**JSC NIKORA**

**SEPARATE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

Together with the Independent Auditors' Report

**CONTENTS:**

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0179 Tbilisi
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## Independent auditors' report

To the Shareholders and Management of JSC Nikora

### Opinion

We have audited the separate financial statements of JSC Nikora (the Company), which comprise the separate statement of financial position as at 31 December 2020, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

| Key audit matter | How the scope of our audit responded to the key audit matter |
|---|---|
| **Fair value accounted property, plant and equipment and investment property**<br><br>We have identified the fair value accounted property, plant and equipment and investment property as key audit matter. The Company's land and buildings within property, plant and equipment and investment property as disclosed in note 8 and 9, is valued at GEL7,904 thousands and GEL33,634 as at 31 December 2020, respectively. The land and buildings are independently appraised 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. | We have performed the following audit procedures to address the key audit matter:<br><br>• We obtained and documented an understanding of relevant controls in relation to the valuation process;<br>• We selected 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;<br>• 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; |

| Key audit matter | How the scope of our audit responded to the key audit matter |
|---|---|
| The key inputs into the fair value model which are subject to significant management estimates include selection of actual market transactions for similar or identical assets, 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 22. | • We assessed whether the valuer is independent of the Company and considered the reliability and competency of the valuer;<br>• We reconciled the rental values and other significant assumptions used in the valuations to the observable data;<br>• We assessed whether the disclosures in the financial statements are appropriate and in accordance with IFRS 13 Fair Value Measurement; and we assessed the assets to be properly presented in the individual financial statements.<br><br>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 separate financial statements we also audited the adjustments described in Note 20 that were applied to amend the 2019 separate financial statements, which were audited by other auditor and they expressed an unmodified opinion on those separate 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 separate financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 separate financial statements taken as a whole. Our opinion is not modified in respect of this matter.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

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

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

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

The 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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## Independent auditors' report

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In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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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

**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

(In thousands of GEL)

| | Note | 2020 | 2019 |
|---|---|---|---|
| Income from dividends | 11 | 6,159 | 5,839 |
| Rental income | 5 | 3,552 | 3,609 |
| Revenue | 6 | 2,917 | 2,937 |
| Interest income | | 2,918 | 2,273 |
| Fair value change of investment property | | 3,847 | 2,643 |
| Gain from disposal of investments | | - | 2,911 |
| Salary expenses | | (3,018) | (3,167) |
| Other expenses | 7 | (1,592) | (1,549) |
| **Operating profit** | | **14,783** | **15,496** |
| Interest expense | 16 | (3,686) | (3,107) |
| Foreign exchange gain/(loss), net | | 1,742 | (1,161) |
| **Profit before income tax** | | **12,839** | **11,228** |
| Income tax expenses | | (993) | (894) |
| **Profit for the year** | | **11,846** | **10,334** |
| Other comprehensive income | | 901 | 1,222 |
| **Total comprehensive income for the year** | | **12,747** | **11,556** |

Separate financial statements are presented in addition to consolidated financial statements for the year ended 31 December 2020 of Nikora Group approved on behalf of the management on 17 August 2021.

The separate financial statements for the year ended 31 December 2020 were approved on behalf of the management on 17 August 2021 by:

General Director _______________________ Irakli Bokolishvili

Chief Financial Officer _______________________ Irakli Gejadze

## SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(In thousands of GEL)

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General Director ______________________ Irakli Bokolishvili

Chief Financial Officer ______________________ Irakli Gejadze

Notes on pages 10-28 are the integral part of these separate financial statements.

## SEPARATE 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** | | | | |
| Property, plant and equipment | 8 | 8,681 | 9,404 | 8,221 |
| Investment property | 9 | 33,634 | 27,553 | 23,578 |
| Intangible assets | 10 | 196 | 292 | 318 |
| Investments in subsidiary | 11 | 53,757 | 28,341 | 28,283 |
| Other financial assets | 15 | 7,291 | - | - |
| Issued loans | 12 | 18,750 | 18,930 | 17,369 |
| | | **122,309** | **84,520** | **77,769** |
| **Current assets** | | | | |
| Trade and other receivables | 13 | 882 | 1,049 | 1,296 |
| Issued loans | 12 | 558 | 584 | - |
| Cash and cash equivalents | 14 | 357 | 3 | 5 |
| | | **1,797** | **1,636** | **1,301** |
| **Total assets** | | **124,106** | **86,156** | **79,070** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Orinary share capital | 15 | 6,471 | 6,471 | 6,471 |
| Preference share capital | 15 | 6,910 | 17,973 | 18,655 |
| Treasury share reserve | 15 | (696) | (1,326) | (1,326) |
| Revaluation reserve | | 3,605 | 2,704 | 1,482 |
| Retained earnings | | 61,553 | 29,340 | 24,755 |
| | | **77,843** | **55,162** | **50,037** |
| **Non-current liabilities** | | | | |
| Bonds and Borrowings | 16 | 44,291 | 28,943 | 1,020 |
| | | **44,291** | **28,943** | **1,020** |
| **Current liabilities** | | | | |
| Trade and other payables | 17 | 957 | 1,026 | 1,134 |
| Bonds and Borrowings | 16 | 1,015 | 1,025 | 26,879 |
| | | **1,972** | **2,051** | **28,013** |
| **Total liabilities** | | **46,263** | **30,994** | **29,033** |
| **Total equity and liabilities** | | **124,106** | **86,156** | **79,070** |

Notes on pages 10-28 are the integral part of these separate financial statements.

**JSC NIKORA**

**SEPARATE STATEMENT OF 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 | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **1 January 2019** | **6,471** | **18,655** | **(1,326)** | **1,482** | **24,755** | **50,037** |
| Profit for the year | - | - | - | - | 10,334 | **10,334** |
| Other comprehensive income | - | - | - | 1,222 | - | **1,222** |
| Dividends declared on ordinary shares | - | - | - | - | (3,507) | **(3,507)** |
| Dividends declared on preference shares | - | - | - | - | (2,242) | **(2,242)** |
| Pruchase of own shares | - | (682) | - | - | - | **(682)** |
| **31 December 2019** | **6,471** | **17,973** | **(1,326)** | **2,704** | **29,340** | **55,162** |
| Profit for the year | - | - | - | - | 11,846 | **11,846** |
| Other comprehensive income | - | - | - | 901 | - | **901** |
| Dividends declared on ordinary shares | - | - | - | - | (3,682) | **(3,682)** |
| Dividends declared on preference shares | - | - | - | - | (2,477) | **(2,477)** |
| Pruchase of own shares | - | (11,506) | - | - | (6,524) | **(18,030)** |
| Share emisission | - | 443 | - | - | - | **443** |
| Pruchase of own shares | - | - | (17) | - | (1,050) | **(1,067)** |
| Treasury share emission | - | - | 647 | - | 34,100 | **34,747** |
| **31 December 2020** | **6,471** | **6,910** | **(696)** | **3,605** | **61,553** | **77,843** |

Notes on pages 10-28 are the integral part of these separate financial statements.

**JSC NIKORA**

**SEPARATE STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

(In thousands of GEL)

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **12,839** | **11,228** |
| Adjustments for: | | | |
| Depreciation and amortisation | 7 | 279 | 318 |
| (Gain)/loss on disposal of property, plant and equipment | | 104 | (470) |
| Gain from disposal of investments | | - | (2,911) |
| Impairment losses of investment in subsidiaries | | - | 73 |
| Income from dividends | 11 | (6,159) | (5,839) |
| Interest income | | (2,918) | (2,273) |
| Interest expenses | 16 | 3,686 | 3,107 |
| Fair value change of investment property | 9 | (3,847) | (2,643) |
| Foreign exchange loss | | (1,742) | 1,161 |
| | | **2,242** | **1,751** |
| Movements in working capital | | | |
| Decrease/(increase) in trade and other receivables | | 167 | (67) |
| Decrease in trade and other payables | | (352) | - |
| **Cash inflow from operating activities** | | **2,057** | **1,684** |
| Interest paid | 16 | (3,536) | (2,435) |
| Income tax paid | | (993) | (929) |
| **Net cash outflow from operating activities** | | **(2,472)** | **(1,680)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property,plant and equipment | 8 | (79) | (259) |
| Purchase of investment property | 9 | (818) | (1,332) |
| Cash received from disposal of property, plant and equipment | | - | 476 |
| Payments for loans issued | 12 | - | (11,689) |
| Repayment of loans issued | 12 | 240 | 11,916 |
| Interest receieved | | 2,344 | 1,782 |
| Increased investment in subsidiary | 11 | (443) | (1,498) |
| Cash received from disposal of subsidiaries | | - | 3,464 |
| Dividends received | | 6,159 | 5,839 |
| **Net cash inflow from investing activities** | | **7,403** | **8,699** |
| | | | |
| **Cash flows from financial activities** | | | |
| Proceeds from borrowings and bonds | 16 | 18,771 | 102,006 |
| Repayment of borrowings and bonds | 16 | (3,590) | (103,599) |
| Purchase of own shares | 15 | (19,097) | - |
| Shares emission | 15 | 4,931 | - |
| Dividends paid | | (5,476) | (5,485) |
| **Net cash outflow from financing activities** | | **(4,461)** | **(7,078)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **470** | **(59)** |
| **Cash and cash equivalents at the beginning of the year** | 14 | **3** | **5** |
| Effect of changes in foreign exchange rate | | (116) | 57 |
| **Cash and cash equivalents at the end of the year** | 14 | **357** | **3** |

(In thousands of GEL)

## 1. General information

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

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

The following table shows the Company's subsidiaries:

| 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% | Distribution |
| Intrade LLC | 100% | 100% | Import and distribution |
| Multitrade LLC | 100% | 100% | Import |
| Vakijvris kalmakhi LLC | 91% | 91% | Agricultural activity - Fish farm |
| Napareulis dzveli marani LLC | 100% | 100% | Agricultural activity - Winery |
| 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 separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). The preparation of separate financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the separate financial statements are disclosed in Note 3.

### Basis of measurement

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

### Going concern

While preparing separate financial statement the management considered impact of COVID – 19 on the company's separate financial statement. The pandemic restrictions, regulations and responses have different effects on various operating segments. The pandemic has no material effect on the company's separate financial statement.

**2. Basis of preparation (continued)**

These separate financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and shareholder have the intention to further develop the business of the Company in Georgia. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The management believes that the going concern assumption is appropriate for the Company.

**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.

- 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.

New standards, interpretations and amendments have no impact on the Company's separate financial statement.

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

**3. Critical accounting estimates and judgments**

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**3. Critical accounting estimates and judgments (continued)**

**3.1 Useful lives of property, plant and equipment**

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

**3.2 Valuation of Land and Buildings**

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

**3.3 Impairment of Investments in subsidiaries**

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

**3.4 Impairment of financial assets**

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

**4. Financial instruments - Risk Management**

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

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

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these separate financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

**Major categories of financial instruments**

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

(In thousands of GEL)

**4. Financial instruments – risk management (continued)**

The table shows major categories of financial instruments:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Other financial assets | 7,291 | - |
| Issued loans | 19,308 | 19,514 |
| Trade and other receivables | 802 | 812 |
| Cash and cash equivalents | 357 | 3 |
| **Total financial assets** | **27,758** | **20,329** |
| | | |
| Trade and other payables | 758 | 851 |
| Bonds and borrowings | 45,306 | 29,968 |
| **Total financial liabilities** | **46,064** | **30,819** |

**Fair value of financial instruments**

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

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

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

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

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

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

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 loans issued fair value using level 2 inputs was made in accordance with valuation pricing models based on discounted cash flow analysis using market inputs and management judgments given the volatility of interest rates available on the market within 2020 and 2019. For loans issued, the fair value using level 3 inputs was calculated using market rates based on the range from 12.5% to 14% per annum interest rate. Carrying amounts of loans issued recorded in the financial statements approximate their fair values.

(In thousands of GEL)

**4. Financial instruments – risk management (continued)**

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 bonds and borrowings, the fair value using level 2 inputs was calculated using market rates based on the range from 6.5% to 14% per annum interest rate under which the Company could get financing based on currency and maturity diversification. Carrying amounts of bonds and borrowings recorded in the financial statements approximate their fair values.

Carrying amounts of trade and other receivables and payables approximate their fair value due to short term maturities. The fair value of cash and cash equivalents were determined using level 1 measurement and the fair value of other financial assets and liabilities were determined using level 3 measurement.

**Capital management**

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

**General objectives, policies and processes**

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

**Foreign currency risk**

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

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | USD | EUR |
| Other financial assets | 7,291 | - |
| Cash and cash equivalents | 328 | - |
| **Total financial assets** | **7,619** | **36** |
| | | |
| Bonds and borrowings | 14,754 | 70 |
| **Total financial liabilities** | **14,754** | **70** |
| **Net financial position** | **(7,135)** | **(34)** |

The Company's sensitivity to a 20% increase and decrease in the GEL against the relevant foreign currencies equals to GEL1,427 thousand (2019 7 thousand) profit or loss. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

**Interest rate risk**

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company does not use any derivatives to manage interest rate risk exposure. The Company is exposed to cash flow interest rate risk as entities in the Company borrow funds at floating interest rates. As at 31 December 2020 and 2019 the Company's borrowings at variable rate were denominated in USD and GEL.

(In thousands of GEL)

**4. Financial instruments – risk management (continued)**

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

| | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| | Increase 100 base point | Decrease 100 base point | Increase 100 base point | Decrease 100 base point |
| Profit/(loss) | (449) | 449 | (294) | 294 |

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

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

**Credit risk**

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

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Other financial assets | 7,291 | - |
| Issued loans | 19,308 | 19,514 |
| Trade and other receivables | 802 | 812 |
| Cash and cash equivalents except cash on hand | 356 | 1 |
| **Total** | **27,757** | **20,327** |

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to settle borrowings and other financial liabilities as they are due. In order to manage liquidity risk, the Company systematically monitors expected future cash flows that are part of the asset and liability management process. The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

| | Less than 6 months | From 6 month to 1 year | 1 - 5 year | More than 5 year | Total |
|---|---|---|---|---|---|
| Trade and other payables | 758 | - | - | - | 758 |
| Bonds and borrowings | 2,431 | 2,431 | 44,412 | 6,938 | 56,212 |
| **Total 2020** | **3,189** | **2,431** | **44,412** | **6,938** | **56,970** |
| | | | | | |
| Trade and other payables | 851 | - | - | - | 851 |
| Bonds and borrowings | 2,762 | 1,711 | 35,504 | 94 | 40,071 |
| **Total 2019** | **3,613** | **1,711** | **35,504** | **94** | **40,922** |

(In thousands of GEL)

## 5. Rental income

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

| | 2020 | 2019 |
|---|---|---|
| Variable rental income | 2,121 | 2,105 |
| Fixed rental income | 1,431 | 1,504 |
| **Total** | **3,552** | **3,609** |

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

The table below shows annual undiscounted rental payments:

| | 2020 | 2019 |
|---|---|---|
| Within 1 year | 3,781 | 3,781 |
| Within 2 year | 2,624 | 3,781 |
| Within 3 year | 2,398 | 2,624 |
| Within 4 year | 1,004 | 2,398 |
| Within 5 year | 998 | 1,004 |
| Over 5 year | 2,969 | 3,968 |
| | **13,774** | **17,556** |

## 6. Revenue

| | 2020 | 2019 |
|---|---|---|
| Revenue from royalty | 1,800 | 1,800 |
| Revenue from management services | 1,117 | 1,137 |
| **Total** | **2,917** | **2,937** |

## 7. Other expenses

| | 2020 | 2019 |
|---|---|---|
| Taxes other than income tax | (298) | (270) |
| Depreciation and amortization charge | (279) | (318) |
| Consulting expenses | (212) | (147) |
| Charity | (167) | (75) |
| Stationary | (94) | (112) |
| Utility | (63) | (85) |
| Other | (479) | (542) |
| **Total** | **(1,592)** | **(1,549)** |

## 8. Property, plant and equipment

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 Company uses land and buildings for administrative purposes.

The management estimates, that the administrative building is not specific due to its purpose, scale and other characteristics and there is an active market for such assets in Georgia, therefore the fair value is determined based on the principles of market approach. Market approach was used in the case of land valuation. The fair value is classified as level 2. There was no change in valuation technique between periods. Fair value is measured based on the highest and best use of the assets listed above, which are not different from their current use.

If the revalued property were measured at cost, net book value would be GEL2,200 thousand for land and GEL2,231 thousand for buildings (2019: land GEL2,591 thousand, buildings GEL2,912 thousand).

As of December 31, 2020 and 2019, the Company's land, buildings other tangible assets have been pledged to secure bonds and borrowings.

(In thousands of GEL)

**8. Property, plant and equipment (continued)**

The table below shows movement within Property, plant and equipment.

| Cost or revaluation | Land | Buildings | Plant and equipment | Office Equipment | Vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **1.1.2019** | **3,916** | **3,145** | **5,847** | **1,355** | **179** | **-** | **14,442** |
| Addition | - | - | 1 | 39 | - | 219 | **259** |
| Disposal | - | - | (468) | (3) | (5) | - | **(476)** |
| Intra movement | - | 6 | - | - | - | (6) | **-** |
| Revaluation | 438 | 725 | - | - | - | - | **1,163** |
| **31.12.2019** | **4,354** | **3,876** | **5,380** | **1,391** | **174** | **213** | **15,388** |
| Addition | - | - | 23 | 2 | - | 41 | **66** |
| Disposal | - | - | (106) | (3) | - | - | **(109)** |
| Intra movement | - | 254 | - | - | - | (254) | **-** |
| Transfer to investment property | (392) | (1,024) | - | - | - | - | **(1,416)** |
| Revaluation | 314 | 522 | - | - | - | - | **836** |
| **31.12.2020** | **4,276** | **3,628** | **5,297** | **1,390** | **174** | **-** | **14,765** |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| **1.1.2019** | **-** | **-** | **(5,114)** | **(961)** | **(146)** | **-** | **(6,221)** |
| Depreciation | - | (59) | (196) | (36) | (1) | - | **(292)** |
| Disposals | - | - | 463 | 3 | 4 | - | **470** |
| Revaluation | - | 59 | - | - | - | - | **59** |
| **31.12.2019** | **-** | **-** | **(4,847)** | **(994)** | **(143)** | **-** | **(5,984)** |
| Depreciation | - | (65) | (152) | (38) | (1) | - | **(256)** |
| Disposals | - | - | 91 | - | - | - | **91** |
| Revaluation | - | 65 | - | - | - | - | **65** |
| **31.12.2020** | **-** | **-** | **(4,908)** | **(1,032)** | **(144)** | **-** | **(6,084)** |
| | | | | | | | |
| **Net book value** | | | | | | | |
| **31.12.2019** | **4,354** | **3,876** | **533** | **397** | **31** | **213** | **9,404** |
| **31.12.2020** | **4,276** | **3,628** | **389** | **358** | **30** | **-** | **8,681** |

## 9. Investment property

| Fair value | Land | Buildings | Total |
|---|---|---|---|
| **1.1.2019** | **3,093** | **20,485** | **23,578** |
| Addition | 1,332 | - | 1,332 |
| Revaluation | 1,876 | 767 | 2,643 |
| **31.12.2019** | **6,301** | **21,252** | **27,553** |
| Addition | - | 818 | 818 |
| Transfer from property, plant and equipment | 392 | 1,024 | 1,416 |
| Revaluation | 684 | 3,163 | 3,847 |
| **31.12.2020** | **7,377** | **26,257** | **33,634** |

As at 31 December 2020 and 2019 Land and buildings have been pledged to secure borrowings of the Company. Net book value of pledged assets equals GEL27,446 thousand (2019: GEL25,266 thousand).

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. Investment property are leased out to subsidiaries or are vacant. For further information see Note 5. Management uses market, direct capitalization and cost approach. 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.

(In thousands of GEL)

## 9. Investment property (continued)

The table below shows approaches chosen by management for valuation of investment properties.

| Used approach | Fair value level | Land | Buildings | Total |
|---|---|---|---|---|
| Direct capitalization Approach/Market Approach | Level 2 | 6,250 | 25,406 | 31,656 |
| Market Approach | Level 2 | 1,127 | 33 | 1,160 |
| Cost approach | Level 3 | - | 818 | 818 |
| **Total** | | **7,377** | **26,257** | **33,634** |

## 10. Intangible assets

| Historical cost | Programs | License | Total |
|---|---|---|---|
| **1.1.2019** | **471** | **11** | **482** |
| **31.12.2019** | **471** | **11** | **482** |
| Addition | 8 | 5 | 13 |
| Disposal | (225) | - | **(225)** |
| **31.12.2020** | **254** | **16** | **270** |
| | | | |
| **Accumulated amortization** | | | |
| **1.1.2019** | **(164)** | **-** | **(164)** |
| Amortization | (26) | - | **(26)** |
| **31.12.2019** | **(190)** | **-** | **(190)** |
| Amortization | (23) | - | **(23)** |
| Amortization reversal | 139 | - | **139** |
| **31.12.2020** | **(74)** | **-** | **(74)** |
| | | | |
| **Net book Value** | | | |
| **31.12.2019** | **281** | **11** | **292** |
| **31.12.2020** | **180** | **16** | **196** |

## 11. Investment in subsidiaries

| Subsidiary | Activity | Share 2020 | Share 2019 | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|---|
| JSC Nikora Trade | Retail | 90% | 80% | 45,093 | 19,977 |
| Korida LLC | Manufactoring | 100% | 100% | 2,150 | 2,150 |
| Mzareuli 1 LLC | Manufactoring | 100% | 100% | 1,652 | 1,352 |
| NDM LLC | Agricultural activity | 100% | 100% | 1,539 | 1,539 |
| Nikora LLC | Manufactoring | 100% | 100% | 1,100 | 1,100 |
| Vakijvris kalmakhi LLC | Manufactoring | 91% | 91% | 932 | 932 |
| Chveni fermeri LLC | Manufactoring | 100% | 100% | 460 | 460 |
| Nikora Bakuriani LLC | Real estate | 50% | 50% | 347 | 347 |
| Oceane LLC | Manufactoring | 100% | 100% | 307 | 307 |
| Kulinari LLC | Manufactoring | 50% | 50% | 175 | 175 |
| Intrade LLC | Import and distribution | 100% | 100% | 2 | 2 |
| **Total** | | | | **53,757** | **28,341** |

All subsidiaries are registered and operate in Georgia. Voting rights are equal to the shares owned. Investments in subsidiaries are accounted in separate financial statement at cost.

The table below shows dividends declared in subsidiaries:

| | 2020 | 2019 |
|---|---|---|
| Korida LLC | 2,885 | 2,270 |
| Nikora LLC | 3,274 | 3,569 |
| **Total** | **6,159** | **5,839** |

(In thousands of GEL)

## 12. Issued loans

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **Long term** | | |
| Nikora LLC | 6,740 | 6,740 |
| Nikora Trade JSC | 3,800 | 3,980 |
| Multitrade LLC | 1,430 | 1,430 |
| Korida LLC | 1,360 | 1,360 |
| Partner LLC | 1,240 | 1,240 |
| Intrade LLC | 1,230 | 1,230 |
| Kulinari LLC | 1,040 | 1,040 |
| Chveni Fermeri LLC | 840 | 840 |
| Oceane LLC | 550 | 550 |
| Mzareuli 1 LLC | 520 | 520 |
| | **18,750** | **18,930** |
| **Short term** | | |
| Kulinari LLC | 83 | 83 |
| Vakijvris kalmakhi LLC | - | 60 |
| Interest receivable | 475 | 441 |
| | **558** | **584** |
| **Total** | **19,308** | **19,514** |

Loans are issued to subsidiaries. The Company has not experience for impairment of loans and does not recognize any provision for impairment. The interest is payable on a quarterly basis, and the principal – at the end of the contract, which is long-term and should be paid in October 2022.

## 13. Trade and other receivables

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Trade receivables | 802 | 812 |
| Other | 80 | 237 |
| **Total** | **882** | **1,049** |

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

## 14. Cash and cash equivalents

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Cash on bank accounts in foreign currency | 328 | - |
| Cash on bank accounts in national currency | 28 | 1 |
| Cash on hand | 1 | 2 |
| **Total** | **357** | **3** |

## 15. Share capital

As at 31 December 2020 and 2019 The Company has 6,471 thousand authorized ordinary shares at the par value 1 GEL. The Company 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

(In thousands of GEL)

**15 Share capital (continued)**

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 Company 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.

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 |
| Pakr 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** |

(In thousands of GEL)

## 16. Bonds and borrowings

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Bank borrowings with floating interest rates | 16,159 | 925 |
| Bank borrowings with fixed interest rates | 303 | 264 |
| Bonds with floating interest rates | 27,829 | 27,754 |
| **Total non-current borrowings** | **44,291** | **28,943** |
| Bank borrowings with floating interest rates | 252 | 146 |
| Bank borrowings with fixed interest rates | 83 | 269 |
| Bonds with floating interest rates | 680 | 610 |
| **Total current borrowings** | **1,015** | **1,025** |
| **Toal borrowings** | **45,306** | **29,968** |

The following table shows reconciliation of liabilities from financing transactions.

| | 2020 | 2019 |
|---|---|---|
| **1 January** | 29,968 | 27,899 |
| Proceeds from borrowings | 18,771 | 74,266 |
| Bonds emission | - | 27,740 |
| Principal paid | (3,590) | (74,808) |
| Repayment of bonds | - | (28,791) |
| Interest expense | 3,686 | 3,107 |
| Interest paid | (3,536) | (2,435) |
| Effect of changes in foreign exchange rate | 7 | 2,990 |
| **31 December** | **45,306** | **29,968** |

Bank loans terms are within range 1 to 7 years. Borrowings denominated in Georgian GEL have an average annual floating rate of 13%, tied to Tbilisi Interbank Offered rate (TIBR) (2019: 12%). Borrowings denominated in USD have an average annual rate of 6.5%, tied to LIBOR. Borrowings are secured by property, plant equipment and investment property. For additional information, see Note 4 and 22.

On October 2019, the Company issued bonds with the total value of GEL28,000 thousand with scheduled maturities 3 years. Bonds rate are floating and tied to Tbilisi Interbank Offered rate (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 company's direct unsecured obligations that are equal in priority and equal to the company's unsecured and non-subordinated obligations.

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

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

Covenants are calculated from Consolidated financial statement. As at 31 December 2020 the Company comply with the financial covenants.

## 17. Trade and other payables

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Trade payables | 218 | 335 |
| Salaries payable | 540 | 516 |
| Tax payables | 199 | 175 |
| **Total** | **957** | **1,026** |

(In thousands of GEL)

## 18. Related party transactions

| Transactions | Relationship | 2020 | 2019 |
|---|---|---|---|
| Revenue | Subsidiaries | 2,910 | 2,884 |
| Rental income | Subsidiaries | 3,484 | 3,540 |
| Interest income | Subsidiaries | 2,365 | 2,260 |
| Income from dividends | Subsidiaries | 6,159 | 5,839 |
| **Balances** | | | |
| Issued loan | Subsidiaries | 19,308 | 19,514 |
| Trade receivables | Subsidiaries | 805 | 786 |
| Other assets | Owners | 7,291 | - |
| | | | |
| Key management compensation | | 1,159 | 1,066 |

## 19. Commitments and Contingencies

**Commitments** – The Company had no material commitments outstanding as at 31 December 2020 and 2019.

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

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

The expected profit tax due to the future dividend, as of December 31 2020 is GEL 10,861 thousand (2019: GEL 5,178 thousand).

## 20. Restatement of prior year separate financial statements

While preparing the financial statements for the year ended 31 December 2020, management has identified a prior period error. The following is a list of issues that have led to errors in accounting policies:

a) Investments in subsidiaries included investments in dormant companies with zero net assets (Nikora Kakheti LLC and Intrade Poti LLC.) The Company wrote off these investments;

b) An arithmetic error was found in the formation of trade receivables and liabilities. As a result, these financial statement areas were overstated.

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

| | Presented | Adjustment | Restated | Presented | Adjustment | | Restated |
|---|---|---|---|---|---|---|---|
| | 31.12.2019 | a | 31.12.2019 | 1.1.2019 | a | b | 1.1.2019 |
| Investments in subsidiary | 30,695 | (2,354) | 28,341 | 30,637 | (2,354) | - | 28,283 |
| **Total non-current assets** | **86,874** | **(2,354)** | **84,520** | **80,123** | **(2,354)** | **-** | **77,769** |
| Trade and other receivables | 1,049 | - | 1,049 | 13,493 | - | (12,197) | 1,296 |
| **Total assets** | **88,510** | **-** | **86,156** | **93,621** | **-** | **(12,197)** | **79,070** |
| Retained earnings | 31,694 | (2,354) | 29,340 | 27,109 | (2,354) | - | 24,755 |
| **Total equity** | **57,516** | **(2,354)** | **55,162** | **52,391** | **(2,354)** | **-** | **50,037** |
| Trade and other payables | 1,026 | - | 1,026 | 13,331 | - | (12,197) | 1,134 |
| **Total equity and liabilities** | **88,510** | **-** | **86,156** | **93,621** | **-** | **(12,197)** | **79,070** |

(In thousands of GEL)

## 21. 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 | - |
| Income from dividends | 3,165 | |
| 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 | - |

## 22. Summary of significant accounting policies

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

### 22.1 Foreign currency translation

**(a) Functional and presentation currency**

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

**(b) Transactions and balances**

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

Foreign exchange gains and losses that relate to financial instruments are presented in the separate statement of comprehensive income within "Foreign exchange loss".

| | USD | EUR |
|---|---|---|
| Exchange rate as at 31.12.2020 | 3.2766 | 4.0233 |
| Exchange rate as at 31.12.2019 | 2.8677 | 3.2095 |

### 22.2 Property plant and equipment

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

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

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

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

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

**22. Summary of significant accounting policies (continued)**

The estimated useful lives are as follows:

| | Useful life |
|---|---|
| Buildings | 30-50 |
| Plant and equipment | 5 |
| Office equipment | 5 |
| Vehicles | 5 |

### 22.3 Investment property

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

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Depreciation is not accrued on investment property recognised at fair value. Rental income and operating expenses from investment property are included in rental income and other expenses, respectively.

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

### 22.4 Investment in subsidiaries

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

### 22.5 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, useful lives of intangible assets are 5-7 year. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset.

### 22.6 Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**22. Summary of significant accounting policies (continued)**

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

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

### 22.7 Financial instruments

**Financial assets**

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

**Financial assets at amortised cost**

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

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

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

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

**Financial liabilities**

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

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

**22. Summary of significant accounting policies (continued)**

interest or coupon payable while the liability is outstanding.

### 22.8 Revenue from contract with customers

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

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

The Company recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Detail accounting policies for significant revenue generative activities are presented below:

**Performance obligations and timing of revenue recognition**

The Company's main revenue stream is management and consulting services and royalty to its subsidiaries. Revenue from providing services is recognised over time in the accounting period in which the services are rendered. The recognition of the related revenues is carried out through the output method.

**Determining the transaction price**

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

**Allocating amounts to performance obligations**

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

**Practical Exemptions**

The Company has taken advantage of the practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

### 22.9 Leasing

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

### 22.10 Income taxation

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

### 22.11 Taxes other than income tax

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

**22. Summary of significant accounting policies (continued)**

### 22.12 Provisions

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

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

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

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

### 22.13 Contingent assets and liabilities

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

### 22.14 Expenses

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

### 22.15 Share capital and treasury shares

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

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

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

### 22.16 Dividends

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