NIKORA GROUP

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Together with the Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of JSC Nikora

Qualified Opinion

We have audited the consolidated financial statements of JSC Nikora (the Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, 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 effects of the matter described in the Basis for Qualified *Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and 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

We were unable to obtain sufficient and appropriate audit evidence neither for the initial recognition nor for the key assumptions used in impairment test of goodwill for comparable periods. As Goodwill's opening balance, GEL43,618 thousand, is a substantial part of its carrying amount as at 31 December 2020, we did not perform the relevant audit procedures and did not determine whether any adjustments were required regarding the Goodwill's carrying amount and the elements making up the consolidated financial statements.

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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below are the key audit matters to be communicated in our report.

Key audit matters	How the scope of our audit responded to the key audit matter
Revenue recognition and related discounts We have identified the recognition of revenue from contracts with customers as a key audit matter. Contracts with customers include the supply of food and non-food products. Our assessment is that the vast majority of the Group's revenue transactions are non-complex, with no judgement applied over the amounts recorded. Recognition of revenue is significantly dependent on the determination of the transaction price, which is substantially influenced by the discounts offered to customers, customer loyalty programs, slotting fee, activity-based bonuses. We focused our work on the manual adjustments that are applied to revenue where the amount of the revenue recorded can be different than the amount of cash received. Our procedures were designed to address the risk of manipulation of accounting records and the ability to override controls. Refer to revenue recognition policy and additional Information in Note 27 and 6, respectively.	We have preformed the following audit procedures to address the key audit matter: • We assessed whether the revenue recognition policy was in line with the requirements of International Financial Reporting Standards, in particular the use of IFRS 15 "Revenue from Contracts with Customers"; • We performed procedures over adjustments to revenue. We obtained a detailed understanding of these manual adjustments. Due to the manual nature of these adjustments, we performed substantive audit procedures; • We confirmed the recognised revenue with the supported documents; • We carried out analytical procedures on revenue, cost of goods sold and other expenses correlated with revenue; • We examined the adequacy of the information used by management in determining the transaction price and the reasonableness of the estimates; • We discussed whether experience and business practices were properly taken into account in determining the transaction price; • We have investigated the terms of the Customer Loyalty Program; • We obtained evidence that revenue is deferred according to the number of points awarded to customers under the loyalty program and revenue is recognised in the correct accounting period; • We examined the terms of the slotting fee. We discussed whether the fee was related to the different goods or services provided by the customers to the group; • We reviewed the discounts and bonuses offered to customers after the reporting period for which the revenue was recognized during the reporting period. We compared these discounts and bonuses with the assumptions used in determining the transaction price.

Fair value accounted property, plant and equipment

We have identified the fair value accounted property, plant and equipment as key audit matter. The group's land and buildings within property, plant and equipment, as disclosed in note 12, is valued at GEL64,785 thousand as at 31 December 2020. The land and buildings are independently appraiser by professionally qualified valuer using the income capitalization model, market and cost approach. Management is required to make a number of significant assumptions and judgements in determining the fair value and therefore we have identified this as a potential fraud and misstatement risk. The key inputs into the fair value model which are subject to significant management estimates include market rents, vacancy rates, and capitalization rate used in the discounted cash flows. Unreasonable assumptions could give rise to a material misstatement in the financial statements. Covid-19 further increased judgement in relation to assumptions around vacancy rates and asset liquidity; The valuation of land and building is disclosed as one of the key sources of estimation uncertainty in notes. Refer to accounting policy in Note 27.

We have performed the following audit procedures to address the key audit matter:

- We obtained and documented an understanding of relevant controls in relation to the valuation process;
- We selected a sample of properties which we considered to be of most audit interest and with the assistance of our Real Estate Valuations expert to audit the valuations in detail;
- Alongside our valuation expert, we discussed and challenged key inputs and assumptions with the valuer and management with reference to independent market data including Covid-19 considerations;
- We assessed whether the valuer is independent of the Group and considered the reliability and competency of the valuer;
- We reconciled the rental values and other assumptions used in the valuations to the observable data;
- We assessed whether the disclosures in the financial statements are appropriate and in accordance with IFRS 13 Fair Value Measurement; and
- We assessed whether all property valuations have been correctly included in the financial statements.

Emphasis of Matter paragraph

As part of our audit of the 2020 consolidated financial statements we also audited the adjustments described in Note 25 that were applied to amend the 2019 consolidated financial statements, which were audited by other auditor and they expressed a modified opinion on those consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 consolidated financial statements taken as a whole. Our opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the consolidate 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 consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the consolidate 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 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 the 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 the 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 responsible for the audit resulting in this independent auditor's report is Ivane Zhuzhunashvili

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

17 August 2021

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საქართველო

Independent auditors' report

To the Shareholders and Management of JSC Nikora

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Key audit matters

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The engagement partner responsible for the audit resulting in this independent auditor's report is Ivane Zhuzhunashvili

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

17 August 2021

NIKORA GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(In thousands of GEL)

	Note	2020	2019 Restated*
Revenue	6	603,260	534,619
Cost of sale	7	(435,517)	(382,658)
Gross profit		**167,743**	**151,961**
Selling and distribution expenses	8	(119,917)	(101,762)
General and administrative expenses	9	(31,400)	(30,619)
Other income		2,954	2,026
Operating profit		**19,380**	**21,606**
Financial income		553	-
Financial expenses		(21,112)	(17,802)
Foreign exchange loss		(18,733)	(12,077)
Other income/(expense), net	10	7,140	(1,287)
Loss before income tax		**(12,772)**	**(9,560)**
Income tax expenses		(993)	(1,157)
Loss for the year		**(13,765)**	**(10,717)**
Other comprehensive income			
Revaluation of property and bearer plants	11;14	8,356	7,768
Total comprehensive loss for the year		**(5,409)**	**(2,949)**
Total loss attributable to			
Owner of the parent		(11,999)	(8,196)
Non-controlling interest		(1,766)	(2,521)
Total loss		**(13,765)**	**(10,717)**
Total comprehensive loss attributable to:			
Owner of the parent		(4,224)	(1,071)
Non-controlling interest		(1,185)	(1,878)
Total comprehensive loss		**(5,409)**	**(2,949)**

The consolidated financial statements for the year ended 31 December 2020 was approved on behalf of the management on 16 August 2021 by:

Director _______________________ Irakli Bokolishvili

Financial director _______________________ Irakli Gejadze

*While preparing the consolidated financial statements for the year ended 31 December 2020, management has identified a prior period error and has corrected comparable information. See note 25.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(In thousands of GEL)

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The consolidated financial statements for the year ended 31 December 2020 was approved on behalf of the management on 16 August 2021 by:

Director General ________________ Irakli Bokolishvili

Financial director ________________ Irakli Gejadze

*While preparing the consolidated financial statements for the year ended 31 December 2020, management has identified a prior period error and has corrected comparable information. See note 25.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(In thousands of GEL)

	Note	31.12.2020	31.12.2019 Restated*	1.1.2019 Restated*
ASSETS				
Non-current assets				
Goodwill	11	43,618	43,618	43,618
Property, plant and equipment	12	129,387	117,843	102,868
Right of use asset	13	103,835	96,339	-
Intangible assets	14	3,480	2,428	2,909
Biological assets	15	1,600	1,400	1,246
Other financial assets	19	7,291	-	-
		289,211	**261,628**	**150,641**
Current assets				
Inventories	16	72,967	68,092	54,013
Trade and other receivables	17	15,954	18,107	22,242
Cash and cash equivalents	18	4,984	3,620	3,175
		93,905	**89,819**	**79,430**
Total assets		**383,116**	**351,447**	**230,071**
EQUITY AND LIABILITIES				
Equity				
Ordinary share capital	19	6,471	6,471	6,471
Preference share capital	19	6,910	17,973	18,655
Treasury share reserve	19	(696)	(1,326)	(1,326)
Revaluation reserve		26,432	18,391	11,062
Accumulated profit/(loss)		(315)	15,329	16,420
Non-controlling interests	20	853	3,274	2,618
		39,655	**60,112**	**53,900**
Non-current liabilities				
Bonds and borrowings	21	65,724	70,739	45,193
Lease liabilities	13	104,705	87,291	-
		170,429	**158,030**	**45,193**
Current liabilities				
Trade and other payables	22	93,635	84,454	81,671
Bonds and borrowings	21	57,173	30,136	49,307
Lease liabilities	13	22,224	18,715	-
		173,032	**133,305**	**130,978**
Total liabilities		**343,461**	**291,335**	**176,171**
Total equity and liabilities		**383,116**	**351,447**	**230,071**

*While preparing the consolidated financial statements for the year ended 31 December 2020, management has identified a prior period error and has corrected comparable information. See note 25.

NIKORA GROUP

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY

For the year ended 31 December 2020

(In thousands of GEL)

	Ordinary Share capital	Preference share capital	Ordinary treasury share reserve	Revaluation reserve	Accumulated profit/(loss)	Attributable to Head companies' shareholders	Attributable to non-controlling interests	Total
1 January 2019	**6,471**	**18,655**	**(1,326)**	**11,062**	**16,420**	**51,282**	**2,618**	**53,900**
Loss for the year	-	-	-	-	(8,196)	(8,196)	(2,521)	(10,717)
Revaluation of property and bearer plants	-	-	-	7,125	-	7,125	643	7,768
Transactions with non-controlling interests	-	-	-	204	12,854	13,058	2,534	15,592
Dividends on ordinary shares	-	-	-	-	(3,507)	(3,507)	-	(3,507)
Dividends on preference shares	-	-	-	-	(2,242)	(2,242)	-	(2,242)
Purchase of preference shares	-	(682)	-	-	-	(682)	-	(682)
31 December 2019	**6,471**	**17,973**	**(1,326)**	**18,391**	**15,329**	**56,838**	**3,274**	**60,112**
Loss for the year	-	-	-	-	(11,999)	(11,999)	(1,766)	(13,765)
Revaluation of property and bearer plants	-	-	-	7,775	-	7,775	581	8,356
Transactions with non-controlling interests	-	-	647	266	10,088	11,001	(1,236)	9,765
Dividends on ordinary shares	-	-	-	-	(3,682)	(3,682)	-	(3,682)
Dividends on preference shares	-	-	-	-	(2,477)	(2,477)	-	(2,477)
Purchase of preference shares	-	(11,506)	-	-	(6,524)	(18,030)	-	(18,030)
Share emissions	-	443	-	-	-	443	-	443
Purchase of ordinary shares	-	-	(17)	-	(1,050)	(1,067)	-	(1,067)
31 December 2020	**6,471**	**6,910**	**(696)**	**26,432**	**(315)**	**38,802**	**853**	**39,655**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(In thousands of GEL)

	Note	2020	2019 Restated*
Cash flows from operating activities			
loss for the year		**(12,772)**	**(9,560)**
Adjustments for:			
Depreciation and amortization	12;13;14;15	38,586	33,826
Financial expenses	13;21	21,112	17,802
Financial income		(553)	-
Inventory losses	6; 8	10,616	11,296
Impairment of financial assets	16	717	31
Loss on disposal of property, plant and equipment	11	380	-
COVID 19 Rent concessions and subsidy	10	(6,825)	-
Gain from biological transformation	15	(1,797)	(1,754)
Foreign exchange loss		18,733	12,077
		68,197	**63,718**
Movements in working capital			
Decrease in trade and other receivables		1,449	1,952
Increase in inventories		(13,194)	(24,628)
Increase in trade and other payables		10,573	4,622
Cash inflow from operating activities		**67,025**	**45,664**
Interest paid	13;21	(20,888)	(15,750)
Income tax paid		(993)	(725)
Net cash inflow from operating activities		**45,144**	**29,189**
Cash flows from investing activities			
Payments for property, plant and equipment		(22,301)	(25,080)
Payments for intangible assets		(601)	(397)
Payments for biological assets		(29)	(31)
Proceeds from disposal of property, plant and equipment		-	898
Proceeds from disposal of intangible assets		-	131
Proceeds from loan issued		-	144
Net cash outflow from investing activities		**(22,931)**	**(24,335)**
Cash flows from financial activities			
Proceeds from borrowings and bonds	21	198,054	297,660
Repayment of borrowings and bonds	21	(180,701)	(296,676)
Repayment of lease liabilities	12	(17,948)	(14,251)
Dividends paid		(5,476)	(5,749)
Purchase of own shares	19	(19,097)	(682)
Shares emission	19	4,931	-
Proceeds from sale of share in subsidiary		-	15,592
Net cash outflow from financing activities		**(20,237)**	**(4,106)**
Net increase in cash and cash equivalents		**1,976**	**748**
Cash and cash equivalents at the beginning of the year	18	**3,620**	**3,175**
Effect of changes in foreign exchange rate		(612)	(303)
Cash and cash equivalents at the end of the year	18	**4,984**	**3,620**

*While preparing the consolidated financial statements for the year ended 31 December 2020, management has identified a prior period error and has corrected comparable information. See note 25.

1. General information

These consolidated financial statements include financial information of JSC Nikora (the "Parent Company") and of its subsidiaries (together referred to as the "Group"). The Parent Company is a registered Joint Stock Company incorporated in Georgia having its business address at 11 M. Kavtaradze street, Tbilisi, Georgia.

The Group operates food retail stores chain in Georgia having 345 stores as at 31 December 2020 (31 December 2019: 288 stores), also the Group manufactures food and has distribution chain in Georgia.

The following table shows JSC Nikora's subsidiaries:

Name	31.12.2020	31.12.2019	Type of operations
Nikora Trade LLC	90%	80%	Retail
Mila Sakartvelo LLC	50%	50%	Retail
Nikora LLC	100%	100%	Manufacturing
Korida LLC	100%	100%	Manufacturing
Oceane LLC	100%	100%	Manufacturing
Chveni Fermeri LLC	100%	100%	Manufacturing
Mzareuli I LLC	100%	100%	Manufacturing
Kulinari LLC	50%	50%	Manufacturing
Partner LLC	100%	100%	Import and distribution
Intrade LLC	100%	100%	Import and distribution
Multitrade LLC	100%	100%	Import and distribution
Vakijvris kalmakhi LLC	91%	91%	Agricultural activity - Fish farm
Napareulis dzveli marani LLC	100%	100%	Agricultural activity - vineyards
Nikora Bakuriani LLC	50%	50%	Real estate
Intrade Poti LLC	100%	100%	Dormant
Nikora Kakheti LLC	100%	100%	Dormant
Nikora agro LLC	100%	100%	Dormant
Web trade LLC	100%	100%	Dormant
Krtsanisi 14 LLC	100%	100%	Dormant
Royal Kaspia LLC	50%	50%	Dormant
Lazi – Holding LLC	67%	67%	Dormant
Nugeshi LLC	100%	100%	Dormant

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements are disclosed in Note 3.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost bases, except fair value accounted Land and Buildings within property, plant and equipment and fair value accounted biological assets. The reporting period for the Group is the calendar year from 1 January to 31 December.

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue its operations for the foreseeable future. The management and shareholder have the intention to further develop the business of the Group in Georgia. In adopting the going concern basis for preparing the consolidated financial statements, the management have considered the Group's business activities, objectives

2. Basis of preparation (continued)

and strategy, principal risks and uncertainties in achieving its objectives, and performance. The management have performed a robust assessment of the Group's consolidated financial forecasts across a range of scenarios over 12 months from the date the consolidated financial statements are authorised for issue, incorporating extreme downside scenario, which involved examining the level of disruption that may cause the Group to fail. The assessment specifically incorporated analysis of the COVID-19 pandemic impact implications on the Group's projected performance, liquidity and funding. Based on this, management believes that the ability of the Group to continue operating as going concern within 12 months of the approval of the consolidated financial statements is not materially uncertain

Adoption of new or revised standards and interpretations

a) New standards, interpretations and amendments effective from 1 January 2020

There have been adopted some new standards and interpretations. Except of COVID-19-Related Rent Concessions, neither of interpretations and amendments have material effect, on the Group's financial statements for the year ended 31 December 2020:

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16)
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

COVID-19-Related Rent Concessions (Amendments to IFRS 16):

Lessee may elect not to assess whether a rent concession that meets the conditions below is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (according to the amendment of IFRS-16 in 2021, the practical expedient applies to payments until 2022) and

(c) (c) there is no substantive change to other terms and conditions of the lease.

The Group uses a practical expedient and recognize rent concessions in consolidated statement of profit or loss and other comprehensive income within other non-operating income.

b) New standards interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity

2. Basis for preparation (continued)

instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022.However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the possible impact of the new standard on its financial statements. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

The consolidated financial statements present the results of the Company and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

3. Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described in note 27, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the

3 Critical accounting estimates and judgments (continued)

expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

3.2 Impairment of long-term assets

The Group periodically evaluates the recoverability of the carrying amount of its assets. Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Group estimates the recoverable amount of the asset. This requires the Group to make judgments regarding long-term forecasts of future revenues and costs related to the assets, subjected to review. In turn, these forecasts are uncertain in that they require assumptions about demand for products and future market conditions. Significant and unanticipated changes to these assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the consolidated financial statements.

3.3 Impairment of financial assets

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

3.4 Valuation of Land and Buildings and biological assets

Land and buildings within property, plant and equipment and biological assets are stated in the consolidated statement of financial position at their revalued amounts. Management uses significant assumptions. Significant and unanticipated changes to these assumptions and estimates could result in significantly different results than those recorded in the consolidated financial statements.

3.5 Lease term, incremental borrowing rate (IBR) and lease payments

The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (including the renewal option implied through customary business practices) if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Management applies judgement to determine the lease term when lease contracts include renewal options that are exercisable only by the Group. It considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease.

The management applies judgement to estimate the IBR. The management uses an observable information to determine the base rate and adjustments for the lessee specific factors and the asset factors (the adjustment for security).

In Georgia it is customary that lease renewal option is implied through customary business practices and not all renewal options are documented within the lease agreements. In such cases, the initial measurement of the lease liability assumes the payments for renewal periods equal to the contractually agreed amount and will remain unchanged throughout the lease term.

The Group uses assumptions to determine in-substance fixed lease payments. For the assumption of in-substance fixed lease payments, the Group considers all relevant facts and circumstances that indicate that payments are essentially unavoidable. Therefore, actual lease payments may differ significantly from those presented in the consolidated financial statement.

3.6 De-facto control estimation

De facto control exists in situations where the Company has the practical ability unilaterally to direct the relevant activities of the company without a majority voting right. To estimate if de-facto control exists, the Company considered all relevant facts and circumstances. Experience and existing circumstances to determining de-facto control may differ from those developments in the future that lead to a loss of de facto control.

3 Critical accounting estimates and judgments (continued)

The table below shows subsidiaries, on which the Company has de-facto control;

Name	31.12.2020	31.12.2019	Type of operations
Mila Sakartvelo LLC	50%	50%	Retail
Kulinari LLC	50%	50%	Manufacturing
Nikora bakuriani LLC	50%	50%	Real estate

The Group determined that the Company has the practical ability to unilaterally manage the significant activities of the above companies and have been identified as subsidiaries. The determinants of identifying de facto control are the practice of past decisions and access to finance.

4. Financial instruments - Risk Management

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

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

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

Major categories of financial instruments

The Group's principal financial liabilities comprise financial liabilities at fair value, Bonds and borrowings, lease liabilities and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group's principal financial assets are financial assets at fair value, other financial assets, trade and other receivables and cash and cash equivalents. The following table shows the major categories of financial instruments.

	31.12.2020	31.12.2019
Other financial assets	7,291	-
Trade and other receivables net of impairment	11,996	15,625
Cash and cash equivalents	4,984	3,620
Total financial assets	**24,271**	**19,245**
Trade and other payables	89,210	80,533
Lease liabilities	126,929	106,006
Bonds and borrowings	122,897	100,875
Total financial liabilities	**339,036**	**287,414**

Fair value of financial instruments

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

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

4. Financial Instruments – Risk Management (Continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore, may not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables and other short-term financial assets approximate fair values due to their short-term maturities. The fair value of cash and cash equivalents were determined using level 1 measurement

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of financial liabilities within trade and other payables approximate fair values due to their short-term maturities

Other financial assets fair value using level 3 inputs was made in accordance with valuation pricing models based on discounted cash flow analysis using market inputs and management judgments given volatility of interest rates available on the market. The fair value using level 3 inputs was calculated using market rates based on the range from 6% to 7% per annum interest rate. Carrying amounts of other financial assets recorded in the financial statements approximate their fair values.

The estimation of Bonds and borrowings fair value using level 2 inputs was made in accordance with valuation pricing models based on discounted cash flow analysis using market inputs and management judgments given the volatility of interest rates available on the market within 2020 and 2019. For borrowings, the fair value using level 2 inputs were calculated using market rates based on the range from 6.5% to 14% per annum interest rate under which the Group could get financing based on currency and maturity diversification. Carrying amounts of bonds and borrowings recorded in the financial statements approximate their fair values.

The estimation of lease liabilities fair value using level 3 inputs was made in accordance with valuation pricing models based on discounted cash flow analysis using market inputs and management judgments given the volatility of interest rates available on the market within 2020 and 2019. For lease liabilities, the fair value using level 3 inputs were calculated using market rates based on the range from 7.3% to 13.8% per annum interest rate under which the Group could get financing based on currency and maturity diversification. Fair value of lease liabilities exceeds of its net book value by GEL1,067 thousand (2019: GEL1,500 thousand).

Capital management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. Management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, capital contributions as well as taking of new loans and borrowings or redemption of existing Bonds and borrowings.

General objectives, policies and processes

Top management has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group does not have a written policy of risk management. However, Top management maintains control to the risks and aims to work out such policy that will reduce risks, in order to protect Group's

4. Financial Instruments – Risk Management (Continued)

competitiveness and flexibility from negative effect arising from the risks. It is possible to get more accurate information about the Group risk management approach below.

Foreign currency risk

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

	31.12.2020		31.12.2019	
	USD	EUR	USD	EUR
Financial assets				
Other financial assets	7,291	-	-	-
Trade and other receivables	-	-	826	659
Cash and cash equivalents	340	28	9	-
Total financial assets	**7,631**	**28**	**835**	**659**
Financial liabilities				
Trade and other payables	6,490	5,071	1,931	3,533
Lease liabilities	105,611	1,299	94,381	571
Bonds and borrowings	15,229	12,458	3,027	3,086
Total financial liabilities	**127,330**	**18,828**	**99,339**	**7,190**
Net financial position	**(119,699)**	**(18,800)**	**(98,504)**	**(6,531)**

The following table details the Group's sensitivity to a 20% increase and decrease in the GEL against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The following table shows impact on profit or loss and equity based on asset and liabilities values.

	USD/GEL + 20%	USD/GEL - 20%	EUR/GEL + 20%	EUR/GEL - 20%
Profit/(loss) 2020	(23,940)	23,940	(3,760)	3,760
Profit/(loss) 2019	(19,701)	19,701	(1,306)	1,306

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The Group is exposed to cash flow interest rate risk as entities in the Group borrow funds at floating interest rates.A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Based on the simulations performed, the impact on profit or loss and equity of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates [basis point: 1/100th of a percentage point]) is presented in the table below:

	2020		2019	
	Increase 100 base point	Decrease 100 base point	Increase 100 base point	Decrease 100 base point
Profit/(loss)	(1,225)	1,225	(1,003)	1,003

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

4. Financial Instruments – Risk Management (Continued)

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities. Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from its trade receivables and cash and cash equivalents (excluding cash on hand). The Group's management has established a credit policy under which each customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

In monitoring customer credit risk, customers are grouped according to their overdue status, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the management, and future sales are made necessary on a prepayment basis. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31.12.2020	31.12.2019
Other financial assets	7,291	-
Trade and other receivables net of impairment	11,996	15,625
Cash and cash equivalents except cash on hand	3,903	2,495
Total	**23,190**	**18,120**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the contractual maturity date. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The following tables detail the Group's remaining contractual maturity for financial liabilities with agreed repayment periods.

	Less than 6 months	From 6 month to 1 year	1 - 5 year	More than 5 year	Total
Trade and other payables	89,210	-	-	-	89,210
Lease liabilities	16,106	16,075	95,807	28,399	156,387
Bonds and borrowings	32,690	33,219	67,909	8,272	142,090
Total 31.12.2020	**138,006**	**49,294**	**163,716**	**36,671**	**387,687**
Trade and other payables	80,533	-	-	-	80,533
Lease liabilities	12,665	12,597	80,774	27,459	133,495
Bonds and borrowings	13,492	6,634	90,780	655	111,561
Total 31.12.2019	**106,690**	**19,231**	**171,554**	**28,114**	**325,589**

5. Segment information

The Group disclose information about the segments as the Group has issued bonds on the Georgian stock exchange.

Description of the types of products and services from which each reportable segment derives its revenues

The Group has three main segments.

(a) Retail – the segment is involved in the retail market and offers a wide range of food and non-food products to its customers through the chain of stores “Nikora”, “Libre”, “Nugeshi”. Retail is the largest part of the Group’s business, which collects 86.4 % of the Group’s external revenue (2019 – 82.1%).

(b) Manufacturing – the segment is involved in the manufacturing of meat, bakery, milk, seafood and semi-finished products. The products are delivered to the customers through their own retail chain and wholesale to external customers. The chief operating decision maker in the Group carefully monitors this segment as a potential growth business segment and is expected to materially contribute to the Group's revenue in future. This segment generating 4.5% (2019: 6.5%) of the Group’s external revenues.

(c) Import and Distribution – the segment is involved in distribution of various products, within the Group and external customers. The segment imports and sells raw materials, food, beverages and non-food products. The chief operating decision maker in the Group carefully monitors this segment as a potential growth business segment and is expected to materially contribute to the Group's revenue in future. This segment generating 8.8% (2019: 11%) of the Group’s external revenues.

Other segments involved in agricultural and real estate activities. The Group owns a fish farm and offers Trout to internal and external customers, also the Group owns vineyards and delivers to agricultural products to customers in the form of grapes. Real estate operation includes construction of a complex in Bakuriani, which is intended for selling and renting residential and commercial spaces. The total assets and total revenue from this segment are the smallest part of the Group and does not meet the quantitative thresholds to be a reportable segment.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Group use the quantitative thresholds to identify the operating segment. The Group reports separately information about an operating segment that meets quantitative thresholds. Each of the reportable segment owns more than 10% of the total assets of the Group and generates more than 10% of the results of the Group activities.

Operating segments are aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects:

(a) the nature of the products and services;

(b) the nature of the production processes;

(c) the type or class of customer for their products and services;

(d) the methods used to distribute their products or provide their services; and

(e) if applicable, the nature of the regulatory environment.

Management aggregated the following segments:

- **Manufacturing -** which includes the production of food products and semi-finished products through various components;

- **Import and distribution** - includes import of a wide range of products and delivery to internal and external customers.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is General Director of the parent company.

Measurement of operating segment profit or loss, assets and liabilities

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS. The Group does not allocate the following expenses to operating segments:

5. Segment information (Continued)

- Non-recurring income and expenses;
- Financial income generated from the outside of the Group;
- Net financial expenses: intragroup financial income minus financial expenses;
- Other general expenses;
- Income tax expenses.

The Group's segment assets are located in Georgia. Accordingly, the Group does not presented information about the geographical distribution of assets. Segment assets and liabilities exclude assets and liabilities arising from external operations of the head office. The property on the balance sheet of the parent company is allocated to the segment based on lease agreements. Borrowings and bonds on the balance sheet of the parent company are allocated to the segment according to the loans issued to them within the group. Estimates of segment profit or loss, segment assets and liabilities, accounting method for transactions performed between reporting segments do not differ from the Group's accounting policies.

The following table shows the results of the operating segments;

	Retail	Manufacturing	Import and Distribution	Other	Total Segment	Un distributed	Elimination	2020
Revenue	522,031	130,006	120,540	2,345	774,922	85	(171,747)	603,260
Cost of sale	(392,446)	(107,821)	(105,268)	(2,232)	(607,767)	-	172,250	(435,517)
Gross profit	**129,585**	**22,185**	**15,272**	**113**	**167,155**	**85**	**503**	**167,743**
Selling and distribution expenses	(107,940)	(5,967)	(8,466)	-	(122,373)	-	2,456	(119,917)
General, administrative expenses	(12,732)	(9,965)	(3,806)	(2,291)	(28,794)	(2,167)	(439)	(31,400)
Other income	663	110	408	1,842	3,023	-	(69)	2,954
Operating profit	**9,576**	**6,363**	**3,408**	**(336)**	**19,011**	**(2,082)**	**2,451**	**19,380**
Financial income	-	-	-	-	-	553	-	553
Financial expenses	(15,663)	(3,314)	(1,888)	(263)	(21,128)	(1,321)	1,337	(21,112)
Foreign exchange gain (loss)	(14,579)	(2,847)	(2,430)	(482)	(20,338)	1,605	-	(18,733)
Other income/(expense)	6,512	772	(154)	10	7,140	-	-	7,140
Loss before income tax	**(14,154)**	**974**	**(1,064)**	**(1,071)**	**(15,315)**	**(1,245)**	**3,788**	**(12,772)**
Income tax expenses	-	-	-	-	-	(993)	-	(993)
Loss for the year	**(14,154)**	**974**	**(1,064)**	**(1,071)**	**(15,315)**	**(2,238)**	**3,788**	**(13,765)**

The following table shows the results of the operating segments;

	Retail	Manufacturing	Import and Distribution	Other	Total Segment	Un distributed	Elimination	2019
Revenue	439,800	134,258	124,483	2,714	701,255	53	(166,689)	534,619
Cost of sale	(335,299)	(107,268)	(104,729)	(2,041)	(549,337)	-	166,679	(382,658)
Gross profit	**104,501**	**26,990**	**19,754**	**673**	**151,918**	**53**	**(10)**	**151,961**
Selling and distribution expenses	(86,590)	(6,683)	(9,482)	-	(102,755)	-	993	(101,762)
General, administrative expenses	(11,650)	(11,299)	(4,316)	(2,111)	(29,376)	(2,179)	936	(30,619)
Other income	819	(762)	250	1,719	2,026	-	-	2,026
Operating profit	**7,080**	**8,246**	**6,206**	**281**	**21,813**	**(2,126)**	**1,919**	**21,606**
Financial expenses	(14,192)	(2,744)	(1,364)	(205)	(18,505)	(768)	1,471	(17,802)
Foreign exchange gain (loss)	(8,169)	(1,554)	(1,120)	(73)	(10,916)	(1,161)	-	(12,077)
Other income	-	(1,079)	(38)	(170)	(1,287)	-	-	(1,287)
Loss before income tax	**(15,281)**	**2,869**	**3,684**	**(167)**	**(8,895)**	**(4,055)**	**3,390**	**(9,560)**
Income tax expenses	-	-	-	-	-	(1,157)	-	(1,157)
Loss for the year	**(15,281)**	**2,869**	**3,684**	**(167)**	**(8,895)**	**(5,212)**	**3,390**	**(10,717)**

5. Segment information (Continued)

The following table shows intragroup revenues between segments;

Segment as supplier	Segment as customer			
	Retail	Manufacturing	Import and distribution	Total 2020
Retail	-	651	-	651
Manufacturing	31,634	10,520	60,579	102,733
Import and Distribution	39,130	25,582	3,014	67,726
Other	441	196	-	637
Total	**71,205**	**36,949**	**63,593**	**171,747**

Segment as supplier	Segment as customer			
	Retail	Manufacturing	Import and distribution	Total 2019
Retail	-	631	-	631
Manufacturing	30,683	10,204	58,864	99,751
Import and Distribution	37,953	24,813	2,923	65,689
Other	428	190	-	618
Total	**69,064**	**35,838**	**61,787**	**166,689**

The following table shows segments assets and liabilities;

	Retail	Manufacturing	Import and Distribution	Other	Total Segment	Un distributed	Elimination	2020
Total non-current assets	224,312	32,006	4,794	11,932	273,044	16,167	-	289,211
Total current assets	55,875	24,325	32,366	1,259	113,825	357	(20,277)	93,905
Total assets	**280,187**	**56,331**	**37,160**	**13,191**	**386,869**	**16,524**	**(20,277)**	**383,116**
Total non-current liabilities	126,345	21,028	4,301	3,356	155,030	24,983	(9,584)	170,429
Total current liabilities	135,704	21,624	32,449	3,048	192,825	1,973	(21,766)	173,032
Total liabilities	**262,049**	**42,652**	**36,750**	**6,404**	**347,855**	**26,956**	**(31,350)**	**343,461**
Net assets	**18,138**	**13,679**	**410**	**6,787**	**39,014**	**(10,432)**	**11,073**	**39,655**

The following table shows segments assets and liabilities;

	Retail	Manufacturing	Import and Distribution	Other	Total Segment	Un distributed	Eelimination	2019
Total non-current assets	210,061	30,083	3,975	7,857	251,976	9,652	-	261,628
Total current assets	47,880	27,872	26,683	1,284	103,719	3	(13,903)	89,819
Total assets	**257,941**	**57,955**	**30,658**	**9,141**	**355,695**	**9,655**	**(13,903)**	**351,447**
Total non-current liabilities	134,384	20,454	4,445	1,315	160,598	9,429	(11,997)	158,030
Total current liabilities	97,848	21,941	25,551	1,556	146,896	2,051	(15,642)	133,305
Total liabilities	**232,232**	**42,395**	**29,996**	**2,871**	**307,494**	**11,480**	**(27,639)**	**291,335**
Net assets	**25,709**	**15,560**	**662**	**6,270**	**48,201**	**(1,825)**	**13,736**	**60,112**

The Group estimates customers as significant, from which external revenue exceeds 10% of total revenue. The Group has not significant customers.

6. Revenue

	2020	2019
Food	375,862	281,472
Non-food	146,169	158,328
Retail	**522,031**	**439,800**
Food	80,417	93,871
Non-food	812	948
Wholesale	**81,229**	**94,819**
Total	**603,260**	**534,619**

The Group generates revenue from the retail stores selling own manufactured and external food and non-food products, also wholesale to external customers. The Group recognizes revenue point in time.

7. Cost of sale

	2020	2019
Cost of goods sold	(426,734)	(373,118)
Inventories shrinkage cost	(4,615)	(5,013)
Obsolete inventories cost	(3,715)	(4,035)
Other	(453)	(492)
Total	**(435,517)**	**(382,658)**

8. Selling and distribution expenses

	2020	2019
Staff cost	(57,081)	(45,827)
Depreciation and amortization	(31,838)	(28,385)
Utilities	(10,948)	(9,456)
Distribution	(4,031)	(4,448)
Bank Charges	(3,171)	(2,189)
Marketing	(3,350)	(3,002)
Maintenance	(2,572)	(2,323)
Rent	(1,431)	(2,259)
Other	(5,495)	(3,873)
Total	**(119,917)**	**(101,762)**

9. General and administrative expenses

	2020	2019
Staff cost	(13,818)	(13,493)
Depreciation and amortization	(3,700)	(3,465)
Taxes other than income tax	(2,975)	(3,005)
Inventories write off	(2,286)	(2,276)
Expenses related to agricultural activity	(1,842)	(1,720)
Consulting	(1,545)	(1,492)
Office expenses	(1,424)	(1,482)
Other	(3,810)	(3,686)
Total	**(31,400)**	**(30,619)**

The cost of audit of the consolidated financial statements for the year 2020 is GEL176 thousand.

10. Other income/(expense)

	2020	2019
COVID 19 subsidy on personal income tax	5,059	-
COVID rent concession	1,766	-
Other income/(expenses)	315	(1,287)
Total	**7,140**	**(1,287)**

* To reduce the negative effects of the crisis caused by the spread of COVID-19, the Government of Georgia has decided to subsidize personal income tax. The group received the benefit on the following principle: for employees whose salary does not exceed 750 GEL, the personal income tax in full, and in the case of a salary from GEL750 to GEL1500, the personal income tax in only part of GEL750. As at 31 December 2020, the Group has no outstanding liabilities under this subsidy, therefore the ssubsidy amount is fully recognized in profit or loss.

11. Goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. Goodwill is assigned to cash-generating units, including newly created units, that are expected to benefit from the synergy generated by the merger and is the lowest level of the group over management controls Goodwill.

The recoverable amounts of goodwill is determined using value in use calculations, based on cash flow projections from formally approved budgets covering a five-year period and followed by an extrapolation of the expected cash flows for the remaining period using a permanent growth rate determined by management. The recoverable amount of the goodwill equals GEL49,815 thousand as at 31 December 2020 (31 December 2019: GEL47,620 thousand). The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of future cash flows.

As at 31 December 2020, the management has determined future cash flows and related assumptions for the calculation of goodwill's recoverable amount in USD (2019 GEL). 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.

Key assumptions and sensitivity analysis related to cash flow

Management's key assumptions include stable operating profit margins, based on past experience. The Group's management believes that this is the best available input for forecasting future cash flows. The management has used the following key assumptions: a) Operating margin b) Discount rate c) growth rate. Changes in key assumptions may have material impact on recoverable amount.

The table below shows key assumptions, sensitivity analyses If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount for the year ended 31 December 2020:

Key assumptions		a) +0.3% b) c) +1%	a) -0.3% b) c) -1%	Net book value equals to recoverable amount
a) operating margin	2.99%	18,665	(18,665)	decrease 2.99% to 2.89%
b) discount rate	11.78%	(8,810)	10,497	increase 11.78% to 12.5%
c) growth rate	2.2%	5,323	(4,742)	decrease 2.2% to 0.87%

a) Operating Margin - The cash flow forecast reflects the stable profit margin. Management believes to improve profitability and budgeted operating margin (3%) differ from actual profit margin of the year 2020 (1.83%). In the impairment test conducted on 31 December 2019, the operating margin assumption was 3%.

b) Discount rate - The discount rate is the weighted average cost of capital (WACC), which takes into account the appropriate adjustments to market risk and group-specific risks. (2019 - 12.54%).

c) Growth rate - The growth rate reflects the long-term average growth rate for the Group CGU's (December 31, 2019: 4%). Management uses the dollar long-term inflation rate to estimate the long-term growth rate.

The above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. There is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

12. Property, plant and equipment

Cost or valuation	Land	Buildings	Plant and equipment	Office Equipment	lease hold Improvement	Vehicles	Assets under construction	Total
1.1.2019	**8,103**	**38,184**	**63,413**	**21,834**	**12,126**	**6,967**	**-**	**150,627**
Addition	1,724	767	11,803	4,259	4,054	2,090	213	**24,910**
Disposals	-	-	(3,103)	(634)	(356)	(589)	-	**(4,682)**
Revaluation	4,637	1,944	-	-	-	-	-	**6,581**
31.12.2019	**14,464**	**40,895**	**72,113**	**25,459**	**15,824**	**8,468**	**213**	**177,436**
Addition	93	2,644	8,726	4,203	4,312	1,226	1,097	**22,301**
Disposals	-	(147)	(1,357)	(1,162)	(192)	(582)	-	**(3,440)**
Transfer to Inventories	(121)	94	-	-	-	-	(254)	**(281)**
Revaluation	2,140	4,723	-	-	-	-	-	**6,863**
31.12.2020	**16,576**	**48,209**	**79,482**	**28,500**	**19,944**	**9,112**	**1,056**	**202,879**
Accumulated depreciation								
1.1.2019	**-**	**-**	**(29,768)**	**(10,801)**	**(3,904)**	**(3,286)**	**-**	**(47,759)**
Depreciation	-	(1,187)	(9,288)	(3,478)	(1,802)	(1,168)	-	**(16,923)**
Disposals	-	-	2,925	613	121	243	-	**3,902**
Revaluation	-	1,187	-	-	-	-	-	**1,187**
31.12.2019	**-**	**-**	**(36,131)**	**(13,666)**	**(5,585)**	**(4,211)**	**-**	**(59,593)**
Depreciation	-	(1,347)	(9,448)	(3,783)	(2,354)	(1,294)	-	**(18,226)**
Disposals	-	147	1,341	1,012	134	493	-	**3,127**
Revaluation	-	1,200	-	-	-	-	-	**1,200**
31.12.2020	**-**	**-**	**(44,238)**	**(16,437)**	**(7,805)**	**(5,012)**	**-**	**(73,492)**
Net book value								
31.12.2019	**14,464**	**40,895**	**35,982**	**11,793**	**10,239**	**4,257**	**213**	**117,843**
31.12.2020	**16,576**	**48,209**	**35,244**	**12,063**	**12,139**	**4,100**	**1,056**	**129,387**

As at 31 December 2020 and 2019 Land, buildings and other assets have been pledged to secure borrowings of the Group. Net book value of pledged assets equals GEL73,380 thousand (2019: GEL86,286 thousand).

Valuation technique and significant unobservable inputs

The fair value of the Land and Buildings as of 31 December 2020 and 2019 was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The Group uses land and buildings for operating purposes.

For buildings with specific terms of purpose, scale, and other characteristics, there is no active market in Georgia. As a result, the fair values of such buildings were determined using discounted future cash flow method (Market capitalization approach). Market approach was used in the case of land valuation. If the valuation technique used has at least one significant unobservable data, then the fair value is classified as 3 levels. A combination of market method and direct capitalization method is used for some assets.

For determining fair value of land and buildings the management used market approach, direct capitalization approach, income approach and cost approach. The following table shows used approaches.

Used approach	Fair value level	Land	Buildings	Total
Direct capitalization Approach/Market Approach	Level 2	14,687	42,855	57,542
Market Approach	Level 2	1,648	579	2,227
DCF approach	Level 3	241	3,957	4,198
Cost approach	Level 3	-	818	818
Total		**16,576**	**48,209**	**64,785**

12. Property, plant and equipment (continued)

The key assumptions used in the fair value assessment are based on internal and external sources of information and represent management's best estimate. There was no change in valuation technique between periods. Fair value is measured based on the highest and best use of the assets listed above, which are not different from their current use. If the revalued property were measured at cost, net book value would be GEL9,363 thousand for land and GEL28,924 thousand for Buildings (2019: land GEL9,270 thousand, buildings GEL26,990 thousand).

13. Right of use asset and lease liabilities

The Group mainly leases buildings for stores and warehouses. The contractual lease terms are within range 1 to 12 year. The renewal option is implied through customary business practices. The management estimates outstanding lease terms at the end of each reporting period. The management assumption to utilization renewal option is depended on future economic benefits which will flow to the Group and past experience.

The Group has no borrowings received in the current or comparable period with similar currency, maturity and terms. Incremental Borrowing Rates (IBRs) were determined based on observable market data for a similar sector. The IBRs are within range 11.2 % to 13.8% for leases denominated in GEL and within range 7.3% to 8.25% for leases denominated in USD.

The Group lease agreements set out fixed and variable lease payments. Variable lease payments are calculated from the revenue of the store located in the leased premises on a monthly basis. The Group separate substantially fixed lease payments from such variable lease payments. The Group calculates substantially fixed lease payments based on the expected minimum revenue from the store located in the leased premises.

The following table shows the movement of right of use assets.

	2020	2019
At 1 January	**96,339**	**92,214**
Additions	18,001	19,433
Depreciation	(19,713)	(16,299)
Modification	9,208	991
At 31 December	**103,835**	**96,339**

The following table shows the movement of lease liabilities.

	2020	2019
At 1 January	**106,006**	**94,054**
Additions	18,001	19,433
Interest expense	9,360	8,289
Lease payments	(27,308)	(22,540)
COVID 19 Rent concessions	(1,766)	-
Foreign exchange loss	13,428	5,779
Modification	9,208	991
At 31 December	**126,929**	**106,006**

Net book value of lease liabilities recognized from in-substance fixed payments for the year ended 31 December 2020 equal GEL4,500 thousand (2019 – GEL5,230 thousand).

14. Intangible Assets

Historical cost	Programs	Programs under implementation	Other	Total
1.1.2019	**3,297**	**-**	**1,693**	**4,990**
Addition	115	-	153	**268**
Disposal	(83)	-	-	**(83)**
31.12.2019	**3,329**	**-**	**1,846**	**5,175**
Addition	594	1,262	7	**1,863**
Disposal	(225)	-	(633)	**(858)**
31.12.2020	**3,698**	**1,262**	**1,220**	**6,180**
Accumulated amortization				
1.1.2019	**(1,182)**	**-**	**(899)**	**(2,081)**
Amortization	(418)	-	(331)	**(749)**
Disposal	83	-	-	**83**
31.12.2019	**(1,517)**	**-**	**(1,230)**	**(2,747)**
Amortization	(550)	-	(194)	**(744)**
Disposal	158	-	633	**791**
31.12.2020	**(1,909)**	**-**	**(791)**	**(2,700)**
Net book value				
31.12.2019	**1,812**	**-**	**616**	**2,428**
31.12.2020	**1,789**	**1,262**	**429**	**3,480**

15. Biological assets

Valuation	Vineyards	Fish	Total
31.12.2018	**396**	**850**	**1,246**
Biological transformation	-	1,754	**1,754**
Transfer to finished goods	-	(1,720)	**(1,720)**
Revaluation	120	-	**120**
31.12.2019	**516**	**884**	**1,400**
Additions	29	-	29
Biological transformation	-	1,797	1,797
Harvested as agricultural produce	-	(1,842)	(1,842)
Revaluation	216	-	216
31.12.2020	**761**	**839**	**1,600**
-			
Accumulated depreciation			
31.12.2018	**-**	**-**	**-**
Depreciation	(59)	-	(59)
Revaluation	59	-	59
31.12.2019	**-**	**-**	**-**
Depreciation	(77)	-	(77)
Revaluation	77	-	77
31.12.2020	**-**	**-**	**-**
Net book value			
31.12.2019	**516**	**884**	**1,400**
31.12.2020	**761**	**839**	**1,600**

15. Biological assets (continued)

Vineyards – The fair value of the vineyards as of 31 December 2020 and 2019 was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The Company uses vineyards for producing agricultural product. The fair value is determined based on the principles of market approach. The fair value is classified as level 2. The key assumptions used in the fair value assessment are based on internal and external sources of information and represent management's best estimate. There was no change in valuation technique between periods. Fair value is measured based on the highest and best use of the assets listed above, which are not different from their current use. If the revalued property were measured at cost, net book value would be GEL295 thousand (2019; GEL337 thousand). During the reporting period, the Group generates revenue from selling agricultural product GEL69 thousand (2019: 72 thousand), which is presented in other income.

Fish - The group owns fish farm of Trout, which is used for biological transformation and supply to the market. Fish is valued at fair value less costs to sell. To determine the fair value, the management uses observable market operations. The Group uses internal and external sources of information to determine the fair value. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets At the end of the reporting period estimated Trout equal 168 tones (2019: 178 tones). Fish transformation cycle is less than 1 year. During the reporting period, the Group's recognizes other income from transformation of biological asset GEL1,797 thousand (2019 GEL1,754 thousand).

16. Inventories

	31.12.2020	31.12.2019
Finished goods	54,744	53,997
Work in progress	2,074	1,388
Other materials	16,149	12,707
Total	**72,967**	**68,092**

As at 31 December 2020 and 2019 all inventories have been pledged to secure borrowings of the Group.

17. Trade and other receivables

	31.12.2020	31.12.2019
Trade receivables	12,744	15,656
Less: provision for impairment	(748)	(31)
Net financial assets	**11,996**	**15,625**
Other receivables	3,958	2,482
Total	**15,954**	**18,107**

The following table shows movement in provision of impairment.

	2020	2019
1 January	(31)	-
Impairment losses recognized during the year	(717)	(31)
At 31 December	**(748)**	**(31)**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

As of 31 December 2020, trade and other receivables with the total amount of 6,634 have been pledged to secure borrowings of the Group.

18. Cash and cash equivalents

	31.12.2020	31.12.2019
Cash on current accounts with banks in Georgian Lari	3,122	2,495
Cash on current accounts with banks in foreign currency	531	-
Restricted cash	250	-
Cash on hand	1,081	1,125
Total	**4,984**	**3,620**

19. Share capital

The table below shows ordinary shares holders:

	Voting rights		Quantity	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Sukhiashvili Vasil	32%	36%	1,876	1,876
Gubanovi Oleg	18%	20%	1,035	1,035
Dumbadze David	12%	14%	696	713
Taradini Vasil	11%	0%	647	-
Cirekidze Taliko	10%	11%	582	582
Salukvadze Maka	7%	8%	421	421
Tsertsvadze Guram	6%	6%	324	324
Nikolaishvili Irakli	3%	4%	194	194
JSC Nikora (treasury shares)	0%	0%	696	1,326
Total	**100%**	**100%**	**6,471**	**6,471**

The table below shows preference shares holders:

	Quantity		Amount	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Pelicans venture corp	20	20	2,692	2,692
JSC Galt and taggart (nominal holder)	12	40	1,468	4,894
Maziashvili Archil	6	6	498	498
Fichkhaia Tamar	4	4	485	485
Vachnadze Giorgi	3	6	263	512
Tsertsvadze Guram	2	4	225	450
Tsertsvadze Eka	2	3	225	348
Novikovi Volodimer	2	-	279	-
Ambrolidze Murman	2	4	166	332
Janjgava Ivane	1	1	83	83
Jangidze Tamar	1	-	164	-
Nareshelashvili Irakli	1	1	117	117
Kiknadze Nodar	1	1	125	125
Gvazava Otar	1	1	120	119
Park Capital Management LLC	-	20	-	2,032
Agrovini LLC	-	8	-	961
Anchabadze Alexandre	-	7	-	836
Gachechiladze David	-	7	-	836
Gojiashvili Zurab	-	7	-	836
Bokolishvili Irakli	-	4	-	450
Emuxvari Tamar	-	4	-	459
Dumbadze David	-	4	-	331
Tsaava David	-	2	-	225
Sukhiashvili Vasil	-	2	-	239
Nikolaishvili Irakli	-	1	-	113
Redeemed preference shares	22	14	-	-
Total	**80**	**171**	**6,910**	**17,973**

15. Share capital (continued)

As at 31 December 2020 and 2019 The Group has 6,471 thousand authorized ordinary shares at the par value 1 GEL. The Group has authorized 80 preference shares (2019 171), at the par value USD 50,000. Issued ordinary and preferred shares are fully paid, except for treasury ordinary shares sold in 2020. See details below. Holders of ordinary shares are not entitled to a fixed income. The number of fully paid shares corresponds to the voting right. Holders of ordinary shares are entitled to receive dividends declared by the Company. Holders of non-redeemable preference shares are entitled to receive an annual dividend at a fixed interest rate, which is not fixed and may change at the discretion of ordinary shareholders. Preferred shares have no voting rights.

JSC Nikora sold 647 thousand treasury ordinary shares to Vasil Taradin for USD13,000 thousand in 2020, also JSC Nikora purchased 1,000 thousand ordinary shares of JSC Nikora Trade for USD9,000 thousand from Vasil Taradin. Part of the remaining USD4,000 thousand was paid in 2020 (USD 1,467 thousand), the remaining part will be repaid by 31 December 2022. The receivable from the sale of treasury shares is initially recognized at fair value and subsequently at amortized cost and is presented in other financial assets.

As of 31 December 2020, the Group had 696 thousand (2019: 1,326 thousand) treasury ordinary shares, which are recorded at a total nominal value of GEL696 thousand (2019: GEL1,326 thousand). The difference between the amount paid/received at the redemption/resale of own shares and the face value was recorded in retained earnings for the period when the shares were redeemed/sold.

20. Non-controlling interests

The table below shows non-controlling interests in subsidiaries;

Name	31.12.2020	31.12.2019	Type of operations
JSC Nikora Trade	10%	20%	Retail
Mila Sakartvelo LLC	50%	50%	Import and distribution
Kulinari LLC	50%	50%	Manufacturing
Vakijvris kalmakhi LLC	9%	9%	Fish farm
Nikora Bakuriani LLC	50%	50%	Real estate
Lazi-holding LLC	33%	33%	Dormant

The table shows information on assets and liabilities in subsidiaries with non-controlling interests.

	JSC Nikora trade		Other subsidiaries	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Assets				
Goodwill	38,560	38,560	-	-
Property, plant and equipment	54,610	52,301	9,677	6,500
Right of use asset	109,810	104,210	322	483
Intangible assets	2,685	1,463	23	24
Biological assets	-	-	839	884
Inventories	48,815	40,765	1,097	610
Trade and other receivables	3,204	3,877	1,097	1,116
Cash and cash equivalents	3,856	3,238	44	23
Total assets	**261,540**	**244,414**	**13,099**	**9,640**
Liabilities				
Bonds and borrowings	47,277	47,493	6,338	3,700
Lease liabilities	133,352	114,227	389	497
Trade and other payables	81,421	70,512	1,769	798
Total liabilities	**262,050**	**232,232**	**8,496**	**4,995**
Attributable to non-controlling interest	**(51)**	**2,436**	**904**	**838**

20. Non-controlling interest (continued)

The table shows the performance of subsidiaries with non-controlling interests.

	JSC Nikora trade		Other subsidiaries	
	2020	2019	2020	2019
Revenue	522,031	439,800	5,497	6,693
Cost of sale	(392,446)	(335,299)	(4,583)	(4,828)
Gross profit	**129,585**	**104,501**	**914**	**1,865**
Selling and distribution expenses	(107,940)	(86,590)	(384)	(497)
General and administrative expenses	(12,732)	(11,650)	(2,570)	(1,572)
Other income	663	819	1,842	870
Operating profit	**9,576**	**7,080**	**(198)**	**666**
Financial expenses	(15,663)	(14,192)	(492)	(404)
Foreign exchange gain (loss)	(14,578)	(8,169)	(523)	(170)
Other income	6,512	-	46	(131)
Loss before income tax	**(14,153)**	**(15,281)**	**(1,167)**	**(39)**
			-	-
Other comprehensive income			-	-
Revaluation of property	1,461	2,645	1,127	547
Loss for the year	**(12,692)**	**(12,636)**	**(40)**	**508**
Total loss to non-controlling interest	**(1,415)**	**(3,056)**	**(351)**	**535**
Total comprehensive loss to non-controlling interest	**(1,269)**	**(2,527)**	**84**	**649**

The table shows cash flows of subsidiaries with non-controlling interests.

	JSC Nikora trade		Other subsidiaries	
	2020	2019	2020	2019
Net cashflow from operating activities	36,533	27,292	(83)	1,047
Net cashflow from investing activities	(15,140)	(21,853)	(2,352)	(612)
Net cashflow from financing activities	(20,279)	(4,835)	2,462	(443)
Net increase/(decrease) in cash and cash equivalents	**1,114**	**604**	**27**	**(8)**

21. Bonds and borrowings

	31.12.2020	31.12.2019
Bank borrowings with floating interest rates	37,592	17,866
Bank borrowings with fixed interest rates	303	264
Bonds with floating interest rates	27,829	52,609
Total non-current borrowings	**65,724**	**70,739**
Bank borrowings with floating interest rates	30,971	28,776
Bank borrowings with fixed interest rates	84	269
Bonds with floating interest rates	26,118	1,091
Total current borrowings	**57,173**	**30,136**
Total	**122,897**	**100,875**

Bank loans terms are within range 1 to 7 years. Borrowings denominated in Georgian GEL have an average annual floating rate from 12% to 13%, tied to Tbilisi Interbank Offered rate (2019: 12%) . Borrowings denominated in EUR have an average annual rate of 6.5%, tied to Euribor. Borrowings denominated in USD have an average annual rate of 6.5%, tied to LIBOR. Borrowings are secured by fixed assets, inventories and trade receivables. For additional information, see Note 4, 12 and 16, 17.

21. Bonds and borrowings (continued)

The following table shows reconciliation of liabilities from financing transactions;

	2020	2019
1 January	100,875	94,500
Proceeds from borrowings	198,054	269,920
Bonds emission	-	27,740
Principal paid	(180,701)	(267,885)
Repayment of bonds	-	(28,791)
Interest expense	11,752	9,513
Interest paid	(11,528)	(7,461)
Effect of changes in foreign exchange rate	4,445	3,339
31 December	**122,897**	**100,875**

On 6 August 2018, the Group issued bonds by the total value of GEL25,000 thousand with scheduled maturities 3 years. Bonds rate are floating and tied to Tbilisi Interbank Offered rate +4% annually. Average annual rate for the year ended 31 December 2020 was 12.5%. Interest should be paid quarterly. The bonds are the Group's direct unsecured obligations that are equal in priority and equal to the Group's unsecured and non-subordinated obligations.

On October 2019, the Group issued bonds with the total value of GEL28,000 thousand with scheduled maturities 3 years. Bonds rate are floating and tied to TIBR3M +4% annually. Average annual rate for the year ended 31 December 2020 was 12.5%. Interest should be paid quarterly. The bonds are the Group's direct unsecured obligations that are equal in priority and equal to the Group's unsecured and non-subordinated obligations.

Bonds and borrowings agreement set out certain financial and non-financial covenants to the Group. In the event of breach of covenants, the lender has the right but not the obligation to demand part or full repayment of the liabilities. As at 31 December 2020 the Group did comply with the financial covenant. The bond agreement includes restrictions on the payment of dividends. The following table shows financial covenants:

	Borrowings	Bonds
Debt service coverage ratio (DSCR)	1.2	1.1
Interest coverage ratio (ICR)	2.25	2.8
(DEBT/EBITDA)	3.6	3.5

Ratios are calculated from the consolidated financial statements. As at 31 December 2020, the Group complied with all the Lender Covenants.

22. Trade and other payables

	31.12.2020	31.12.2019
Financial liabilities		
Trade and other payables	84,077	78,890
Salaries payables	5,133	1,643
Total financial liabilities	**89,210**	**80,533**
Tax payables	1,938	1,760
Contract liabilities	2,487	2,161
Total non-financial liabilities	**4,425**	**3,921**
Total	**93,635**	**84,454**

The following table shows reconciliation of contract liabilities;

	2020	2019
1 January	2,161	1,425
Cash received in advance of performance and not recognised as revenue during the period	1,699	2,028
Amounts included in contract liabilities that was recognised as revenue during the period	(1,163)	(1,094)
Effect of value added tax	(210)	(198)
31 December	**2,487**	**2,161**

23. Related party transaction and outstanding balances

	31.12.2020	31.12.2019
Revenue	550	809
Financial expenses	(194)	(134)
Trade and other receivables	276	309
Lease liabilities	2,316	1,165

The Group does not disclose intra group operations and balances, all of them are eliminated in the Consolidated financial statement. Key management personnel compensation for the year ended 31 December 2020 was GEL3,368 thousand (2019 – GEL3,517 thousand).

24. Commitments and contingencies

Legal proceedings - As at 31 December 2020 and 2019 the Group was not engaged in any material litigation proceedings. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

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

The expected profit tax due to the future dividend, as at 31 December 2020 is GEL 12,246 thousand. Income tax will be realized to the extent that the Company will announce dividends.

Operating environment

Emerging markets such as Georgia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

25. Restatement of prior year consolidated financial statements

While preparing the financial statements for the year ended 31 December 2020, management has identified a prior period error. The errors were related to incorrect accounting policies. For a revised accounting policy, see Note 27. The following is a list of issues that have led to errors in accounting policies.

a) At the initial recognition of the lease, the Group has not considered substantially fixed lease payments as part of lease liabilities. As a result of correction of the error, the right to use the assets and the lease liability increased, which had an impact on depreciation, finance costs and exchange rate differences.

b) The Group reduced the cost of goods sold by discounts received from suppliers and did not take into account the outstanding amount of good in stock at the end of the year. As a result of correction of the error, cost of inventories decreased and the cost of sale increased.

c) The Group did not distribute the transaction price separately for each performance obligation when accounting for bonus points awarded under the Customer Loyalty Program. Contractual liability based on bonus points was reduced. As a result of correction of the error, the contractual liability increased and revenue reduced.

d) The Group did not take into account the variability of the effective interest rate when accruing interest expense on the bonds. Interest expense on the bonds was recognized at the original effective interest rate instead of the updated effective interest rate. As a result of correction of the error, interest expense and bonds outstanding liabilities reduced. The Group had incorrectly allocated short-term and long-term portions of bonds.

e) The Group recognized discounts received from suppliers on trade and other receivables. Trade payables were reduced by discounts received in accordance with the terms of the contract. As a result of correction of the error, trade receivables and payables reduced.

25. Restatement of prior year consolidated financial statements (continued)

f) The costs allocation was inconsistent to their functions. A significant part of the incorrect presentation of inventory shrinkage and obsolete inventory cost, and incorrect presentation of utility and salary expenses.

g) The Group used the diminishing balance method to depreciate property, plant and equipment. Selected depreciation method did not comply to consumption of the asset's future economic benefit. The Group corrected the error and recalculate depreciation through straight-line basis. Due to restatement net book value of property, plant and equipment decreased and increased depreciation expense.

h) The Group found that the revaluation reserve and retained earnings as a result of consolidation elimination was incorrectly recognised prior to the opening balance of comparative information.

i) The Group presented fish stocks (live animals), in inventories instead of biological assets. Due to restatement, was decreased inventories and increased biological assets. The Group had not presented gain from the transformation of biological assets properly. Due to restatement other income and general and administrative expenses was increased.

The tables below show the effect of prior period error on consolidated statement of profit or loss and other comprehensive income:

	2019		
	Presented	**Adjustment**	**Restated**
Revenue	540,537	(5,918)	534,619
Cost of sale	(373,118)	(9,540)	(382,658)
Gross profit	**167,419**	**(15,458)**	**151,961**
Selling and distribution expenses	(74,365)	(27,397)	(101,762)
General and administrative expenses	(66,599)	35,980	(30,619)
Other income	2,493	(467)	2,026
Operating profit/(loss)	**28,948**	**(7,342)**	**21,606**
Financial expenses	(19,712)	1,910	(17,802)
Foreign exchange gain (loss)	(11,217)	(860)	(12,077)
Other income/(expenses), net	(3,637)	2,350	(1,287)
Loss before income tax	**(5,618)**	**(3,942)**	**(9,560)**
Income tax expenses	(2,667)	1,510	(1,157)
Loss for the year	**(8,285)**	**(2,432)**	**(10,717)**
Revaluation of property and bearer plants	7,768	-	7,768
Total comprehensive loss for the year	**(517)**	**(2,432)**	**(2,949)**

25. Restatement of prior year consolidated financial statements (continued)

The following tables show the restatement on the affected line items in the previously issued consolidated financial statements as of 31 December 2019 and opening balances of assets, liabilities and equity for the prior period presented.

	31.12.2019			01.01.2019		
	Presented	Adjustment	Restated	Presented	Adjustment	Restated
ASSETS						
Non-current assets						
Goodwill	43,618	-	43,618	43,618	-	43,618
Property, plant and equipment	126,834	(8,991)	117,843	108,803	(5,935)	102,868
Right of use asset	92,885	3,454	96,339	-	-	-
Intangible assets	2,428	-	2,428	2,909	-	2,909
Biological assets	516	884	1,400	396	850	1,246
Total non-current assets	**266,281**	**(4,653)**	**261,628**	**155,726**	**(5,085)**	**150,641**
	-			-		
Current assets						
Inventories	73,800	(5,708)	68,092	57,876	(3,863)	54,013
Trade and other receivables	23,797	(5,690)	18,107	25,108	(2,866)	22,242
Cash and cash equivalents	3,620	-	3,620	3,175	-	3,175
	101,217	**(11,398)**	**89,819**	**86,159**	**(6,729)**	**79,430**
Total assets	**367,498**	**(16,051)**	**351,447**	**241,885**	**(11,814)**	**230,071**
EQUITY AND LIABILITIES						
Equity						
Ordinary share capital	6,471	-	6,471	6,471	-	6,471
Preference share capital	17,973	-	17,973	18,655	-	18,655
Treasury share reserve	(1,326)	-	(1,326)	(1,326)	-	(1,326)
Revaluation reserve	19,569	(1,178)	18,391	12,240	(1,178)	11,062
Retained earnings	24,231	(8,902)	15,329	24,079	(7,659)	16,420
Non-controlling interest	5,898	(2,624)	3,274	4,053	(1,435)	2,618
	72,816	**(12,704)**	**60,112**	**64,172**	**(10,272)**	**53,900**
Non-current liabilities						
Bonds and borrowings	70,884	(145)	70,739	45,434	(241)	45,193
Lease liabilities	86,756	535	87,291	-	-	-
	157,640	**390**	**158,030**	**45,434**	**(241)**	**45,193**
Current liabilities						
Trade and other payables	88,444	(3,990)	84,454	83,213	(1,542)	81,671
Bonds and borrowings	30,347	(211)	30,136	49,066	241	49,307
Lease liabilities	18,251	464	18,715	-	-	-
	137,042	**(3,737)**	**133,305**	**132,279**	**(1,301)**	**130,978**
Total equity and liabilities	**367,498**	**(16,051)**	**351,447**	**241,885**	**(11,814)**	**230,071**

The tables below show the effect of prior period error on consolidated statement of cash flows;

	2019		
	Presented	Adjustment	Restated
Net cash inflow from operating activities	25,759	3,430	29,189
Net cash outflow from investing activities	(24,335)	-	(24,335)
Net cash outflow from financing activities	(676)	(3,430)	(4,106)

25. Restatement of prior year consolidated financial statements (continued)

The table below shows detailed effect of a correction caused by an accounting error on the Consolidated statement of profit or loss and other comprehensive income;

	2019							
	A	B	C	D	F	G	I	Total
Revenue	-	-	(481)	-	(5,437)	-	-	(5,918)
Cost of sale	-	(1,811)	-	-	(7,729)	-	-	(9,540)
Gross profit	**-**	**(1,811)**	**(481)**	**-**	**(13,166)**	**-**	**-**	**(15,458)**
Selling and distribution expenses	1,832	-	-	-	(26,173)	(3,056)	-	(27,397)
General and administrative expenses	(71)	-	105	-	37,666	-	(1,720)	35,980
Other income	-	-	-	-	(2,187)	-	1,720	(467)
Operating profit	**1,761**	**(1,811)**	**(376)**	**-**	**(3,860)**	**(3,056)**	**-**	**(7,342)**
Financial expenses	1,554	-	-	356	-	-	-	1,910
Foreign exchange gain (loss)	(860)	-	-	-	-	-	-	(860)
Other income/(expense)	-	-	-	-	2,350	-	-	2,350
Loss before tax	**2,455**	**(1,811)**	**(376)**	**356**	**(1,510)**	**(3,056)**	**-**	**(3,942)**
Income tax expenses	-	-	-	-	1,510	-		1,510
Profit for the year	**2,455**	**(1,811)**	**(376)**	**356**	**-**	**(3,056)**	**-**	**(2,432)**
Revaluation of property and bearer plants	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**2,455**	**(1,811)**	**(376)**	**356**	**-**	**(3,056)**	**-**	**(2,432)**

The table below shows detailed effect of a correction caused by an accounting error on the Consolidated statement of financial position;

	31.12.2019								
	A	B	C	D	E	G	H	I	Total
Property, plant and equipment	-	-	-	-	-	(8,991)	-	-	(8,991)
Right of use asset	3,454	-	-	-	-	-	-	-	3,454
Biological assets	-	-	-	-	-	-	-	884	884
Inventories	-	(4,824)	-	-	-	-	-	(884)	(5,708)
Trade and other receivables	-	-	-	-	(5,690)	-	-	-	(5,690)
Total assets	**3,454**	**(4,824)**	**-**	**-**	**(5,690)**	**(8,991)**	**-**	**-**	**(16,051)**
Revaluation reserve	-	-	-	-	-	92	(1,270)	-	(1,178)
Retained earnings	2,047	(3,859)	(1,360)	285	-	(7,285)	1,270	-	(8,902)
Non-controlling interest	408	(965)	(340)	71	-	(1,798)	-	-	(2,624)
Bonds and borrowings long -term	-	-	-	(145)	-	-	-	-	(145)
Lease liabilities long-term	535	-	-	-	-	-	-	-	535
Trade and other payables	-	-	1,700	-	(5,690)	-	-	-	(3,990)
Bonds and borrowings short-term	-	-	-	(211)	-	-	-	-	(211)
Lease liabilities short-term	464	-	-	-	-	-	-	-	464
Total equity and liabilities	**3,454**	**(4,824)**	**-**	**-**	**(5,690)**	**(8,991)**	**-**	**-**	**(16,051)**

25. Restatement of prior year consolidated financial statements (continued)

The table below shows detailed effect of a correction caused by an accounting error on the Consolidated statement of financial position;

	01.01.2019								
	A	B	C	D	E	G	H	I	Total
Property, plant and equipment	-	-	-	-	-	(5,935)	-	-	(5,935)
Biological assets	-	-	-	-	-	-	-	850	850
Inventories	-	(3,013)	-	-	-	-	-	(850)	(3,863)
Trade and other receivables	-	-	-	-	(2,866)	-	-	-	(2,866)
Total assets	**-**	**(3,013)**	**-**	**-**	**(2,866)**	**(5,935)**	**-**	**-**	**(11,814)**
Revaluation reserve	-	-	-	-	-	92	(1,270)	-	(1,178)
Retained earnings	-	(3,013)	(1,324)	-	-	(4,592)	1,270	-	(7,659)
Non-controlling interest	-	-	-	-	-	(1,435)	-	-	(1,435)
Bonds and borrowings long -term	-	-	-	(241)	-	-	-	-	(241)
Trade and other payables	-	-	1,324	-	(2,866)	-	-	-	(1,542)
Bonds and borrowings short-term	-	-	-	241	-	-	-	-	241
Total equity and liabilities	**-**	**(3,013)**	**-**	**-**	**(2,866)**	**(5,935)**	**-**	**-**	**(11,814)**

26. Events after the reporting period

The table below shows non-adjusting events after the reporting period;

Operations	Amount	Quantity
Dividends paid to ordinary shareholders	2,429	-
Dividends paid to preference shareholders	381	-
Purchase of JSC Nikora trade shares	14,096	453,478
Purchase of own ordinary shares	2,129	32,352
Preference shares emission	12,248	78
Cash inflow from other financial assets	5,380	-
Opened new stores	-	26

27. Summary of significant accounting policies

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

27.1 Foreign currency translation

(a) Functional and presentation currency

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

Consolidated financial statement are presented in thousands of GEL.

(b) Transactions and balances

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

Official rate of the National Bank of Georgia	USD	EUR
Exchange rate as at 31.12.2020	3.2766	4.0233
Exchange rate as at 31.12.2019	2.8677	3.2095

27.2 Revenue from contract with customers

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

The five steps in the model are as follows:

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

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

Performance obligation and revenue recognition

The Groups revenue streams are: sales of its own manufactured products, sales of food and non-food products in retail stores, sales of products produced by other parties through the distribution chain.

The Group recognized revenue at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, control might also be transferred when delivered either to the place of departure or place of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Determining the transaction price

The Group's most of the contracts are fixed price for retail stores. The Group distributes the entire contract price to each of the performed obligations by their individual sale price. Prices may change periodically, however the customer knows the price for each product before purchase. The customer pays for the product immediately at the time of purchase. Consequently, management does not adjust transaction price due to the time value of money.

27. Summary of significant accounting policies (continued)

The Group give to customers the option to acquire additional goods for free or at a discounted price. Specifically, Group give to customer award credits (option) under customer loyalty rewards program. The customers can use the award credits (options) to acquire additional future goods for free or at discounted price. These points represent a contractual obligation for the Group. The transaction price is the cash and cash equivalents received from the customers, which is separated between the obligations to be fulfilled at the moment of purchase and the obligations to be fulfilled on the basis of bonus points.

For other streams, contract prices are variable. The Group estimates variable prices: (a) The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. An expected value may be an appropriate estimate of the amount of variable consideration if an entity has a large number of contracts with similar characteristics. (b) The most likely amount is the single most likely amount in a range of possible consideration amounts. The most likely amount may be an appropriate estimate of the amount of variable consideration if the contract has only two possible outcomes (for example, an entity either achieves a performance bonus or does not).

Allocating amounts to performance obligations

For reward credits the Group allocate the transaction price to performance obligations on a relative stand-alone selling price basis. If the stand-alone selling price for a customer's option to acquire additional goods or services is not directly observable, the Group estimate it.

Bonus points awarded to a customer under the Consumer Loyalty Program are accounted for separately from the proceeds under which the bonus points were awarded. The fair value of the consideration received or receivable at the initial stage of the sale is divided between the bonus points and the other components of the sale. The allocated contract price to the bonus points is recognized as a contractual obligation within trade and other payables, which is recognized in profit or loss in proportion to the delivery of the product.

27.3 Expenses

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

27.4 Taxation

From 1 January 2017 the Group will recognise the income tax payable on the distribution of dividends as a liability and an expense in the period in which the dividends are declared regardless of the period for which the dividends are declared or the period in which the dividends are ultimately distributed. Owing to the specific nature of the taxation system in Georgia, there are no differences between the carrying amounts and tax bases of the assets and liabilities of companies registered in Georgia that could result in deferred tax assets or deferred tax liabilities.

27.5 Taxes other than income tax

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

27.6 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. 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. Refer to note 10 for impairment testing procedures.

27. Summary of significant accounting policies (continued)

27.7 Property, plant and equipment

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

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

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

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

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows. Lands and buildings under construction are not depreciated.

	Useful life
Buildings	30-60
Plant and equipment	5-12
Leasehold improvements	7-10
Office equipment	5-8
Vehicles	5

27.8 Biological assets

The Group owns biological assets: vineyards and fishes.

The Group recognises a biological asset or agricultural produce when, and only when: (a) the entity controls the asset as a result of past events; (b) it is probable that future economic benefits associated with the asset will flow to the Group; and (c) the fair value or cost of the asset can be measured reliably.

Vineyards - is used in the production or supply of agricultural produce, is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plans at initially recognised at cost and subsequently at its fair value. Bearer plants accounting policy for revaluation is appropriate to policy of property, plant and equipment revaluation (See 27.7) Bearer plants depreciation on straight line basis and useful life is 30 year.

27. Summary of significant accounting policies (continued)

Fishes - Biological asset measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. Agricultural produce harvested from the Group's biological assets measured at its fair value less costs to sell at the point of harvest. Difference between value of initial and subsequent measurement is recognised in profit or loss.

27.9 Intangible assets

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the consolidated statement of comprehensive income. Intangible assets are amortised from 1 to 15 years.

27.10 Leases

A contract is, or contains, a lease when it conveys the right to use an underlying asset for a period of time, in exchange for consideration. At inception of a contract, the Group assesses whether it meets the two following cumulative conditions to be qualified as a lease:

- its execution involves the use of an identified asset, and
- it conveys the right to direct the use of that identified asset.

Initial recognition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Leases are recognized on the Group's balance sheet as follows:

- an asset representing the right to use the underlying asset over the lease term,
- a liability for the obligation to pay the lease payments.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments) less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments include any in-substance fixed lease payments. In-substance fixed lease payments are payments that may, in form, contain variability but that, in substance, are unavoidable. In-substance fixed lease payments

27. Summary of significant accounting policies (continued)

exist, for example, if payments are structured as variable lease payments, but there is no genuine variability in those payments. Those payments contain variable clauses that do not have real economic substance.

At the commencement date, a Group measures the right-of-use asset at cost. The cost of the right-of-use asset is comprised:

- The amount of the initial measurement of the lease liability;
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent measurement

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the revised discount rate.

When the variable element of future lease payments dependent on a rate or index is revised, it adjusts the carrying amount of the lease liability to reflect the payments to make over the remaining terms, which are discounted at the same discount rate that applied on lease commencement. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separatelease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The Group elects, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

Determination of lease term

The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (including the renewal option implied through customary business practices) if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Management applies judgement to determine the lease term when lease contracts include renewal options that are exercisable only by the Group. It considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease.

27. Summary of significant accounting policies (continued)

Determination of incremental borrowing rate (IBR)

IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The discount rate is not determined for the Group as a whole, but for each individual lease. The management applies judgement to estimate the IBR. The management uses an observable information to determine the base rate and adjustments for the lessee specific factors and the asset factors (the adjustment for security).

Determination of lease payments

In Georgia it is customary that lease renewal option is implied through customary business practices and not all renewal options are documented within the lease agreements. In such cases, the initial measurement of the lease liability assumes the payment for renewal period will remain unchanged throughout the lease term.

Short-term leases and leases of low-value assets

The Group applies the recognition exemption for short-term leases (i.e. lease with a lease term of 12 months or less from the commencement date) and leases of low-value assets. Associated lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

27.11 Impairment of tangible and intangible assets (except of goodwill)

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

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

27.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Group from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Expenses covering activities related to production (conversion costs) are included in the cost of inventories.

The costs of conversion of inventories include costs directly related to the units of production. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production. Variable production overheads are those indirect costs of production that

27. Summary of significant accounting policies (continued)

vary directly, or nearly directly, with the volume of production. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production is used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant.

Unallocated overheads are recognised as an expense in the period in which they are incurred. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Movements of inventories are accounted for using FIFO method.

Agricultural produce

The agricultural produce harvested from the Group's biological assets is measured at its fair value less costs to sell at the point of harvest and is recognised as revenue immediately in consolidated statement of profit or loss and inventory in consolidated financial statement.

27.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

27.14 Contingent assets and liabilities

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

27.15 Financial instruments

Financial assets

Financial assets are classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). The Group's management has assessed which business models apply to the financial assets held by the Group and has classified financial assets within "financial assets measured at amortised cost" and "financial assets at fair value through profit or loss" category.

Financial assets at amortised cost

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

Impairment provisions for current and non-current insurance and trade and other receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the insurance, trade and other receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the insurance, trade and other receivables. For insurance, trade and other receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the

27. Summary of significant accounting policies (continued)

statement of comprehensive income. On confirmation that the insurance, trade and receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

Financial liabilities

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

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

Offset of financial assets and liabilities

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

27.16 Share capital, treasury shares and non-controlling interest

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

Purchased own shares are recognized at fair value. Differences arising from issuance and purchase own shares, which exceed shares nominal value, are recognized as retained earnings. Redeemed shares from the owner for the purpose of subsequent reissuance, are recognized as treasury shares. Purchased own shares for cancelation, are recognized as a reduction of share capital.

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.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are recognized as equity transactions.

27.17 Dividends

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