.

If, based on the work we have performed, we conclude that there is a material misstatement in the Management Reporting, we are required to report that fact and the substance of misstatement. We have nothing to report in this regard.

Based on the work we have performed, in our opinion, in all material respects:

- the information given in the Management Reporting for the financial year for which the consolidated financial statements are prepared is consistent with the financial statements; and
- the Management Reporting is prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing and includes all the information required by the Law.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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	Ketevan Ghambashidze
Managing Partner	Registered Auditor

22 July 2020

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The engagement partner on the audit resulting in this independent auditor's report is Ketevan Ghambashidze.

Vakhtang Tsabadze

Managing Partner

Ketevan Ghambashidze

Registered Auditor

22 July 2020

Consolidated statement of financial position

In thousand Georgian lari	Note	As of 31 December 2019	As of 31 December 2018
Assets			
Non-current assets			
Goodwill	4	43,618	43,618
Property, plant and equipment	5	126,834	108,803
Right-of-use assets	6	92,885	-
Intangible assets	7	2,428	2,909
Bearer plants	8	516	396
Loan issued		-	144
Other financial assets		16	14
		266,297	155,884
Current assets			
Inventories	9	73,800	57,876
Trade and other receivables	10	21,315	23,273
Other current assets		2,466	1,495
Current income tax assets		-	182
Cash and bank balances	11	3,620	3,175
		101,201	86,001
Total assets		367,498	241,885

The consolidated 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 15 to 51.

Consolidated statement of financial position (continued)

In thousand Georgian lari	Note	As of 31 December 2019	As of 31 December 2018
Equity and liabilities			
Capital and reserves	12		
Share capital		24,444	25,126
Treasury shares		(1,326)	(1,326)
Revaluation reserve		19,569	12,240
Accumulated profit		24,231	24,079
		66,918	60,119
Non-controlling interest		5,898	4,053
Total equity		72,816	64,172
Non-current liabilities			
Loans and borrowings	13	18,130	20,434
Bonds	14	52,754	25,000
Lease liabilities	15	86,756	-
		157,640	45,434
Current liabilities			
Trade and other payables	16	87,999	83,112
Loans and borrowings	13	29,045	22,209
Bonds	14	1,302	26,857
Lease liabilities	15	18,251	-
Contract liabilities		195	101
Current income tax liabilities		250	-
		137,042	132,279
Total equity and liabilities		367,498	241,885

The consolidated financial statements were approved on 22 July 2020 by:

Irakli Bokolishvili

Chief Executive Officer

Irakli Gejadze

Financial Director

The consolidated 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 15 to 51.

Consolidated statement of financial position (continued)

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The consolidated financial statements were approved on 22 July 2020 by:

Irakli Bokolishvili

Chief Executive Officer

Irakli Gejadze

Financial Director

The consolidated 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 15 to 51.

Consolidated statement of profit or loss and other comprehensive income

In thousand Georgian lari	Note	Year ended December 31 2019	Year ended December 31 2018
Revenue	17	540,537	417,852
Cost of sales	18	(373,118)	(289,528)
Gross profit		167,419	128,324
Other income		2,493	986
Distribution and marketing expenses	19	(74,365)	(59,147)
Administrative expenses	20	(64,898)	(46,305)
Other expenses		(1,701)	(539)
Results from operating activities		28,948	23,319
Finance costs	21	(19,712)	(8,525)
Loss from exchange differences	22	(11,217)	(2,883)
Other non-operating expenses		(3,637)	(3,357)
Profit/(loss) before income tax		(5,618)	8,554
Income tax expense		(2,667)	(1,568)
Profit/(loss) for the year		(8,285)	6,986
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		7,768	-
Other comprehensive income for the year, net of income tax		7,768	-
Total comprehensive income for the year		(517)	6,986
Profit/(loss) attributable to:			
Owners of parent		(6,333)	6,684
Non-controlling interest holders		(1,952)	302
Total income attributable to:			
Owners of parent		792	6,684
Non-controlling interest holders		(1,309)	302
- Earnings per share		(1.63)	0.71

The consolidated 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 15 to 51.

Consolidated statement of changes in equity

In thousand Georgian lari	Common stock	Treasury shares	Revaluation reserve	Accumulated profit /(loss)	Total attributable to owners of the parent	Non-controlling interest	Total
as of 1 January 2018	31,258	(1,294)	12,240	13,982	56,186	2,405	58,591
Profit for the year	-	-	-	6,684	6,684	302	6,986
Total comprehensive income for the year	-	-	-	6,684	6,684	302	6,986
Disposal of share in subsidiary	-	-	-	8,496	8,496	1,304	9,800
Effect of sale of Nikora Trades Shares by JSC Nikora to third parties	-	-	-	549	549	(549)	-
Share premium on subsidiary's share issue	-	-	-	869	869	591	1,460
Redemption of preference shares (refer to note 12.2)	(6,132)	-	-	-	(6,132)	-	(6,132)
Re-purchase of own shares	-	(32)	-	(889)	(921)	-	(921)
Dividends (refer to note 12.3)	-	-	-	(5,909)	(5,909)	-	(5,909)
Business combination	-	-	-	297	297	-	297
Transactions with owners	(6,132)	(32)	-	3,413	(2,751)	1,346	(1,405)
as of 31 December 2018	25,126	(1,326)	12,240	24,079	60,119	4,053	64,172

The consolidated 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 15 to 51.

Consolidated statement of changes in equity (continued)

In thousand Georgian lari	Common stock	Treasury shares	Revaluation reserve	Accumulated profit /(loss)	Total attributable to owners of the parent	Non-controlling interest	Total
Loss for the year	-	-	-	(6,333)	(6,333)	(1,952)	(8,285)
Revaluation surplus	-	-	7,125	-	7,125	643	7,768
Total comprehensive income for the year	-	-	7,125	(6,333)	792	(1,309)	(517)
Disposal of share in subsidiary	-	-	-	2,957	2,957	1,417	4,374
Effect of sale of Nikora Trade's Shares by Nikora JSC to third parties	-	-	-	774	774	(774)	-
Share premium on subsidiary's share issue	-	-	-	8,519	8,519	2,715	11,234
Redemption of preference shares (refer to note 12.2)	(682)	-	-	-	(682)	-	(682)
Dividends (refer to note 12.3)	-	-	-	(5,749)	(5,749)	-	(5,749)
Business combination	-	-	204	(16)	188	(204)	(16)
Transactions with owners	(682)	-	204	6,485	6,007	3,154	9,161
as of 31 December 2019	24,444	(1,326)	19,569	24,231	66,918	5,898	72,816

The consolidated 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 15 to 51.

Consolidated statement of cash flows

In thousand Georgian lari	Note	Year ended December 31 2019	Year ended December 31 2018
Cash flows from operating activities			
Profit/(loss) for the year		(8,285)	6,986
Adjustments for:			
Depreciation and amortization	5, 6, 7	30,983	10,817
Finance cost		19,712	8,525
Income tax expense		2,667	1,568
Inventory losses		12,844	7,984
Movement of the allowance for doubtful receivables	10	31	-
Foreign exchange loss		11,217	2,883
Operating profit before working capital changes		69,169	38,763
Change in trade and other receivables		1,952	(9,044)
Change in inventories		(28,768)	(20,809)
Change in other current assets		(971)	91
Change in other financial assets		(2)	6
Change in trade and other payables		3,577	22,706
Change in contract liabilities		94	35
Cash generated from operations		45,051	31,748
Interest paid		(17,090)	(8,165)
Income tax paid		(2,235)	(1,750)
Net cash from operating activities		25,726	21,833
Cash flows from investing activities			
Acquisition of property, plant and equipment		(25,080)	(40,307)
Acquisition of intangible assets		(397)	(883)
Proceeds from disposal of property, plant and equipment		898	1,293
Proceeds from disposal of intangible asset		131	-
Proceeds from borrowings issued		144	(144)
Acquisition of bearer plants		(31)	70
Cash paid for acquisition of subsidiary		-	(635)
Net cash used in investing activities		(24,335)	(40,606)

The consolidated statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 51.

Consolidated statement of cash flows (continued)

In thousand Georgian lari	Note	Year ended December 31 2019	Year ended December 31 2018
Cash flows from financing activities			
Proceeds from loans and borrowings	30	269,920	230,384
Repayment of loans and borrowings	30	(267,885)	(229,119)
Proceeds from bonds	30	27,740	25,000
Repayment of bonds	30	(28,791)	(12,540)
Repayment of leasing liabilities	30	(10,821)	-
Proceeds from sale of share in subsidiary		15,625	10,349
Dividends paid		(5,749)	(5,909)
Redemption of common shares		-	(32)
Redemption of preferred shares		(682)	(6,132)
Net cash from/(used in) financing activities		(643)	12,001
Net increase/(decrease) in cash and bank balances		748	(6,772)
Foreign exchange effect on cash		(303)	(787)
Cash and bank balances at the beginning of the year	11	3,175	10,734
Cash and bank balances at the end of the year	11	3,620	3,175

The consolidated statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 51.

Notes to the consolidated financial statements

1 Nature of operations and general information

Nikora JSC together with its subsidiaries (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 Group produces up to 500 products.

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

The average number of employees of the Group during 2019 was 6,327 employees (2018: 5,058 employees).

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Group operates on a going concern basis.

In 2019 the Group has adopted new guidance for the recognition of leases (refer to note 2.5) The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as of 1 January 2019 being recognized as a single adjustment to retained earnings. Accordingly, the Group is not required to present a third statement of financial position as of that date.

Further, the Group has adopted new guidance for accounting for current tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments (refer to note 2.5). The Group has chosen not to restate prior periods. Differences arising from the adoption of IFRIC 23 are recognized in retained earnings.

2.2 Basis of measurement

The consolidated 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 and certain groups (land and buildings) of property, plant and equipment that are stated at revalued value. 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 ("Georgian lari"), which is the Group's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Group.

These consolidated financial statements are presented in Georgian lari, since management believes that this currency is more useful for the users of these consolidated financial statements. All financial information presented in Georgian lari has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of consolidated 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 consolidated 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 consolidated financial statements are disclosed in note 24 to the consolidated financial statements.

2.5 Adoption of new and revised standards

In the current year the Group 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 2019.

The nature and the effect of these changes are disclosed below.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2019

Amendments to IFRS 9: *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

There has not been material impact on the Group's consolidated financial statements.

IFRS 16 *Leases*

IFRS 16 *Leases* replaces IAS 17 *Leases* along with three Interpretations (IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

The adoption of this new standard has resulted in the Group recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions

to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 10%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

IFRIC 23 *Uncertainty over Income Tax Treatment*

IFRIC 23 provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances.

Annual Improvements 2015-2017

The Annual Improvements 2015-2017 made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarized below:

IAS 12 *Income Taxes: Income tax consequences of payments on instruments classified as equity*

The amendments to IAS 12 clarify that the income tax consequences of dividends are recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 *Borrowing Costs: Borrowing costs eligible for capitalization*

IAS 23.14 specifies how to determine the amount of borrowing costs eligible for capitalization when an entity borrows funds generally and uses them to obtain a qualifying asset.

IAS 23 requires an entity, when determining the funds that it borrows generally, to exclude "borrowings made specifically for the purpose of obtaining a qualifying asset". The IASB observed that an entity might misinterpret those words to mean that funds borrowed generally would exclude funds outstanding that were originally borrowed specifically to obtain a qualifying asset that is now ready for its intended use or sale.

The amendments therefore clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

The amendments are applied prospectively (i.e. only to borrowing costs incurred on or after the beginning of the annual reporting period in which the amendments are first applied) as the costs of gathering the information required to capitalize borrowing costs retrospectively may exceed the potential benefits.

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

At the date of authorization of these consolidated 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 Group.

Management anticipates that all the relevant pronouncements will be adopted in the Group' accounting policies for the first period beginning after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group’s consolidated financial statements.

2.6 Subsidiaries

The consolidated financial statements include the following subsidiaries as of 31 December 2019:

Subsidiary	Ownership %	Country	Date of incorporation	Industry	Date of acquisition
Nikora Trade JSC	80.02	Georgia	14 August 2006	Retail	22 December 2009
Nugeshi LLC	100	Georgia	18 June 2010	Retail	1 July 2015
Vakijvris Kalmakhi LLC	90.50	Georgia	15 December 1995	Trout farm	13 November 2006
Okeane LLC	100	Georgia	5 June 2008	Fish production	5 June 2008
Intrade LLC	100	Georgia	19 September 2007	Distribution	19 September 2007
Intrade-Poti LLC	100	Georgia	3 November 2004	Distribution	3 November 2004
Nikora-Kakheti LLC	100	Georgia	10 March 2006	Distribution	10 March 2006
Partner LLC	100	Georgia	2 December 2014	Distribution	2 December 2014
Multitrade LLC	100	Georgia	29 June 2009	Importing	29 June 2009
Nikora LLC	100	Georgia	2 December 2014	Meat and semi-final food production	2 December 2014
Korida LLC	100	Georgia	15 March 2006	Meat production	15 March 2006
Chveni Fermeri LLC	100	Georgia	5 June 2008	Dairy products production	5 June 2008
Mzareuli 1 LLC	100	Georgia	5 November 2004	Bakery products production	5 November 2004
Kulinari LLC	50	Georgia	5 July 2015	Semi-final food	5 July 2015
Napareulis Dzveli Marani LLC	100	Georgia	25 July 2009	Vineyards	25 July 2009
Lazi Holding LLC	67	Georgia	4 December 2014	Inactive	4 December 2014
Achinebuli 2005 LLC	100	Georgia	4 February 2005	Inactive	4 February 2005
Nikora Agro LLC	100	Georgia	11 March 2009	Inactive	11 March 2009
Kaspi LLC	50	Georgia	9 March 2010	Inactive	9 March 2010
Tsutskhvati LLC	100	Georgia	7 May 2004	Inactive	7 May 2004
Nikora Bakuriani LLC	50	Georgia	18 December 2015	Real Estatel	18 December 2015
Mila Saqartvelo LLC	50	Georgia	17 July 2013	Trading	17 July 2013
Web trade LLC	100	Georgia	13 June 2016	Inactive	13 June 2016
Krtsanisi 14	100	Georgia	27 July 2018	Inactive	10 August 2018

The consolidated financial statements include the following subsidiaries as of 31 December 2018:

Subsidiary	Ownership %	Country	Date of incorporation	Industry	Date of acquisition
Nikora Trade JSC	86.15	Georgia	14 August 2006	Retail	22 December 2009
Nugeshi LLC	100	Georgia	18 June 2010	Retail	1 July 2015
Vakijvris Kalmakhi LLC	82.50	Georgia	15 December 1995	Trout farm	13 November 2006
Okeane LLC	100	Georgia	5 June 2008	Fish production	5 June 2008
Intrade LLC	100	Georgia	19 September 2007	Distribution	19 September 2007
Intrade-Poti LLC	100	Georgia	3 November 2004	Distribution	3 November 2004
Nikora-Kakheti LLC	100	Georgia	10 March 2006	Distribution	10 March 2006
Partner LLC	100	Georgia	2 December 2014	Distribution	2 December 2014
Multitrade LLC	100	Georgia	29 June 2009	Importing	29 June 2009
Nikora LLC	100	Georgia	2 December 2014	Meat and semi-final food production	2 December 2014
Nikora 7 LLC	100	Georgia	15 March 2006	Meat production	15 March 2006
Chveni Fermeri LLC	100	Georgia	5 June 2008	Dairy products production	5 June 2008
Mzareuli 1 LLC	100	Georgia	5 November 2004	Bakery products production	5 November 2004
Kulinari LLC	50	Georgia	5 July 2015	Semi-final food	5 July 2015
Napareulis Dzveli Marani LLC	100	Georgia	25 July 2009	Vineyards	25 July 2009
Lazi Holding LLC	67	Georgia	4 December 2014	Retail	4 December 2014
Achinebuli 2005 LLC	100	Georgia	4 February 2005	Inactive	4 February 2005
Nikora Agro LLC	100	Georgia	11 March 2009	Agriculture	11 March 2009
Kaspi LLC	50	Georgia	9 March 2010	Inactive	9 March 2010
Tsutskhvati LLC	100	Georgia	7 May 2004	Inactive	7 May 2004
Nikora Bakuriani LLC	50	Georgia	18 December 2015	Real Estatel	18 December 2015
Mila Saqartvelo LLC	50	Georgia	17 July 2013	Trading	17 July 2013
Web trade LLC	100	Georgia	13 June 2016	Online store	13 June 2016
Krtsanisi 14	100	Georgia	27 July 2018	Inactive	10 August 2018

3 Significant accounting policies

3.1 Basis for consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2019. All subsidiaries have a reporting date of 31 December.

Subsidiaries

Subsidiaries are those enterprises, which are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The consolidated financial statements of the subsidiaries are

included in the consolidated financial statements from the date when control effectively commences until the date that control effectively ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of acquisition is less than the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognized directly in the profit or loss.

Non-controlling interest is the interest in subsidiaries not held by the Group. Non-controlling interest at the reporting date represents the non-controlling shareholders' share in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Non-controlling interest is presented within equity.

Losses allocated to holders of non-controlling interest do not exceed the non-controlling interest in the equity of the subsidiary unless there is a binding obligation of the holders of non-controlling interests to fund the losses. All such losses are allocated to the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in presenting the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate.

3.2 Foreign currencies

Foreign currency transactions

In preparing the consolidated 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 2.8677 Georgian lari for 1 US dollar and 3.2095 Georgian lari for 1 euro as of 31 December 2019 (31 December 2018: 2.6766 Georgian lari for 1 US dollar and 3.0701 Georgian 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 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 valuators 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 Group'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 lives 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	-	30 years
Machinery and equipment	-	5 years
Office equipment, furniture and fixtures	-	5-years
Vehicles	-	5 years
Leasehold improvements	-	7-10 years
Other	-	5 years

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

3.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4 for a description of impairment testing procedures.

3.5 Intangible assets

Intangible assets, which are acquired by the Group 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.

3.6 Leased assets

As described in note 2.5, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets have been presented separately as well as lease liabilities have been presented separately.

Accounting policy applicable before 1 January 2019

The Group as a lessee

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

For the depreciation methods and useful lives for assets held under finance leases refer to note 3.3.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.7 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.8 Bearer plants

A bearer plant is a living plant that

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants in accordance with IAS 16 are accounted using either:

– The cost model, or

– The revaluation model.

The Company has chosen the revaluation model as its accounting policy and applied that policy to an entire class of bearer plants.

Revaluation model

After recognition as an asset, the bearer plants whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made

with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If the bearer plants' carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If the bearer plants' carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

3.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group 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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the Group's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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 expenses. A summary of the Group's financial assets by category is given in note 25.2

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment and listed equity securities at fair value through other comprehensive income (FVOCI). The equity investment was measured at cost less any impairment charges in the comparative period under IAS 39, as it was determined that its fair value could not be estimated reliably. In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model". This replaces IAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").
- "Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 10 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Group's financial liabilities include loans and borrowings, trade and other payables and finance lease liabilities. A summary of the Group's financial liabilities by category is given in note 25.2

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.

Trade and other payables

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

3.10 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 goodwill

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. Goodwill impairment is not reversed in subsequent periods.

Impairment of property and equipment and intangible assets other than goodwill

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.

3.11 Cash and bank balances

Cash and bank balances comprise cash on hand and bank accounts.

3.12 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.

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

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

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

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

3.13 Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.14 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.

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 Group's profit before tax, regardless of profit retention or distribution. As a result of changes, starting 1 January 2017 companies pays 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 is no temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 and thus are not reported in these consolidated financial statements.

3.15 Segment reporting

The Group is managed as one integrated business and the management does not separately identify any segments within the Group in terms defined by IFRS 8. The chief operating decision maker analyses operating activities, financial results, forecasts, and plans for the whole Group, rather than for separate parts of the Group's business. Therefore, no reportable segments are identified and no segment disclosures are included in the consolidated financial statements of the Group.

3.16 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

(a) wages, salaries and bonuses;

(b) paid annual leaves and paid disability leaves;

(c) non-monetary benefits.

When employees render services to the Group during the accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Group shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(b) as an expense, unless the amount is included in the cost of an asset.

Bonuses

The expected cost of bonus payments is recognized when and only when the Group has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments

3.17 Revenue recognition

Revenue of the Group arises mainly from the sale of goods.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group's retail division operates a customer loyalty incentive programme. Customers of Nikora supermarlkets are offered so called "Bonus cards". On every 10 GEL spend at Nikora supermarket a cardholder gets 10 bonus points. 100 points on the card corresponds to 1 GEL which a cardholder can use to purchase any product in Nikora supermarket in the future. Loyalty points are considered to be a separate performance obligation as they provide customers with a material right they would not have received otherwise. Unused points will expire if not used within two years. The Group allocates the transaction price between the material right and other performance obligations identified in a contract on a relative stand-alone selling price basis. Revenue from the material right is recognised on the earlier of the date the points are redeemed by the customer and the date on which they expire.

4 Goodwill

The movement in the net carrying amount of goodwill is as follows:

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Gross carrying amount		
Balance at the beginning of the year	43,618	43,618
Balance at the end of the year	43,618	43,618
Accumulated impairment		
Balance at the end of the year	-	-
Net carrying amount	43,618	43,618

Impairment testing

The recoverable amount of goodwill was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful life using a declining growth rate determined by management. The recoverable amount of goodwill is Georgian lari 52,678 thousand (31 December 2018: Georgian lari 51,596 thousand).

The present value of the expected cash flow is determined by applying a suitable discount rate reflecting current assessments of the time value of money and risks specific to the Group.

Growth rate

The growth rates reflect the long-term average growth rates for the product lines and industries of the Group. The growth rate is estimated at average of 4% p.a. (31 December 2018: 4% p.a.).

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of the Group. Discount rate is 12.54% (31 December 2018: 17.81%).

Cash flow assumptions

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the budget period. No expected efficiency improvement has been taken into account and prices and wages reflect publicly available forecasts of inflation for the industries in which the Group operates.

Apart from the considerations in determining the value-in-use, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, if the discount rate used is increased by 1% the recoverable amount of the goodwill would have been Georgian lari 47,265 thousand.

5 Property, plant and equipment

In thousand Georgian lari	Land	Buildings	Machinery and equipment	Office equipment, furniture and fixtures	Leasehold improvements	Vehicles	Construction in progress	Other	Total
Cost or valuation									
as of 1 January 2018	9,896	28,798	47,431	14,693	6,873	6,272	765	1,260	115,988
Additions	533	8,074	20,020	6,920	4,578	1,636	2,592	121	44,474
Disposals	-	-	(1,583)	(461)	(112)	(368)	(53)	(227)	(2,804)
Internal movement	-	-	2,113	115	119	-	(2,347)	-	-
as of 31 December 2018	10,429	36,872	67,981	21,267	11,458	7,540	957	1,154	157,658
Additions	690	746	11,254	4,112	4,053	2,064	1,916	129	24,964
Disposals	-	-	(3,215)	(675)	(354)	(496)	(197)	(21)	(4,958)
Internal movements	-	1,120	522	96	-	-	(1,738)	-	-
Revaluation surplus	3,362	2,333	-	-	-	-	-	-	5,695
as of 31 December 2019	14,481	41,071	76,542	24,800	15,157	9,108	938	1,262	183,359
Accumulated depreciation									
as of 1 January 2018	-	-	29,016	6,134	1,500	3,260	-	611	40,521
Charge for the year	-	907	5,359	2,012	1,081	739	-	29	10,127
Eliminated on disposal	-	-	(1,064)	(338)	(35)	(290)	-	(66)	(1,793)
as of 31 December 2018	-	907	33,311	7,808	2,546	3,709	-	574	48,855
Charge for the year	-	1,077	7,551	2,689	1,397	972	-	28	13,714
Eliminated on disposal	-	-	(3,005)	(621)	(105)	(320)	-	(9)	(4,060)
Eliminated on revaluation	-	(1,984)	-	-	-	-	-	-	(1,984)
as of 31 December 2019	-	-	37,857	9,876	3,838	4,361	-	593	56,525
Carrying amount									
as of 31 December 2018	10,429	35,965	34,670	13,459	8,912	3,831	957	580	108,803
as of 31 December 2019	14,481	41,071	38,685	14,924	11,319	4,747	938	669	126,834

Property, plant and equipment of the Group at the carrying amount of Georgian lari 86,286 thousand have been pledged as a security for loans and borrowings as of 31 December 2019 (31 December 2018: Georgian lari 98,881 thousand) (refer to note 13).

Land and buildings are stated at revalued amounts. Revalued amounts are fair values based on appraisals conducted by external professional valuators once every two years or more frequently if market factors indicate a material change in fair values. The Group's land and buildings were last revalued as of 31 December 2019 by independent valuators. Valuations were performed using the sales comparison, the cost and the income capitalization approaches.

If land and buildings were stated at historical cost, their carrying amounts as of the reporting date would be Georgian lari 9,270 thousand and Georgian lari 34,207 thousand, respectively.

Depreciation expense has been charged as follows:

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Cost of sales (refer to note 18)	2,773	1,970
Distribution and marketing expenses (refer to note 19)	6,725	4,887
Administrative expenses (refer to note 20)	4,216	3,270
	13,714	10,127

6 Right-of-use assets

In thousand Georgian lari	Buildings	Total
Cost		
as of 1 January 2019	-	-
Adjustment on transition to IFRS 16	87,142	87,142
Additions	22,265	22,265
as of 31 December 2019	109,407	109,407
Accumulated depreciation		
as of 1 January 2019	-	-
Charge for the year	16,522	16,522
as of 31 December 2019	16,522	16,522
Carrying amount		
as of 1 January 2019	-	-
as of 31 December 2019	92,885	92,885

Depreciation expense has been charged as follows:

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Cost of sales (refer to note 18)	316	
Distribution and marketing expenses (refer to note 19)	15,800	-
Administrative expenses (refer to note 20)	406	-
	16,522	-

The assets leased include stores with five to ten years of lease term.

7 Intangible assets

In thousand Georgian lari	Software	Rights	Other	Total
Cost				
as of 1 January 2018	2,474	1,483	239	4,196
Additions	517	40	326	883
Disposals	(34)	(45)	(239)	(318)
as of 31 December 2018	2,957	1,478	326	4,761
Additions	160	219	18	397
Disposals	(130)	-	(85)	(215)
as of 31 December 2019	2,987	1,697	259	4,943
Accumulated amortization				
as of 1 January 2018	739	481	46	1,266
Charge for the year	258	305	59	622
Eliminated on disposal	(1)	(35)	-	(36)
as of 31 December 2018	996	751	105	1,852
Charge for the year	295	447	5	747
Eliminated on disposal	(84)	-	-	(84)
as of 31 December 2019	1,207	1,198	110	2,515
Carrying amount				
as of 31 December 2018	1,961	727	221	2,909
as of 31 December 2019	1,780	499	149	2,428

Amortization expense has been charged to administrative expenses (refer to note 20).

8 Bearer plants

Bearer plants are stated at revalued amounts. Revalued amounts are fair values based on appraisals conducted by external professional valuators once every two years or more frequently if market factors indicate a material change in fair values. The Group’s bearer plants were last revaluated as of 31 December 2019 by the independent valuators. Valuations were performed using the sales comparison, the cost and the income capitalization approaches. For the year ended 31 December 2019 revaluation surplus of Georgian lari 89 thousand has been recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

9 Inventories

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Merchandise inventory	52,947	33,314
Finished goods	7,176	13,337
Raw materials	8,758	6,479
Work-in-progress	2,272	2,183
Apartments held for sale	56	400
Other	3,893	2,603
Inventory loss provision	(1,302)	(440)
	73,800	57,876

All of the inventories are pledged as a security for liabilities (refer to note 13).

10 Trade and other receivables

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Trade receivables	21,032	22,442
Other receivables	314	831
	21,346	23,273
Allowances for credit losses	(31)	-
	21,315	23,273

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

The average credit period on sales of goods is 30-90 days (2018: 30-90 days). No interest is charged on the trade receivables.

All of the Group's trade and other receivables in the comparative periods have been reviewed for indicators of impairment. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

Refer to note 26 (a) for the currencies in which the trade and other receivables are denominated.

11 Cash and bank balances

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Bank accounts	2,495	1,332
Cash in hand	1,125	1,843
	3,620	3,175

Refer to note 26 (a) for the currencies in which the cash and bank balances are denominated.

12 Capital and reserves

12.1 Share capital

Shareholders as of 31 December 2019 are presented on below table:

Shareholder	Number of shares	Common/ Non-redeemable preference	Share %	Voting rights %	Capital in Georgian lari
Sukhiashvili Vasil	1,876,471	Common	7.68	29.00	1,876,471
Nikora JSC	1,326,471	Common	5.43	20.50	1,326,471
Gubanov Oleg	1,035,293	Common	4.24	16.00	1,035,293
Dumbadze David	711,765	Common	2.91	11.00	711,765
Tsirekidze Taliko	582,353	Common	2.38	9.00	582,353
Salukvadze Maka	420,588	Common	1.72	6.50	420,588
Tsertsvadze Guram	323,529	Common	1.32	5.00	323,529
Nikolaishvili Irakli	194,118	Common	0.79	3.00	194,118
Galt and Taggart JSC	40	Non-redeemable preference	20.02	0.00	4,893,565
Pelican Ventures Corp	20	Non-redeemable preference	11.01	0.00	2,692,200
Park capital LLC	20	Non-redeemable preference	8.31	0.00	2,031,600
Agrovin LLC	8	Non-redeemable preference	3.93	0.00	960,800
Anchabidze Aleksi	7	Non-redeemable preference	3.42	0.00	836,325
Gachechiladze Davit	7	Non-redeemable preference	3.42	0.00	836,325
Gojiashvili Zurab	7	Non-redeemable preference	3.42	0.00	836,325
Vachnadze Giorgi	6	Non-redeemable preference	2.09	0.00	512,025
Maziashvili Archil	6	Non-redeemable preference	2.04	0.00	498,060
Ambroladze Murman	4	Non-redeemable preference	1.36	0.00	332,040
Bokolishvili Irakli	4	Non-redeemable preference	1.84	0.00	450,420
Dumbadze David	4	Non-redeemable preference	1.35	0.00	331,100
Emukhvari Tamar	4	Non-redeemable preference	1.88	0.00	458,640
Fichkhaia Tamar	4	Non-redeemable preference	1.98	0.00	485,025
Tsertsvadze Guram	4	Non-redeemable preference	1.84	0.00	450,420
Tsertsvadze Eka	3	Non-redeemable preference	1.42	0.00	347,865
Sukhiashvili Vasil	2	Non-redeemable preference	0.98	0.00	238,760
Tsaava Davit	2	Non-redeemable preference	0.92	0.00	225,210
Gvazava Otar	1	Non-redeemable preference	0.49	0.00	119,380
Kiknadze Nodar	1	Non-redeemable preference	0.51	0.00	124,515
Nareshelashvili Irakli	1	Non-redeemable preference	0.48	0.00	117,405
Nikolaishvili Irakli	1	Non-redeemable preference	0.46	0.00	112,605
Janjgava Ivane	1	Non-redeemable preference	0.34	0.00	83,190
Nikora JSC	14	Non-redeemable preference	0.00	0.00	-
	6,470,759				24,444,388

Shareholders as of 31 December 2018 are presented on below table:

Shareholder	Number of shares	Common/ Non-redeemable preference	Share %	Voting rights %	Capital in Georgian lari
Sukhiashvili Vasil	1,876,471	Common	7.47	29.00	1,876,471
Nikora JSC	1,326,471	Common	5.28	20.50	1,326,471
Gubanov Oleg	1,035,293	Common	4.12	16.00	1,035,293
Dumbadze David	711,765	Common	2.83	11.00	711,765
Tsirekidze Taliko	582,353	Common	2.32	9.00	582,353
Salukvadze Maka	420,588	Common	1.67	6.50	420,588
Tsertsvadze Guram	323,529	Common	1.29	5.00	323,529
Nikolaishvili Irakli	194,118	Common	0.77	3.00	194,118
Galt and Tagart JSC	40	Non-redeemable preference	19.48	-	4,893,565
Pelican ventures Corp	20	Non-redeemable preference	10.71	-	2,692,200
Park capital LLC	20	Non-redeemable preference	8.09	-	2,031,600
Magtiwin LLC	8	Non-redeemable preference	3.82	-	960,800
Anchabidze Aleksi	7	Non-redeemable preference	3.33	-	836,325
Gachechiladze Daviti	7	Non-redeemable preference	3.33	-	836,325
Gojiashvili zurab	7	Non-redeemable preference	3.33	-	836,325
Vachnadze Giorgi	6	Non-redeemable preference	2.04	-	512,025
Maziashvili Archil	6	Non-redeemable preference	1.98	-	498,060
Jokhadze Gocha	6	Non-redeemable preference	2.71	-	681,960
Ambroladze Murman	4	Non-redeemable preference	1.32		332,040
Bokolishvili irakli	4	Non-redeemable preference	1.79	-	450,420
Dumbadze David	4	Non-redeemable preference	1.32	-	331,100
Emukhvari Tamar	4	Non-redeemable preference	1.83	-	458,640
Lomaia Irakli	4	Non-redeemable preference	1.93	-	485,025
Tsertsvadze Guram	4	Non-redeemable preference	1.79	-	450,420
Tsertsvadze Eka	3	Non-redeemable preference	1.38	-	347,865
Sukhiashvili Vasil	2	Non-redeemable preference	0.95	-	238,760
Tsaava David	2	Non-redeemable preference	0.90	-	225,210
Gvazava Otar	1	Non-redeemable preference	0.48	-	119,380
Kiknadze Nodar	1	Non-redeemable preference	0.50	-	124,515
Nareshelashvili Irakli	1	Non-redeemable preference	0.47	-	117,405
Nikolaishvili Irakli	1	Non-redeemable preference	0.45	-	112,605
Janjghava Ivane	1	Non-redeemable preference	0.33	-	83,190
Nikora JSC	36	Non-redeemable preference	-	-	-
	6,470,787				25,126,348

As of 31 December 2019 the Parent Company of the Group, Nikora JSC had 6,471 thousand ordinary shares issued with par value of Georgian lari 1 each and 171 preference shares with par value of US dollar 50,000 amounting to total share capital of Georgian lari 24,444 thousand (31 December 2018: Georgian lari 25,126 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.

12.2 Treasury shares

As of 31 December 2019, the Group has repurchased 1,326 of its own shares, which are recorded as treasury shares at par value amounting to Georgian lari 1,326 thousand. The excess of consideration paid for the repurchase of own shares over the par value of those shares was debited to the accumulated profits in the year when the shares were repurchased.

12.3 Dividends

In 2019 dividends amounting to Georgian lari 5,749 thousand have been declared to holders of ordinary and preference shares. In 2018 the dividend declared was Georgian lari 5,909 thousand.

12.4 Revaluation reserve

The revaluation reserve arises on the revaluation of land, buildings and bearer plants. Most recent revaluation for land and buildings and bearer plants was performed at 31 December 2019.

13 Loans and borrowings

In thousand Georgian lari

	Current		Non-current	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Bank loans	29,045	22,209	18,130	20,434
	29,045	22,209	18,130	20,434

Bank loans maturities vary from 1 to 5 years and bear a weighted average annual interest rate of 11.7 %, part of them bearing fixed interest rates and part with floating rates linked to NBG refinancing rate and 6 months EURLIBOR rates. (2018: 10.3% annually with floating rate).

Bank loans are issued under the general credit line agreements.

Bank loans are secured by the inventory and property, plant and equipment of the Group. (refer to note 5 and 9).

The fair values of bank loans equal their carrying amount, as the impact of discounting is not significant.

Refer to note 26 for more information about the Group's exposure to interest rate and foreign currency risks.

14 Bonds

On 28 June 2019 Nikora JSC met its obligations against the Group's Bondholders in amount of Georgian lari 30,045 thousand.

On 18 October 2019 Georgian brokerage firm TBC Capital LLC, as a brokerage agent, issued bonds for Nikora JSC with a value of Georgian lari 28 million. Bonds bear 4%+ 3 month Georgian lari TIBR of annual interest rate (effective interest rate is 11.16%) and have three years of maturity. Interest is paid quarterly.

On 6 August 2018 Georgian brokerage firm TBC Capital LLC, as a brokerage agent, issued bonds for Nikora Trade JSC with a value of Georgian lari 25 million. Bonds bear 4%+ Refinancing rate of National Bank of Georgia (effective interest rate 11.50%) and have three years of maturity. Interest is paid quarterly on the dates specified in the "Overview of the Offering". Below table represents the financial information regarding bonds:

In thousand Georgian lari	Current		Non-current	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Bonds - principle amount	-	26,696	52,754	25,000
Bonds - interest payable	1,302	161	-	-
	1,302	26,857	52,754	25,000

Bond's agreement set out certain covenants to Nikora JSC. Affirmative covenants including requirements to satisfy certain financial ratios. As at the reporting date three financial covenants are applicable:

(1) Debt/EBITDA ratio shouldn't exceed 3.5 according to the results of year 2019

(2) ICR ratio shouldn't be less than 2.8 according to the results of year 2019

(3) DSCR ratio shouldn't be less than 1.1 according to the results of year 2019

Ratios are calculated using figures from consolidated financial statements of Nikora JSC. As at the reporting date Nikora JSC satisfies all ratios.

Bonds are Group's direct unsecured obligations that are equal in priority and equal to the Group's unsecured and non-subordinated obligations.

Refer to note 26 (a) for more information about the Group's exposure to interest rate and foreign currency risks.

15 Leases

Lease liabilities are presented in the consolidated statement of financial position as follows:

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Current	18,251	-
Non-current	86,756	-
	105,007	-

The Group has leased the buildings and stores. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments, which do not depend on an index or a rate (such as lease payments based on a percentage of the Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property and equipment (refer to note 6).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

The table below describes the nature of the Group's leasing activities by the type of the right-of-use asset recognized in the consolidated statement of financial position:

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
Buildings	4	4	4	4	-
Stores	263	1-10	5	263	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

In thousand Georgian lari	Minimum lease payments	
	As of 31 December 2019	As of 31 December 2018
Within one year		
Lease payments	(27,799)	-
Finance charges	9,548	-
	(18,251)	-
In second to fifth years inclusive		
Lease payments	(85,804)	-
Finance charges	21,717	-
	(64,087)	-
After five years		
Lease payments	(26,417)	-
Finance charges	3,748	-
	(22,669)	-
Net present value	(105,007)	-

Lease payments not recognized as a liability

The Group has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

In thousand Georgian lari	2019
Short-term leases	529
Leases of low value assets	524
Variable lease payments	2,610
	3,663

As of 31 December 2019 the Group was committed to short-term leases and the total commitment at that date was Georgian lari 341 thousand.

Variable lease payments are expensed in the period they are incurred.

Additional information on the right-of-use assets by class of assets is as follows:

In thousand Georgian lari	Carrying amount (refer to 6)	Depreciation expense	Impairment
Buildings	3,091	722	-
Stores	89,794	15,800	-
Total right-of-use assets	92,885	16,522	-

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

16 Trade and other payables

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Trade payables	84,736	66,379
Advances received	304	13,181
Tax payables	1,316	1,990
Payables to employees	1,639	1,107
Other	4	455
	87,999	83,112

The average credit period on purchase of certain goods is 1-30 days (2018: 1-30 days). No interest is charged on the trade payables. The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 26 (a) for more information about the Group's exposure to foreign currency risk.

17 Revenue

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Sales of goods	540,402	417,779
Rental income	99	73
Other revenue	36	-
	540,537	417,852

18 Cost of sales

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Purchase cost of goods for resale	295,614	203,484
Direct materials	59,568	73,946
Employee benefits expenses	8,537	5,694
Depreciation expenses	3,089	1,970
Utilities expenses	2,428	1,636
Additional materials	1,270	779
Repair and maintenance expenses	524	491
Rent expenses	340	889
Transportation expenses	3	14
Other	1,745	625
	373,118	289,528

The cost of goods sold includes cost of purchase of goods for resale as well as cost of raw materials used in own production of food products. It also includes salaries and wages of production workers, depreciation of production plant building and food processing machinery, repair and maintenance costs of production assets and other costs which are necessary for production of goods for sale.

19 Distribution and marketing expenses

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Employee benefits expenses	26,241	19,976
Depreciation expenses	22,525	4,887
Marketing expenses	19,580	13,571
Distribution expenses	3,841	3,113
Rent expenses	2,178	17,600
	74,365	59,147

Distribution and marketing expenses include salaries and wages of shop assistants, cashiers and other personnel working in retail shops, as well as salaries and wages of marketing and distribution personnel Distribution and marketing expenses also include depreciation of retail shop buildings, of the shelves, fridges and other shop refurbishments, of distribution vehicles and other expenses related to sales, marketing and distribution.

20 Administrative expenses

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Employee benefits expenses	29,696	23,598
Loss on write-off of inventory	11,542	7,544
Depreciation and amortization expenses	5,369	3,960
Consultation and professional service	2,100	2,357
Maintenance expenses	2,652	2,109
Office expenses	2,917	1,816
Bank charges	2,404	1,564
Inventory loss provision	1,302	440
Utility expenses	501	730
Rent expense	774	546
Taxes other than income tax	476	420
Other	5,165	1,221
	64,898	46,305

21 Finance costs

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Interest expenses for leasing arrangements	9,821	-
Interest expense on loans from financial institutions	4,761	4,401
Interest expense on bonds	5,130	4,124
	19,712	8,525

22 Loss from exchange differences

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Financial assets measured at amortized cost	1,606	(16)
Financial liabilities measured at amortized cost	(12,823)	(2,867)
	(11,217)	(2,883)

23 Subsequent events

At the beginning of 2020 the World Health Organization has declared the COVID-19 coronavirus outbreak to be a pandemic. Globally, COVID-19 has resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates. In March 2020, Georgian government made decision about stopping all commercial businesses, except some limited types of essential businesses, including food markets and shops. The government took various important measures to support local business enterprises including stimulation of employment by giving significant tax benefits to companies from May to October 2020. In May 2020 the Group received GEL 660 thousand from the government as a result of such tax benefit program.

Nikora JSC, together with its subsidiaries (the "Group"), is a leading local food producer and retailer on Georgian market and the management believes the disruptions in the Group's business sector are minimal, supply of raw materials has been adequate and demand for the Group's products has been relatively stable so far. By the end of March 2020, when the Georgian government declared an emergency situation in Georgia, Group has continued production process without any disruptions and limitations. Even though, by the end of March and during April 2020 there was a decrease in sales by 25% in several subsidiaries, overall revenues of the Group increased by ca. 20% compared to the same period of the previous year and sales tend to further increase from June, Group's management expects that they will return to the planned sales by September.

The Group is still working to organize the working process in such way to be able to deal with challenges related to unforeseeable occasions. For most subsidiaries there were changes in contract terms with foreign suppliers regarding payment dates of trade payables, however, there were no changes in intra-group product sales/purchase contract terms. Despite positive future assumptions, for subsidiaries selling their products outside the group, management estimates the market price risks caused by pandemic.

The Group's management has negotiations with financial institutions to maintain its liquidity and their support for growth and the management believes and has all foundations to expect that they will continue supporting the Group financially.

Following decisions were made by the Group's management related to work organization and staffing:

- As the organization with high social responsibility the Group has decided to maintain all staff and pay for the whole salaries during this period, however, at the moment of preparation of these financial statements there is no clear plan whether the Group will continue to keep all staff in the future. Such a decision will depend on the economic situation in Georgia;
- All administrative staff worked remotely from home;
- Group has formed a specialized team to coordinate all issues related to the pandemic;
- Group provided transportation services to the employees for preventing disruptions to working process.

24 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.

24.1 Critical accounting estimates

The Group 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, plant 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, consolidated financial statements may be materially different.

Fair values of property, plant and equipment accounted for using the revaluation model

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

Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Carrying value of goodwill

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 recognized. Therefore, the assessment of the impairment of goodwill requires the use of estimates and assumptions related to the 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 the 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. Refer to note 4.

Market interest rate

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

24.2 Key assumptions concerning the future

There is generally uncertainty related to the spread of COVID-19 in the future, but due to the industry in which the Group operates, and considering the actual improvements in the situation from March, when the government declared special measures in response to the pandemic, up to June, the management believes, that there are no risks related to Group’s functionality as a going concern. The management believes that food supply is one of the core and critical businesses, which will be continuing working even in the worst case scenario and which will be even supported by the government if needed. The Group’s management assumes that the Parent and its subsidiaries will keep operational activities in the future without dramatic changes in the operating levels, therefore, these consolidated financial statements have been prepared on a going concern basis.

25 Financial instruments

25.1 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.

25.2 Categories of financial instruments

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

Financial assets

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Amortized cost		
Trade and other receivables[1]	21,315	23,273
Cash and bank balances	3,620	3,175
	24,935	26,448

[1] these amounts only represent trade and other receivables that are financial assets

Financial liabilities

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Amortized cost		
Loans and borrowings	47,175	42,643
Bonds	54,056	51,857
Trade and other payables	86,379	67,941
Lease liabilities	105,007	-
	292,617	162,441
Net position	(267,682)	(135,993)

26 Financial risk management

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

The Group 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 Group is exposed are described below.

Financial risk factors

a) Market risk

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

Most of the Group's trade transactions are carried out in Georgian lari. Exposures to currency exchange rates risk mainly arise from the Group's lease liabilities and loans which are denominated in foreign currencies.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Georgian lari at the closing rate:

In thousand Georgian lari		
As of 31 December 2019	US dollar	Euro
Financial assets		
Trade and other receivables	826	659
Cash and bank balances	9	-
	835	659
Financial liabilities		
Lease liabilities	94,381	571
Loans and borrowings	3,027	3,086
Trade and other payables	1,931	3,533
	99,339	7,190
Net position	(98,504)	(6,531)

In thousand Georgian lari		
As of 31 December 2018	US dollar	Euro
Financial assets		
Trade and other receivable	234	85
Cash and bank balances	2	-
	236	85
Financial liabilities		
Bonds	26,696	-
Loans and borrowings	19,941	2,611
Trade and other payables	2,687	3,988
	49,324	6,599
Net position	(49,088)	(6,514)

The following table details the Group's sensitivity to a 15% (2018: 15%) increase and decrease in Georgian lari against US dollar. 15% (2018: 15%) 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 15% (2018: 15%) change in foreign currency rates.

If Georgian lari had strengthened against US dollar by 15% (2018: 15%) then this would have had the following impact:

In thousand Georgian lari	US dollar impact		Euro impact	
	2019	2018	2019	2018
Profit or loss	14,776	7,363	980	977

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 Group's exposure to currency risk.

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating rates. This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's sensitivity to interest rates would increase/decrease mainly due to changes of floating interest rate which is LIBOR and NBG refinancing rates.

The following table reconciles the average contract and effective interest rates:

2019	Average interest rate	
	Contract	Effective
Liabilities		
Secured bank loans		
Georgian lari	11.33%	11.71%
US dollar	6.21%	6.62%
Euro	7.04%	7.17%
Bonds		
Georgian lari	10.97%	11.86%

2018	Average interest rate	
	Contract	Effective
Liabilities		
Secured bank loans		
Georgian lari	10.37%	11.03%
US dollar	8.83%	9.31%
Euro	7.40%	7.48%
Bonds		
Georgian lari	11.00%	11.50%
US dollar	9.00%	9.74%

The sensitivity analysis below has been performed for a 3% change in interest rates. 3%represents management's assessment of the possible change in interest rates.

If interest rates had been 3% higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2019 would decrease/increase by Georgian lari 251 thousand (2018: increase/decrease by Georgian lari 185 thousand);

The Group's sensitivity to interest rates has increased mainly due to increase in variable bank borrowings and bonds.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, trade and other receivables.

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers. Where available, external credit ratings and/or reports on customers are obtained and used. The Group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on the historical information about customer default rates management consider the credit quality of trade receivables to be good

The closing balance of the trade receivables loss allowance as of 31 December 2019 reconciles with the trade receivables loss allowance opening balance as follows:

In thousand Georgian lari	2019	2018
Loss allowance as of 1 January 2018 calculated under IAS 39	-	-
IFRS 9 transition adjustments	-	-
Loss allowance as of 1 January	-	-
Loss allowance recognized during the year	31	-
Receivables written off during the year	-	-
Loss allowance unused and reversed during the year	-	-
Loss allowance as of 31 December	31	-

a) Liquidity risk

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

The Group'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 Group'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 Group can be required to pay. The table includes both interest and principal cash flows.

2019	Non-interest bearing	Finance lease liability	Variable interest rate instruments	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		10.43%	11.53%	9.98%	
Less than 6 months	86,379	13,602	11,427	2,065	113,473
6 months to 1 year	-	13,618	6,067	567	20,252
1-5 years	-	84,986	78,518	12,262	175,766
More than 5 years	-	26,417	135	520	27,072
	86,379	138,623	96,147	15,414	336,563

2018	Non-interest bearing	Finance lease liability	Variable interest rate instruments	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		-	10.70%	10.60%	
Less than 6 months	67,941	-	17,140	25,339	110,420
6 months to 1 year	-	-	3,763	1,123	4,886
1-5 years	-	-	48,910	267	49,177
More than 5 years	-	-	59	102	161
	67,941	-	69,872	26,831	164,644

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

27 Fair value measurements

The Group 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).

27.1 Fair value measurement of financial instruments

The Group has no financial assets or financial liabilities measured at fair value on a recurring basis as of 31 December 2019 and 31 December 2018.

The fair of financial instruments measured at amortized cost approximate their fair values.

27.2 Fair value measurement of non-financial assets

The land and buildings of the Group 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 valuators who hold necessary licenses. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Assets measured at fair value	Date of valuation	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land	31 December 2019	14,481	-	-	14,481
Buildings	31 December 2019	41,071	-	-	41,071

The appraisal was carried out using market approach. The valuation was performed as at 31 December 2019.

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.

28 Capital risk management

The Group 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 Group consists of equity comprising share capital and accumulated profits, reserves and debt instruments, which includes borrowings disclosed in note 13, bonds disclosed in note 14 and lease liabilities disclosed in note 15.

Management assesses the Group'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 Group's various classes of debt. The Group 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 Group 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 Group for the reporting periods are summarized as follows:

In thousand Georgian lari	As of 31 December 2019	As of 31 December 2018
Total equity	72,816	64,172
Less: cash and bank balances	(3,620)	(3,175)
Capital	69,196	60,997
Total equity	72,816	64,172
Borrowings	47,175	42,643
Bonds	54,056	51,857
Lease liabilities	105,007	-
Overall financing	279,054	158,672
Capital to overall financing ratio	0.25	0.38

29 Contingencies

29.1 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, caused by COVID 19 pandemic led to the shortage of money transfers from abroad, upon which the economy of Georgia is significantly dependent. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, significant depletion of Georgian currency against US dollar and possible prolongation of restrictive measures taken by government of Georgia in response to COVID 19 pandemic, may lead to deterioration of the situation of Georgian economy and of the Group. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Group may be affected.

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

29.2 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 Group at this moment has full insurance coverage for almost all of its buildings and significant part of auto. However, it does not have such type of coverage as business interruption or inventory insurance the Group is having active negotiations towards insuring warehouse and inventories. This will reduce the risk of loss or destruction of certain assets could have a materially adverse effect on the Group's operations and financial position.

29.3 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.

29.4 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 Group's operations. However, the management is of the opinion that the Group has met the Government's requirements concerning environmental matters and believes that the Group does not have any current material environmental liabilities and it is not expected that material environmental liabilities will arise in the future periods.

30 Reconciliation of liabilities arising from financing activities

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

In thousand Georgian lari	Long-term borrowings	Short-term borrowings	Bonds	Lease liabilities	Total
as of 1 January 2018	14,126	25,800	38,934	-	78,860
Cash-flows					
Proceeds	138,503	91,881	25,000	-	255,384
Repayments	(110,817)	(122,703)	(16,303)	-	(249,823)
Non-cash					
Interest accrual	3,450	951	4,124	-	8,525
Foreign exchange gain/loss	516	936	102	-	1,554
Reclassification	(25,344)	25,344	-	-	-
as of 31 December 2018	20,434	22,209	51,857	-	94,500
Adjustment of IFRS 16	-	-	-	87,143	87,143
as of 1 January 2019	20,434	22,209	51,857	87,143	181,643
Cash-flows					
Proceeds	73,894	196,026	27,740	22,265	319,925
Repayments	(50,756)	(217,129)	(28,791)	(10,821)	(307,497)
Interest paid	(399)	(3,135)	(3,927)	(9,629)	(17,090)
Non-cash					
Interest accrual	1,386	3,375	5,130	9,821	19,712
Foreign exchange gain/loss	485	785	2,047	6,228	9,545
Reclassification	(26,914)	26,914	-	-	-
as of 31 December 2019	18,130	29,045	54,056	105,007	206,238

31 Related parties

The Group's related parties include its parent, subsidiaries and key management.

31.1 Control relationships

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

31.2 Transactions with related parties

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

In thousand Georgian lari

Transactions	Year ended 31 December 2019	Year ended 31 December 2018
Shareholders		
Dividends paid	(5,749)	(5,909)
Proceeds from preference shares	-	-
Repayment of preference shares	(682)	(6,132)
	(6,431)	(12,041)

In thousand Georgian lari Outstanding balances	As of 31 December 2019	As of 31 December 2018
Holders of non-controlling interest		
Borrowings provided	-	144
	-	144

31.3 Transactions with management and close family members

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

In thousand Georgian lari	Year ended 31 December 2019	Year ended 31 December 2018
Salaries and bonuses	3,517	2,909