JSC Teliani Valley and Subsidiaries

Consolidated financial statements

For the year ended 31 December 2017
together with independent auditor's report

Contents

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Independent auditor's report

To the Shareholders and Board of Directors of JSC Teliani Valley.

Opinion

We have audited the consolidated financial statements of JSC Teliani Valley and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 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 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 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), and we have fulfilled our other ethical responsibilities in accordance with 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 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. For the matter below, our description of how our audit addressed this matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group has a number of revenue streams from distribution of wine and other beverages. The Group has warehouses and distribution vehicles and sells to retail supermarket chains, other retail shops and restaurants. Revenue recognition was a matter of most significance in our audit due to the higher risk of improper revenue recognition, particularly around period end dates, given the diversity of the Group's revenue streams. Furthermore, the Group early adopted IFRS 15 *Contracts with Customers. IFRS 15* has complex requirements and requires significant judgement, specifically, in respect of determination of agent versus principal relationship, accounting for payments made to the customers and accounting for the distinct goods provided to the retailers. Information about revenue recognition is disclosed in notes 2, 3 and 19 to the consolidated financial statements.	▸ We tested relevant controls over revenue recognition process, including the timing of revenue recognition; ▸ We performed analytical procedures and tested a sample of revenue recognition transactions that occurred around the year-end; ▸ We compared a sample of sales transactions to invoices; ▸ We evaluated the contractual terms with key customers and compared the terms against the accounting treatment applied; ▸ We evaluated a sample of new distribution agreements entered into during the year and assessed the Group's determination whether it was acting as a principal or an agent in accordance with the requirements of IFRS 15 *Contracts with Customers*; ▸ We also analyzed payments made by the Group to its customers and assessed their impact on determination of consideration received or receivable; ▸ We assessed the allocation of transaction price to distinct goods provided by the Group to its retailers; ▸ We assessed the disclosures made by the Group in respect of transition to IFRS 15.

Other information included in the Group's Annual report

Other information consists of the information included in the Annual report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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Responsibilities of management and the Board of Directors for the consolidated financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 Board of Directors 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 Board of Directors, 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 partner in charge of the audit resulting in this independent auditor's report is Ruslan Khoroshvili.

Ruslan Khoroshvili

On behalf of EY Georgia LLC

Tbilisi, Georgia

30 March 2018

Consolidated statement of financial position

As at 31 December 2017

(Thousands of Georgian lari)

	Note	2017	2016 Restated*	As at 1 January 2016 Restated*
Non-current assets				
Property, plant and equipment	6	102,168	68,134	9,558
Intangible assets	17	723	480	124
Prepayments	10	1,658	926	1,309
Deferred tax assets	7	–	–	340
Total non-current assets		**104,549**	**69,540**	**11,331**
Current assets				
Inventories	8	17,122	8,426	10,761
Trade receivables	9	11,900	6,755	6,470
Prepaid income tax		–	93	60
Taxes prepaid, other than income tax, net		–	2,780	2,057
Prepayments	10	2,795	1,020	460
Other current assets		7	29	60
Restricted cash	11	4,381	17,034	2,375
Cash and cash equivalents	12	17,437	2,399	3,425
Total current assets		**53,642**	**38,536**	**25,668**
Total assets		**158,191**	**108,076**	**36,999**
Equity and liabilities				
Equity				
Share capital		5,200	2,771	771
Share premium		78,748	38,846	12,958
Foreign currency translation reserve		(1,782)	(1,740)	(1,777)
(Accumulated loss) / retained earnings		(11,829)	2,814	3,024
Equity attributable to equity holders of the parent		**70,337**	**42,691**	**14,976**
Non-controlling interests		1	1	1
Total equity	13	**70,338**	**42,692**	**14,977**
Non-current liabilities				
Interest bearing loans and borrowings	14	61,482	7,611	9,605
Deferred tax liabilities	7	–	–	1,044
Total non-current liabilities		**61,482**	**7,611**	**10,649**
Current liabilities				
Trade and other accounts payable	16	14,848	18,116	2,529
Income tax payable		–	642	605
Taxes payable, other than income tax		1,178	–	2,438
Interest bearing loans and borrowings	14	9,795	38,610	5,154
Advances received		95	140	136
Other current liabilities		455	265	511
Total current liabilities		**26,371**	**57,773**	**11,373**
Total liabilities		**87,853**	**65,384**	**22,022**
Total equity and liabilities		**158,191**	**108,076**	**36,999**

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.

Signed and authorized for release on behalf of the management of the Group on 30 March 2018

Shota Kobelia Chief Executive Officer

Giorgi Kasradze Chief Financial Officer

The accompanying notes on pages 10 to 44 are an integral part of these consolidated financial statements

Consolidated statement of profit or loss

For the year ended 31 December 2017

(Thousands of Georgian lari)

	Note	*2017*	*2016 Restated**
Sale of goods	19	54,975	29,793
Cost of sales	20	(34,433)	(15,774)
Gross profit		**20,542**	**14,019**
Fair value movement in biological produce	21	253	16
Selling and distribution expenses	22	(15,724)	(7,797)
Administrative expenses	23	(7,147)	(4,325)
Other operating expenses	24	(2,557)	(270)
Operating result		**(4,633)**	**1,643**
Finance costs	15	(3,316)	(886)
Finance income		169	99
Foreign exchange loss, net		(7,024)	(1,043)
Other non-operating loss		–	(64)
Other non-operating gain		558	–
Loss before tax		**(14,246)**	**(251)**
Income tax benefit	7	–	41
Loss for the year		**(14,246)**	**(210)**
Attributable to:			
- Shareholders of the parent		(14,246)	(210)
- Non controlling interests		–	–
Earnings per share:			
- Basic and diluted loss per share	13	(0.000035)	(0.0000011)

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.

The accompanying notes on pages 10 to 44 are an integral part of these consolidated financial statements

Consolidated statement of other comprehensive income

For the year ended 31 December 2017

(Thousands of Georgian lari)

	Note	*2017*	*2016 Restated**
Loss for the year		**(14,246)**	**(210)**
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
Exchange difference on translation of foreign operations		(42)	37
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**(42)**	**37**
Total comprehensive loss for the year, net of tax		**(14,288)**	**(173)**
Attributable to:			
- Shareholders of the Parent		(14,288)	(173)
- Non controlling interests		–	–

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.

The accompanying notes on pages 10 to 44 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2017

(Thousands of Georgian lari)

	Share capital	*Share premium*	*Revaluation surplus arising from property, plant and equipment*	*Foreign currency translation reserve*	*Retained earnings/(loss)*	*Total*	*Non-controlling interests*	*Total*
As at 1 January 2016	**771**	**12,958**	**3,214**	**(1,777)**	**2,909**	**18,075**	**1**	**18,076**
Adjustment on voluntary change of accounting policy (Note 2.5 a)	–	–	(3,214)	–	115	**(3,099)**	–	**(3,099)**
As at 1 January 2016 (restated*)	**771**	**12,958**	**–**	**(1,777)**	**3,024**	**14,976**	**1**	**14,977**
Loss for the year	–	–	–	–	(210)	**(210)**	–	**(210)**
Other comprehensive income	–	–	–	37	–	**37**	–	**37**
Share issue (Note 13)	2,000	25,916	–	–	–	**27,916**	–	**27,916**
Transaction costs	–	(28)	–	–	–	**(28)**	–	**(28)**
As at 31 December 2016 (restated*)	**2,771**	**38,846**	**–**	**(1,740)**	**2,814**	**42,691**	**1**	**42,692**
Modified retrospective transition to IFRS 15 (Note 2.5 b)	–	–	–	–	(397)	**(397)**	–	**(397)**
As at 1 January 2017	**2,771**	**38,846**	**–**	**(1,740)**	**2,417**	**42,294**	**1**	**42,295**
Loss for the year	–	–	–	–	(14,246)	**(14,246)**	–	**(14,246)**
Other comprehensive loss	–	–	–	(42)	–	**(42)**	–	**(42)**
Share issue (Note 13)	2,429	39,902	–	–	–	**42,331**	–	**42,331**
At 31 December 2017	**5,200**	**78,748**	**–**	**(1,782)**	**(11,829)**	**70,337**	**1**	**70,338**

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.

Consolidated statement of cash flow

For the year ended 31 December 2017

(Thousands of Georgian lari)

	Note	2017	2016 Restated*
Operating activities			
Loss before tax		(14,246)	(251)
Adjustments to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	20, 22, 23, 24	5,203	1,418
Amortization of intangible assets	17	31	21
Finance cost		3,316	886
Finance income		(169)	(99)
Bad debt expense	9	633	79
Fair value movement in biological produce		(253)	–
(Gain)/loss on disposal of property, plant and equipment		(558)	44
Net foreign exchange loss attributable to financing and investing activities		6,577	1,170
Cash from operating activities before changes in working capital		**534**	**3,268**
Working capital adjustments			
Changes in inventories		(7,691)	2,335
Changes in trade receivables		(6,779)	(364)
Changes in prepayments		(2,768)	(659)
Changes in other assets		22	31
Changes in trade and other accounts payable		6,385	583
Changes in other current liabilities		190	(246)
Changes in taxes payables, other than income tax		3,958	(390)
Changes in advances received		(45)	4
Cash flows (used in) / from operating activities before interest and income tax		**(6,194)**	**4,562**
Income tax paid		(642)	(659)
Interest paid	15	(3,956)	(759)
Net cash flow (used in) / from operating activities		**(10,792)**	**3,144**
Investing activities			
Acquisition of property, plant and equipment		(46,784)	(43,796)
Acquisition of intangible assets		(274)	(377)
Placements on restricted cash account		(9,729)	(22,544)
Withdrawals from restricted cash account		22,539	9,482
Proceeds from the sale of property, plant and equipment		717	62
Prepaid taxes other than income on acquired property, plant and equipment		–	(2,771)
Interest received		31	99
Net cash flows used in investing activities		**(33,500)**	**(59,845)**
Financing activities			
Issuance of new shares	13	42,331	27,888
Repayment of borrowings	15	(47,747)	(3,790)
Proceeds from borrowings	15	64,936	31,021
Net cash flow from financing activities		**59,520**	**55,119**
Net increase/(decrease) in cash and cash equivalents		**15,228**	**(1,582)**
Effect of exchange rate difference from cash and cash equivalents		(190)	556
Cash and cash equivalents at the beginning of the period	12	2,399	3,425
Cash and cash equivalents at the end of the year	12	**17,437**	**2,399**

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.

Non-cash transactions:

- During 2017 GEL 2,149 of borrowing costs were capitalized as part of property, plant and equipment (2016: GEL 818) and comprised of GEL 1,710 of interest costs (2016: 712) and GEL 439 of foreign exchange losses (2016: 106) (Note 6);
- Accounts payable for purchases of property, plant and equipment amounted to GEL 5,351 as at 31 December 2017 (2016: GEL 15,003);
- During 2017 the Company utilized the prepayments made for property, plant and equipment of GEL 261 (2016: GEL 482);
- The Group early adopted the new revenue recognition standard effective from 1 January 2017 using the modified retrospective approach, as a result, trade receivable was adjusted (decreased) by GEL 1,001 and inventory was increased by GEL 604 as at 1 January 2017;
- Inventories as at 31 December 2017 includes capitalized depreciation of GEL 148 (2016: GEL 43).

(Thousands of Georgian lari)

1. Corporate information

JSC Teliani Valley (the “Company”), is a joint stock company founded in 1997 under the laws of Georgia. The Company’s registered office is located at Tbilisi highway No. 3, Telavi, Georgia. The Company’s ordinary shares are listed on the Georgian Stock Exchange.

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries (together referred to as the “Group”). Its subsidiaries are disclosed in Note 2.

The principal activities of the Group are production and distribution of wine, beer, lemonade and other alcoholic beverages of own produce and distribution of imported beer and other beverages.

As at 31 December 2017 and 2016, the following shareholders owned more than 3% of the outstanding shares of the Group. Other shareholders individually owned less than 3% of the outstanding shares.

Shareholders	***2017 %***	***2016 %***
JSC Georgia Capital (former JSC BGEO Investments)	47.57	23.67
JSC Liberty Consumer	28.06	47.75
Firebird Republics Fund Ltd.	10.51	11.63
Firebird Avrora Fund Ltd.	8.57	15.16
Firebird Fund LP	4.29	–
Shares listed on the Georgian Stock Exchange	0.27	0.74
Other	0.73	1.05
Total	**100.00**	**100.00**

As at 31 December 2017, members of the Supervisory Board and the Management Board of the Group have 1,852,591 or 0.36% (2016: 1,830,111 or 0.66%) shares of the Group.

Ultimate controlling party of the Group is BGEO Group PLC.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis except for biological produce and financial assets and financial liabilitiesthat are measured at fair value at initial recognition.

The consolidated financial statements are presented in Georgian lari (GEL) and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 Going concern

During 2017 the Group incurred loss for the year of GEL 14,246 and net cash flows used in operating activities were GEL 10,792. The negative operating results in 2017 related to launching new business lines for production of beer and lemonade. Starting from mid of 2018, the Group plans to start the production of beer under brand names of Heineken and Krusovice, from 2019 the Group will start brewing of Amstel.

The investing and working capital needs for launching new businesses were financed by share issuance to existing shareholders and by borrowing a long-term loan from a financial institution (Note 14). The management has assessed the Group’s cash needs during 12 months after the issuance of the consolidated financial statement and estimated that in order to support the need for capital expenditures and working capital, additional financing of GEL 5,400 will be required. The management obtained financial support letter from JSC Georgia Capital on 29 March 2018, stating that JSC Georgia Capital has intention and ability to provide to the Group GEL 5,500 that will be required for the capital expenditures and for financing the working capital needs.

The consolidated financial statements are prepared on the basis that the Group will continue to be a going concern and will obtain necessary funds and realize its assets and discharge its liabilities in the ordinary course of business.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Subsidiaries

The consolidated financial statements as at 31 December 2017 and 2016 include following subsidiaries:

Subsidiary	*Ownership, %*	*Country*	*Industry*	*Acquisition/ incorporation date*
Teliani Trading LLC	100.0	Georgia	Wholesale trade of goods	30 March 2007
Teliani Trading LLC	100.0	Ukraine	Wholesale trade of goods	31 July 2008
Global Beer Georgia LLC	100.0	Georgia	Production and distribution of beer and lemonade	24 December 2014
Le Caucase LLC	100.0	Georgia	Production of brandy	26 March 2007
Kupa LLC	70.0	Georgia	Production of oak barrels	29 March 2007

Two subsidiaries of the Company (Le Caucase LLC and Kupa LLC) do not have active operations since 2009.

Global Beer Georgia LLC was founded in December 2014. In June 2017 it completed the construction of brewery and started the production of beer under local brand "ICY" and lemonade under brand name "Berika". During 2018 the Group expects to incur additional capital expenditures and finalize the brewery facilities for bottling beer under Heineken and Krusovice brand names.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies

a) Revenue

Sale of goods

Revenue from the sale of finished goods is recognised when the Group satisfies the performance obligation, i.e. when the control of the goods has passed to the buyer, usually on delivery of the goods.

For the finished goods sold on consignment basis, revenue is recognized when the goods are transferred to the end-customer or on expiration of specified period during which the retailer can return unsold goods. Revenue is recognized in connection to the sale of finished goods at net transaction price reflecting adjustments for the consideration payable to the customer (cash amounts that the Group pays, or expects to pay, to a customer) and for any volume discounts.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of profit and loss.

b) Property, plant and equipment

Property Plant and equipment and construction in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit and loss as incurred.

Grape vine establishment represent the expenditure incurred to plant and maintain new grape vines until the vines reach productivity. Once the grape vines are productive the accumulated cost is transferred to mature grape vines and depreciated over the expected useful economic life of the grape vine.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Grape vines	45 to 50 years
Buildings	7 to 50 years
Machinery and equipment	5 to 20 years
Vehicles	5 to 7 years
Other	3 to 8 years

Assets are depreciated from the following month the asset is put into operation. Land and vineyard establishment are not depreciated.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation charge of those property, plant and equipment which are directly involved in production process are production overheads and classified as cost of sales (if produced inventories were realized) or inventories (if produced inventories remained unrealized).

c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

d) Biological assets and produce

Agricultural produce is accounted for under IAS 41 *Agriculture*. Harvesting of the grape crop is ordinarily carried out in October. Prior to harvest the costs of growing the grapes are carried forward in inventory. Upon harvest the grapes become agricultural produce and are therefore measured at fair value less costs to sell in accordance with IAS 41 with any fair value gain or loss shown in the consolidated statement of profit and loss.

The fair value of grapes is determined by reference to estimated market prices at the time of harvest. Generally there is no readily obtainable market price for the Group's grapes because they are not sold on the open market, therefore management set the values based on their experience and knowledge of the sector including past purchase transactions.

This measurement of fair value less costs to sell is the deemed cost of the grapes that is transferred into inventory upon harvest.

Under IAS 41, the agricultural produce is also valued at the end of each reporting period, with any fair value gain or loss shown in the consolidated statement of comprehensive income.

Bearer plants are accounted for under IAS 16 *Property, Plant and Equipment* and are accounted at cost.

e) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a weighted average basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Inventories are written off as cost of sales on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

f) Foreign currency translation

The Group's consolidated financial statements are presented in GEL, which is also the Group's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into GEL at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in the OCI. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

The official National Bank of Georgia ("NBG") exchange rates at 31 December 2017 and 2016 to convert 1 UAH into GEL were as follows:

	2017	***2016***
Period end	0.0924	0.0977
Period average	0.0943	0.0927

Where an exchange difference arises on an intragroup balance that, in substance, forms part of an entity's net investment in a foreign operation, then the exchange difference is not to be recognised in profit or loss in the consolidated financial statements, but is recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of the foreign operation.

g) Taxes

Current income tax

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017 (Note 7). Corporate income tax is paid on dividends is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia. Withholding tax payable in respect of dividend distribution to the shareholders of the Company is recognized as deduction from equity in the consolidated statement of changes in equity.

Georgian tax legislation also provides for charging corporate income tax on certain transactions that are considered deemed profit distributions (for example, transactions at non-market prices, non-business related expenses or supply of goods and services free of charge). Taxation of such transactions is accounted similar to operating taxes and is reported as other taxes within general and administrative expenses in consolidated statement of profit and loss.

The profits earned in Ukraine that have been adjusted for permanent and temporary differences as permitted by local tax law are subject to income tax. Corporate income tax rate in Ukraine is 18%

At Ukrainian entry, deferred tax is recognised whereby the deferred tax assets and liabilities arising from temporary differences between the carrying amounts and tax bases of assets and liabilities are recognised in the statement of financial position. In the consolidated financial statements, deferred tax liabilities are recognised in the statement of financial position in deferred tax liabilities. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Value added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of trade receivables or trade payables in the statement of financial position.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Net presentation of tax assets and liabilities

Starting form 1 January 2016 changes were introduced in Georgian legislation on the rules of tax settlement. Based on new rules, Revenue Service of Georgia monitors taxpayers' net indebtedness towards to the State by introducing a consolidated accounts of taxpayer. Therefore the Group presents assets and liabilities related to all taxes payables or receivables by each entity on a net basis.

h) Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

- ► Expected to be realised or intended to sold or consumed in normal operating cycle;
- ► Held primarily for the purpose of trading;
- ► Expected to be realised within twelve months after the reporting period; or
- ► Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- ► It is expected to be settled in normal operating cycle;
- ► It is held primarily for the purpose of trading;
- ► It is due to be settled within twelve months after the reporting period; or
- ► There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

i) Financial instruments – initial recognition & subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Group's financial assets include cash, trade receivables, which are all included in loans and receivables category as defined by IAS 39.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of profit and loss. The losses arising from impairment are recognised in the statement of profit or loss in other operating expenses.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The right to receive the cash flows from the asset has expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into as pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs.

Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group’s financial liabilities are limited to loans and borrowings category, which include trade and other payables and interest bearing loans.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

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

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The Group’s intangible assets have finite useful lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss as the expense category that is consistent with the function of the intangible assets. The intangible assets of the Group have useful lives from 5 to 10 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

k) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared the Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased.If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

l) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

m) 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

n) Fair value measurement

The Group measures agricultural produce at fair value less cost to sell at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

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

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

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

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

n) Fair value measurement (continued)

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

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5 Changes in accounting policies and disclosures

a) Change of subsequent accounting for certain classes of property, plant and equipment

The Group re-assessed its accounting policy for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition.

The Group has previously accounted for land, buildings, vineyards and specialized wine tanks using the revaluation model, whereby after initial recognition, land, buildings, vineyards and specialized wine tanks were measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

On 1 January 2017 the Group elected to change its accounting policy for land and buildings, vineyards and specialized wine tanks, since the Group believes that cost model more effectively demonstrates the financial position and is more aligned to practices adopted by its competitors. In addition, the cost model is better aligned with the business purpose of the assets as their value is primarily realized through continuous use.

After the change of the accounting policy, after initial recognition the Group uses cost model, whereby all property, plant and equipment will be carried at cost less accumulated depreciation and accumulated impairment losses. The Group applied the cost model retrospectively.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.5 Changes in accounting policies and disclosures (continued)

Effects of adjustments are presented below:

Extract from consolidated statement of financial position as at 1 January 2016

	1 January 2016 As previously reported	*Effect of change in accounting policy*	*1 January 2016 Restated*
Non-current assets			
Property, plant and equipment	13,198	(3,640)	9,558
Other	1,773	–	1,773
Total non-current assets	**14,971**	**(3,640)**	**11,331**
Total current assets	**25,668**	**–**	**25,668**
Total assets	**40,639**	**(3,640)**	**36,999**
Equity			
Revaluation surplus arising from property, plant and equipment	3,214	(3,214)	–
Retained earnings	2,909	115	3,024
Other	11,953	–	11,953
Total equity	**18,076**	**(3,099)**	**14,977**
Non-current liabilities			
Deferred tax liabilities	1,585	(541)	1,044
Other	9,605	–	9,605
Total non-current liabilities	**11,190**	**(541)**	**10,649**
Total current liabilities	**11,373**	**–**	**11,373**
Total liabilities	**22,563**	**(541)**	**22,022**
Total equity and liabilities	**40,639**	**(3,640)**	**36,999**

Extract from consolidated statement of financial position as at 31 December 2016

	31 December 2016 As previously reported	*Effect of change in accounting policy*	*31 December 2016 Restated*
Non-current assets			
Property, plant and equipment	71,631	(3,497)	68,134
Other	1,406	–	1,406
Total non-current assets	**73,037**	**(3,497)**	**69,540**
Total current assets	**38,536**	–	**38,536**
Total assets	**111,573**	**(3,497)**	**108,076**
Equity			
Revaluation surplus arising from property, plant and equipment	3,755	(3,755)	–
Retained earnings	2,556	258	2,814
Other	39,878	–	39,878
Total equity	**46,189**	**(3,497)**	**42,692**
Total non-current liabilities	**7,611**	**–**	**7,611**
Total current liabilities	**57,773**	**–**	**57,773**
Total liabilities	**65,384**	**–**	**65,384**
Total equity and liabilities	**111,573**	**(3,497)**	**108,076**

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.5 Changes in accounting policies and disclosures (continued)

Extract from consolidated statement of profit and loss for the year ended 31 December 2016

	2016 As previously reported	***Effect of change in accounting policy***	***2016 Restated****
Sale of goods	29,793	–	29,793
Cost of sales	(15,917)	143	(15,774)
Gross profit	**13,876**	**143**	**14,019**
Other	(12,376)	–	(12,376)
Operating result	**1,500**	**143**	**1,643**
Other	(1,894)	**–**	(1,894)
Loss before tax	**(394)**	**143**	**(251)**
Income tax benefit	41	–	41
Loss for the year	**(353)**	**143**	**(210)**

Extract from consolidated statement of other comprehensive income for the year ended 31 December 2016

	31 December 2016 As previously reported	***Effect of change in accounting policy***	***31 December 2016 Restated****
Loss for the year	**(353)**	**143**	**(210)**
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	37	–	37
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	541	(541)	–
Total comprehensive income/(loss) for the year, net of tax	**225**	**(398)**	**(173)**

Extract from consolidated statement of cash flows for the year ended 31 December 2016

	31 December 2016 As previously reported	***Effect of change in accounting policy***	***31 December 2016 Restated****
Operating activities			
Loss before tax	(394)	143	(251)
Adjustments to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	1,561	(143)	1,418
Other adjustments	2,225	–	2,225
Net cash flow from operating activities	**3,144**	**–**	**3,144**
Net cash flow used in investing activities	**(59,845)**	**–**	**(59,845)**
Net cash flow from financing activities	**55,119**	**–**	**55,119**
Net (decrease)/increase in cash and cash equivalents	**(1,582)**	**–**	**(1,582)**
Effect of exchange rate difference from cash and cash equivalents	556	–	556
Cash and cash equivalents at the beginning of the period	3,425	–	3,425
Cash and cash equivalents at the end of the year	**2,399**	**–**	**2,399**

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.5 Changes in accounting policies and disclosures (continued)

b) Adoption of new standards and interpretations and voluntary changes in accounting policies

The nature and the impact of each amendment is described below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

The Group early adopted the new revenue recognition standard effective from 1 January 2017 using the modified retrospective approach. The impact of early adoption was GEL 397 decrease to retained earnings, with a corresponding increase of inventories (GEL 604), and decrease of accounts receivables (GEL 1,001).

The principal activities of the Group are production and distribution of wine, beer, lemonade and other alcoholic beverages of own produce and distribution of imported beer and other beverages. The Group's customers are retail shop, small supermarkets, restaurants and bars. IFRS 15 had the following impacts on its revenue recognition principles:

(i) Principal versus agent considerations

Since the alcoholic and non-alcoholic beverages are sold by the Group to the end users through retailers, small supermarkets, bars and restaurant (the intermediate sellers), management needed to determine whether the Group controls these goods before they are resold to end-users. Under certain type of sales contract, the intermediate sellers have unconditional right of return of unsold goods to the Group and the Group should take back all unsold goods at any time before certain product expiration date is reached. Accordingly, the Group retains inventory risk under this type of sales contracts, before the goods are resold to the end-user. Under IFRS 15 the management did not recognize revenue generated under such sales contracts until goods are purchased by the end users. Adjustments to the opening balances as at 1 January 2017 was decrease accounts receivable from the sale of goods by GEL 1,001 increase inventories by GEL 604 and decrease of retained earnings by GEL 397.

(ii) Determining transaction price

Under IFRS 15 consideration payable by the Group to its customers is accounted for as a reduction of the transaction price as the management assessed that such payments are not made for distinct goods or services that the customer transfers to the Group. Under previous accounting policy, such payments were included under selling and marketing expenses. The Group transferred GEL 4,416 from selling and marketing expenses to revenue, as a result of transmission to IFRS 15.

(iii) Determining performance obligation

Management assessed that selling alcoholic and non-alcoholic beverages and providing related marketing materials for free represent separate performance obligations. However, this did not have any impact on the revenue allocation, as both performance obligations are satisfied at the same time. As the cost of such marketing materials was previously accounted under selling and marketing expense, management reclassified GEL 1,248 of such expenses to cost of sales.

(iv) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. In particular, the Group expended the disclosure in respect of significant judgements for revenue recognition (Note 3) and disclosure for contract balances (Note 19).

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.5 Changes in accounting policies and disclosures (continued)

In accordance with new revenue standard requirements, the disclosure of the impact of early adoption of IFRS 15 were as follows:

Extract from consolidated statement of financial position as at 31 December 2016

	31 December 2016 As reported	*Effect of IFRS 15 Adoption*	*1 January 2017*
Total non-current assets	**69,540**	**–**	**69,540**
Current assets			
Inventories	8,426	604	9,030
Trade receivables	6,755	(1,001)	5,754
Other	23,355	–	23,355
Total current assets	**38,536**	**(397)**	**38,139**
Total assets	**108,076**	**(397)**	**107,679**
Equity			
Retained earnings	2,814	(397)	2,417
Other	39,878	–	39,878
Total equity	**42,692**	**(397)**	**42,295**
Total non-current liabilities	**7,611**	**–**	**7,611**
Total current liabilities	**57,773**	**–**	**57,773**
Total liabilities	**65,384**	**–**	**65,384**
Total equity and liabilities	**108,076**	**(397)**	**107,679**

Extract from consolidated statement of financial position as at 31 December 2017

	31 December 2017 Amount without IFRS 15 adoption	*Effect of IFRS 15 Adoption*	*31 December 2017 As reported*
Total non-current assets	**104,549**	**–**	**104,549**
Current assets			
Inventories	16,046	1,076	17,122
Trade receivables	13,693	(1,793)	11,900
Other	24,620	–	24,620
Total current assets	**54,359**	**(717)**	**53,642**
Total assets	**158,908**	**(717)**	**158,191**
Equity			
Retained earnings	(11,112)	(717)	(11,829)
Other	82,167	–	82,167
Total equity	**71,055**	**(717)**	**70,338**
Total non-current liabilities	**61,482**	**–**	**61,482**
Total current liabilities	**26,371**	**–**	**26,371**
Total liabilities	**87,853**	**–**	**87,853**
Total equity and liabilities	**158,908**	**(717)**	**158,191**

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.5. Changes in accounting policies and disclosures (continued)

Extract from consolidated statement of profit or loss as at 31 December 2017

	31 December 2017 Amount without IFRS 15 adoption	***Effect of IFRS 15 Adoption***	***31 December 2017 As reported***
Sale of goods	60,183	(5,208)	54,975
Cost of sales	(33,657)	(776)	(34,433)
Gross profit	**26,526**	**(5,984)**	**20,542**
Selling and distribution expenses	(21,201)	5,664	(15,537)
Other	(9,638)	–	(9,638)
Operating result	**(4,313)**	**(320)**	**(4,633)**
Other	(9,613)	–	(9,613)
Loss for the year	**(13,926)**	**(320)**	**(14,246)**
Earnings per share:			
- Basic and diluted loss per share	(0.000034)	(0.000001)	(0.000035)

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 15.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendment did not have any impact on the consolidated financial statements of the Group, as it does not have taxable profit after the introduction of new tax model effective since 1 January 2017 Note 7.

c) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. Overall the Group expects no significant impact on its consolidated statement of financial position and consolidated equity after adoption of IFRS 9.

(Thousands of Georgian lari)

2. Significant accounting policies (continued)

2.5 Changes in accounting policies and disclosures (continued)

(i) Classification and measurement

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The trade receivables of the Group are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payment of principal amount. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its consolidated equity due to unsecured nature of its loans and receivables, but it will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(iii) Hedge accounting

The Group currently does not have any hedge relationships, thus the Group does not expect any impact as a result of applying IFRS 9.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognized the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognized the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is in the process of assessment the impact of the transmission to the new standard.

(Thousands of Georgian lari)

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

Revenue recognition – transfer of control over goods

The management uses judgment in determining whether the Group controls the goods delivered to the intermediate sellers before they are resold to the end-users. Under certain type of sales contracts, the intermediate sellers are obliged to pay for the goods only after they are resold to the end user and have unconditional right of return of unsold goods to the Group at any time before product expiration date is reached. Management believes that under these sales contracts, the Group retains control over the goods until these goods are not resold to the end-users and does not recognize revenue until that point.

Net investment in a subsidiary

The Group treats part of its trade accounts receivable and payable towards its subsidiary in Ukraine as part of its net investment. Management believes that recovery of these intra-Group amounts is not expected in near future and they depend on the overall performance of its Ukrainian subsidiary, therefore they form part of the Group's net investment into its subsidiary in Ukraine. Exchange differences arising on these monetary items are recognised initially in other comprehensive income Following this judgment foreign losses of GEL 564 were classified as part of other comprehensive income in 2017 (2016: 54).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of harvested produce

The Group's harvested produce is measured at fair value less costs to sell at the point of harvest. The fair value of grapes is determined by reference to estimated market prices at the time of harvest. Generally there is no readily obtainable market price for the Group's grapes because they are not sold on the open market, therefore management set the values based on their experience and knowledge of the sector including past purchase transactions.

Allowance for impairment of receivables

The Group regularly reviews its receivables to assess impairment. The Group uses its judgment to estimate the amount of any impairment loss in case where a borrower is in financial difficulties and there are few available historical data relating to similar debtors. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of debtors in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of receivables.

Management believes that allowance for uncollectable amounts of GEL 2,320 (2016: GEL 1,687) is the best estimate of possible losses from impairment of accounts receivables (Note 9).

4. Ukrainian economic environment

In 2017 Ukrainian banking system became more resilient and better capitalized. After a three-year pause, banks began lending again to households and corporates. This was led by positive signs in Ukrainian economy as a whole. After a big fall in 2014-2015, Ukrainian economy started recovering from and kept a positive growth in GDP growth rate (except the first quarter of 2017). Economic growth remained slow but positive, while consumer and investment demand have recovered rapidly. That recovery can be considered as the main basis for the acceleration in GDP growth up to 2-3% in 2018.

(Thousands of Georgian lari)

4. Ukrainian economic environment (continued)

National Bank of Ukraine ("NBU") expects to slow down inflation rate in 2018. The NBU raised its key policy rate twice by total of 2 percentage points to 14.5% in late 2017. The decision to tighten monetary policy was mainly prompted by the need to bring inflation closer to target levels at the beginning of 2018. The tighter monetary policy will help prevent inflation expectations from deteriorating further.

At 31 December 2017, the Group's net assets exposure to Ukrainian risk amounted to approximately GEL 4,419 (2016: GEL 3,600). Negative developments in Ukraine could adversely impact results and financial position of the Group and its Ukrainian subsidiary in a manner not currently determinable.

5. Earnings before interest, tax, depreciation and amortization (EBITDA)

The directors of the Group have presented the performance measure EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. EBITDA is calculated by adjusting profit to exclude the impact of taxation, net finance costs, depreciation, amortisation, foreign exchange gain/loss and other non-recurring income and expenses. EBITDA is not a defined performance measure in IFRSs. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA to profit is as follows:

	Note	*2017*	*2016 Restated*
Loss for the year		**(14,246)**	**(210)**
Income tax benefit	7	–	(41)
Loss before tax		**(14,246)**	**(251)**
Adjustments for:			
Depreciation and amortization	20, 22, 23, 24	5,234	1,396
Finance costs		3,316	886
Finance income		(169)	(99)
Foreign exchange loss		7,024	1,043
Other non-operating loss		–	64
Other non-operating gain		(558)	–
EBITDA		**601**	**3,039**

(Thousands of Georgian lari)

6. Property, plant and equipment

	Land	*Buildings*	*Machinery and equipment*	*Vehicles*	*Other*	*Grape vines*	*Vineyard establishment*	*Construction in progress*	*Total*
Cost									
As restated at 1 January 2016	**1,146**	**2,849**	**7,318**	**1,070**	**590**	**1,155**	**116**	**71**	**14,315**
Additions	–	24	945	251	63	–	30	58,787	**60,100**
Disposals	(31)	–	(15)	(175)	(29)	(70)	–	–	**(320)**
As at 31 December 2016	**1,115**	**2,873**	**8,248**	**1,146**	**624**	**1,085**	**146**	**58,858**	**74,095**
Additions	–	11	18,286	4,864	942	–	2	15,436	**39,541**
Disposal	–	(202)	(71)	(130)	(10)	–	–	–	**(413)**
Transfer from CIP	–	14,917	59,202	–	–	–	–	(74,119)	**–**
Translation difference	–	–	–	–	(5)	–	–	–	**(5)**
As at 31 December 2017	**1,115**	**17,599**	**85,665**	**5,880**	**1,551**	**1,085**	**148**	**175**	**113,218**
Depreciation									
As restated at 1 January 2016	**–**	**13**	**3,646**	**636**	**462**	**–**	**–**	**–**	**4,757**
Depreciation charge for the year, restated	–	199	910	183	52	74	–	–	**1,418**
Depreciation on disposals	–	–	(8)	(174)	(28)	(4)	–	–	**(214)**
As at 31 December 2016	**–**	**212**	**4,548**	**645**	**486**	**70**	**–**	**–**	**5,961**
Depreciation charge for the year	–	445	4,000	664	172	70	–	–	**5,351**
Depreciation on disposals	–	(60)	(69)	(115)	(10)	–	–	–	**(254)**
Translation difference	–	–	–	–	(8)	–	–	–	**(8)**
As at 31 December 2017	**–**	**597**	**8,479**	**1,194**	**640**	**140**	**–**	**–**	**11,050**
Net book value									
At 1 January 2016	**1,146**	**2,836**	**3,672**	**434**	**128**	**1,155**	**116**	**71**	**9,558**
At 31 December 2016	**1,115**	**2,661**	**3,700**	**501**	**138**	**1,015**	**146**	**58,858**	**68,134**
At 31 December 2017	**1,115**	**17,002**	**77,186**	**4,686**	**911**	**945**	**148**	**175**	**102,168**

(Thousands of Georgian lari)

6. Property, plant and equipment (continued)

The Group completed construction of the brewery in May 2017. The related amount of borrowing costs capitalised during the year ended 31 December 2017 was GEL 2,149 (2016: 818) and comprised of GEL 1,710 of finance costs (2016: 712) and GEL 439 of foreign exchange losses (2016: 106).

The Group has provided property, plant and equipment as collateral to guarantee external loans received from the OPIC, from the EBRD and from the DEG (note 18).

7. Income tax

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date is 1 January 2019. Under the new regulation, corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia, rather than on profit earned. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of net distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax.

Following the enactment of the amendments, as at 31 December 2016 the Group reversed in full its deferred tax assets and liabilities based on IAS 12 *Income Taxes* requirement to measure deferred taxes at 0% tax rate applicable for undistributed profits starting from 1 January 2017.

In 2017, the Group did not pay dividend, thus income tax charge on distributed profits (dividends) was nil. In 2016, the Group recognized income tax benefit resulting from reversal of deferred tax assets and liabilities in amount of GEL 704 in profit or loss.

The corporate income tax benefit comprises of:

	2017	*2016*
Consolidated statement of profit and loss		
Current income tax charge	–	663
Deferred income tax benefit	–	(704)
Income tax benefit reported in the consolidated statement of profit or loss	**–**	**(41)**

Reconciliation between income tax benefit and the product of accounting profit multiplied by Georgia’s domestic tax rate of 15% for the years ended as at 31 December 2017 and 2016 is as follows:

	2017	*2016*
Net dividends / profit before tax	**–**	**(394)**
Statutory tax rate	**15/85**	**15%**
Theoretical income tax benefit at the statutory rate	–	(59)
Free of charge supplies	–	136
Marketing expenses	–	69
Income from resident financial institutions	–	(15)
Change in allowance of deferred tax asset	–	329
Effect of change in income tax legislation	–	(446)
Effect of higher tax rates in Ukraine	–	(55)
Income tax benefit for the year	**–**	**(41)**

The Group’s Ukrainian subsidiary incurred net tax loss of GEL 820 in 2017 (2016: GEL 633). Thus, the Group did not pay corporate income tax in Ukraine.

(Thousands of Georgian lari)

7. Income tax (continued)

As at 31 December 2017 the Group had tax loss carry forward of GEL 8,471 (2016: GEL 7,650) from Ukrainian Subsidiary without expiration date. Due to the unpredictability of future utilization of the above mentioned losses the Group recognized allowance for the related deferred tax asset.

Deferred tax assets and liabilities as at 31 December 2017 and their movements with respective years are as follows:

	2016 Restated	*Change through consolidated statement of profit or loss*	*Change through other comprehensive income*	*2017*
Deferred tax assets				
Tax losses carried forward	1,377	147	–	1,524
Gross deferred tax assets	**1,377**	**–**	**–**	**1,525**
Unrecognized deferred tax asset	(1,377)	(147)	–	(1,524)
Total deferred tax assets	**–**	**–**	**–**	**–**

Deferred tax assets and liabilities as at 31 December 2016 and their movements with respective years are as follows:

	2015 Restated	*Change through consolidated statement of profit or loss*	*Change through other comprehensive income*	*2016*
Deferred tax assets				
Trade receivable	261	(261)	–	–
Inventories	49	(49)	–	–
Other liabilities	65	(65)	–	–
Tax losses carried forward	1,228	149	–	1,377
Gross deferred tax assets	**1,603**	**(226)**	**–**	**1,377**
Unrecognized deferred tax asset	(1,263)	(114)		(1,377)
Total deferred tax assets	**340**	**(340)**	**–**	**–**
Deferred tax liabilities				
Property, plant and equipment	(1,545)	1,004	541	–
Interest bearing loans and borrowings	(44)	44	–	–
Intangible assets	(11)	11	–	–
Prepayments	15	(15)	–	–
Total deferred tax liabilities	**(1,585)**	**1,044**	**541**	**–**
Net deferred tax liability	**(1,245)**	**704**	**541**	**–**

(Thousands of Georgian lari)

8. Inventories

As at 31 December inventory balances were as follows:

	2017	*2016*
Raw materials	8,037	3,763
Production supporting materials	3,005	1,546
Finished goods (own production)	2,976	1,181
Finished goods (imported products)	2,150	1,306
Work in progress	291	296
Other inventories	663	334
	17,122	**8,426**

9. Trade receivables

As at 31 December, trade receivables balances were as follows:

	2017	*2016*
Trade receivables	14,220	8,442
Less: allowance for doubtful accounts	(2,320)	(1,687)
	11,900	**6,755**

Movement of allowance for doubtful accounts as at 31 December is as follows:

	2017	*2016*
At 1 January	**1,687**	**1,608**
Charge for the year	633	79
At 31 December	**2,320**	**1,687**

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

As at 31 December, the ageing analysis of trade receivables is as follows:

2017	*Neither past due nor impaired*	*<30 days*	*30-90 days*	*90-180 days*	*Total*
Trade receivables	8,328	2,418	1,141	13	**11,900**

2016	*Neither past due nor impaired*	*<30 days*	*30-90 days*	*90-180 days*	*Total*
Trade receivables	6,468	211	58	18	**6,755**

(Thousands of Georgian lari)

10. Prepayments

As at 31 December, prepayments included under non-current assets are as follows:

	2017	*2016*
Prepayments for fixed assets	566	827
Prepayments to customers (a)	1,092	99
	1,658	**926**

(a) The Group pays to customers up-front fees for signing new contracts or for renewing existing ones. These costs are deferred to the extent that they are recoverable from future profits. Prepayments to the customers are amortized on a straight- line basis, over the period of sales contract – from one to three years. Amortization amount is treated as a reduction of transaction price in accordance with IFRS 15.

As at 31 December, prepayments included under current assets are as follows:

	2017	*2016*
Prepayments to customers	1,710	296
Prepayments for raw materials and goods	300	259
prepayment for marketing services	227	–
Prepayments for obtaining loan	–	174
Prepayments for software maintenance	–	63
other	558	228
	2,795	**1,020**

11. Restricted cash

	2017	*2016*
Cash deposit under OPIC loan agreement (Note 14)	1,759	1,796
Cash deposit under the TBC agro loan (Note 14)	2,600	1,500
Guarantee for letter of credit for a supplier	–	13,738
	4,359	**17,034**

12. Cash and cash equivalents

As at 31 December, cash and cash equivalent balances were as follows:

	2017	*2016*
Current accounts with banks	16,862	2,093
Cash on hand	575	306
	17,437	**2,399**

Current accounts earn interest at annual 2%-5%.

(Thousands of Georgian lari)

13. Equity

As at 31 December 2017, authorized share capital comprised 520,000,000 (2016: 400,000,000) common shares, which were fully issued and paid (2016: 277,094,255). Each share has a nominal value of GEL 0.00001.

During 2017 the Group issued shares several times to its existing shareholders. In January 2017, the Group issued 92,310,000 new shares and raised GEL 16,154 to repay short-term bridge loan obtained from the shareholders. In June 2017, the Group issued additional 82,547,143 shares and raised GEL 13,961 to finance the working capital related to beer production. In December 2017, 67,738,602 shares were issued and GEL 12,216 was raised. With obtained funds the Group will repay liabilities which were outstanding as at 31 December 2017 and plans to acquire additional equipment for the brewery.

Share capital of the Group was paid by the existing shareholders in Georgian lari and they are entitled to dividends in Georgian Lari.

No dividends were declared or paid in 2017 and 2016.

Earnings per share

Basic earnings per share amounts are calculated by dividing profit/loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. The Group's diluted earnings per share equal basic earnings per share as there are no dilutive potential ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2017	***2016***
Loss for the year attributable to ordinary equity holders	(14,246)	(210)
Weighted average number of ordinary shares	4,08625,000	197,642,200
Basic and diluted earnings per share	**(0.0000035)**	**(0.0000011)**

14. Interest bearing loans and borrowings

	Maturity	***Currency***	***2017***
Non-current interest bearing loans and borrowings			
EUR 18.5M loan from International financial institution (a)	20 October 2025	EUR	56,307
USD 8M loan from International financial institution (b)	31 March 2021	USD	5,175
			61,482
Current interest bearing loans and borrowings			
EUR 18.5M loan from International financial institution (a)	20 October 2025	EUR	1,972
USD 8M loan from International financial institution (b)	31 March 2021	USD	2,902
GEL 5M loan form Georgian commercial bank (d)	15 December 2018	GEL	4,868
other	31 December 2017	USD	53
			9,795
			71,277

(Thousands of Georgian lari)

14. Interest bearing loans and borrowings (continued)

	Maturity	*Currency*	*2016*
Non-current interest bearing loans and borrowings			
USD 8 million loan from International financial institution (b)	31 March 2021	USD	7,611
Current interest bearing loans and borrowings			
USD 8 million loan from International financial institution (b)	31 March 2021	USD	3,120
USD 6 million loan from shareholders (c)	15 February 2017	USD	16,597
EUR 0.5 million loan from Related Parties (c)	28 February 2017	EUR	1,538
USD 0.7 million loan from shareholder (c)	24 February 2017	USD	2,027
EUR 5 million Bank Loan (c)	30 June 2017	EUR	13,791
GEL 1.5 million loan from Georgian commercial bank (d)	15 June 2017	GEL	1,482
Other	31 December 2016	USD	55
			38,610
			46,221

(a) In 2017, the Group borrowed EUR 12,333 thousands from European Bank for Reconstruction and Development (the EBRD) and EUR 6,167 from DEG – DEUTSCHE INVESTITIONS-UND ENTWICKLUNGSGESELLSCHAFT MBH (the DEG). The loan facility was used for repaying outstanding short term bridge loans from shareholders and for investing in the construction of the brewery.

The loan agreement with the EBRD and the DEG has imposed certain financial and non-financial covenants on the subsidiary of the Group – Global Beer Georgia, which will be applied upon post project completion phase from 20 April 2019.

(b) In 2011 the Group borrowed USD 8,000 thousands from Overseas Private Investment Corporation (OPIC). As at 31 December 2017, property plant and equipment and inventories with carrying value of GEL 18,538 (2016: GEL 15,728) are pledged under this loan agreement.

The loan agreement with OPIC has imposed certain financial and non-financial covenants on the Group. The Group should maintain (i) current assets to current liabilities ratio of more than 2, (ii) indebtedness to tangible net worth and (iii) debt service ratio not less than 1.4. Covenant (iii) was violated as at 31 December 2017, however, the Group had duly obtained waiver for the breach of this covenant.

(c) To finance construction of the brewery the Group obtained short term bridge loans from shareholders, other related parties and Georgian commercial bank. The Bridge loans were fully repaid via issuance of new shares and refinancing from the funds received from the EBRD and the DEG.

(d) Short-term loans were obtained from Georgian commercial bank to finance working capital.

15. Changes in liabilities arising from financing activities

	2017	*2016*
As at 1 January	**46,221**	**14,759**
Cash flows	13,233	26,472
Foreign exchange loss accrued in profit and loss statement	6,358	3,286
Finance cost accrued in profit and loss statement	3,316	886
Finance cost capitalized on construction in progress (Note 6)	1,710	712
Foreign exchange loss capitalized on construction in progress (Note 6)	439	106
As at 31 December	**71,277**	**46,221**

(Thousands of Georgian lari)

16. Trade and other accounts payable

As at 31 December trade and other accounts payable were as follows:

	2017	***2016***
Trade payables	8,930	3,063
Payables for brewery construction and other fixed assets	5,351	15,004
Trade payable due to related party	567	49
	14,848	**18,116**

Trade payables are non-interest bearing and are normally settled within 30 to 90 days term.

17. Intangible assets

As at 31 December intangible assets were as follows:

	Trademarks	***Accounting and other software***	***Software under development***	***Total***
Cost				
As at 1 January 2016	**30**	**163**	**–**	**193**
Additions	97	27	253	**377**
As at 31 December 2016	**127**	**190**	**253**	**570**
Additions	2	272	–	**274**
Transfers	–	253	(253)	**–**
As at 31 December 2017	**129**	**715**	**–**	**844**
Amortization				
As at 1 January 2016	**–**	**69**	**–**	**69**
Amortization charge for the year	–	21	–	**21**
As at 31 December 2016	**–**	**90**	**–**	**90**
Amortization charge for the year	9	22	–	**31**
As at 31 December 2017	**9**	**112**	**–**	**121**
Net book value				
At 31 December 2016	**127**	**100**	**253**	**480**
At 31 December 2017	**120**	**603**	**–**	**723**

18. Contingencies, commitments and operating risks

Georgian and Ukrainian tax environment

Georgian and Ukrainian tax and transfer pricing legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant state authorities. Management believes that its interpretations of laws and regulations is adequate and it has declared and accounted for all tax risks adequately.

Collateral on assets

The Group has provided property, plant and equipment and inventories owned by the Group, except for one of its subsidiary – Global Beer Georgia LLC, as collateral to guarantee external loans received from the OPIC. The property, plant and equipment and inventories, except for vehicles, owned by Global Beer Georgia LLC were provided as collateral to guarantee external loans received from the EBRD and the DEG.

(Thousands of Georgian lari)

18. Contingencies, commitments and operating risks (continued)

Collateral on assets (continued)

The schedule below discloses assets pledged for the loan from OPIC as at 31 December:

	2017	*2016 Restated*
Property plant and equipment pledged	6,215	6,532
Inventories pledged	8,682	5,555
	14,897	**12,087**

The schedule below discloses assets pledged for the loans from EBRD and DEG as at 31 December:

	2017	*2016*
Property plant and equipment pledged	90,610	–
Inventories pledged	4,876	–
	95,486	**–**

19. Revenue

	2017	*2016*
Sales of finished goods (own production)	32,717	17,675
Re-sale of goods	22,258	12,118
	54,975	**29,793**

Revenue from sale of finished goods of own production includes revenue from sale of own produced wine, beer, Chacha, sparkling wine, lemonade and brandy. For details please refer to schedule below:

	2017	*2016*
Wine	19,207	15,124
Beer	9,412	–
Sparkling wine	1,742	1,978
Lemonade	1,457	–
Chacha	595	524
Brandy	304	49
	32,717	**17,675**

(Thousands of Georgian lari)

19. Revenue (continued)

The Group also imports and resells various types of alcoholic and non-alcoholic beverages to Georgia. Revenue received from re-sale of goods is presented below by product types:

	2017	*2016*
Beer	9,489	4,730
Juice	3,794	2,315
Vodka	3,321	4,271
Sparkling wine	2,811	–
Coffee	2,205	268
Whiskey	385	295
Other	236	129
Energetic drinks	17	110
	22,258	**12,118**

Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	31 December 2017	*1 January 2017*
Trade receivables	11,900	5,754
Advances received	95	140

Accounts receivable are recognized when the right to consideration becomes unconditional. Received advances are received consideration from the customers and represent the Group's obligation to transfer goods to these customers.

Received advances of GEL 95 is expected to be recognised as revenue in January 2018 related to performance obligations that are unsatisfied at the reporting date. During 2017 the Group recognized as revenue GEL 140 that was included under contract liabilities at the beginning of the reporting period.

20. Cost of sales

	2017	*2016 Restated*
Cost of sales of finished goods of own produce	17,811	8,113
Cost of re-sold goods	16,622	7,661
	34,433	**15,774**

Below is disclosed cost of sales by expense types:

	2017	*2016 Restated*
Re-sale of goods	16,622	7,661
Raw materials	15,040	7,470
Depreciation	1,145	401
Utility expenses	664	50
Employee benefits	456	192
Other production costs	506	–
	34,433	**15,774**

(Thousands of Georgian lari)

21. Biological produce

The fair value of biological produce was:

	2017	*2016*
At 1 January	**–**	**–**
Crop growing costs	587	459
Fair value of grapes harvested and transferred to inventory	(840)	(475)
Fair value movement in biological produce	**253**	**16**
At 31 December	**–**	**–**

The fair value of grapes harvested is determined by reference to estimated market price less cost to sell at the time of harvest. The estimated market price for grapes used in respect of the 2017 harvest is GEL 1 per tonne.

A 10% change in the estimated market price of grapes per tonne would result in a changeof GEL 59 in the fair value of the grapes harvested in the year.

A fair value gain of GEL 253 (2016: GEL 16) was recorded during the year and included within the consolidated statement of comprehensive income. This measurement of fair value less costs to sell is the deemed cost of the grapes that is transferred into inventory upon harvest.

22. Selling and distribution expenses

	2017	*2016*
Sales promotion and advertising expense	4,918	4,110
Employee benefits	4,299	1,311
Transportation expense	2,926	1,213
Depreciation and amortization	2,481	540
Rent and utility	942	306
Sales and marketing export	52	265
Other	106	52
	15,724	**7,797**

23. Administrative expenses

	2017	*2016*
Employee benefits	2,824	2,220
Taxes, other than income tax	974	393
Professional services	835	182
Rent and utility	539	265
Depreciation and amortization	446	455
Office expenses	271	126
Business trips	212	162
Maintenance and repairs	145	48
Communication expenses	124	68
Bank charges	89	49
Insurance	46	10
Fuel expenses	41	31
Other	601	316
	7,147	**4,325**

Professional services includes fees for the audit of the Group’s consolidated financial statements for the year ended 31 December 2017 of GEL 110 (2016: GEL 72).

(Thousands of Georgian lari)

24. Other operating expenses

	2017	*2016*
Depreciation (a)	1,162	–
Allowance charge on trade receivables (Note 9)	633	79
Employee benefits (a)	551	–
other	211	191
	2,557	**270**

(a) In 2017, the brewery did not start operations at its full capacity. As a result, overhead expenses was not fully allocated to production due to low output or idle capacity. The unallocated overheads were classified as other operating expenses in the Group's consolidated statement of profit and loss.

25. Risk management

The Group's principal financial liabilities comprise interest bearing loans and borrowings, trade and other payables and other current liabilities. The main purpose of these financial liabilities is to raise finances for the Group's operations and investing activities. The Group has trade receivables, amounts due from the financial institutions and cash and current accounts that arrive directly from its operations.

The Group is exposed to credit risk, liquidity risk and foreign currency risk.

The Group's exposure to market risk is not significant since it does not have significant assets or liabilities for which value of future cash flows will fluctuate because of changes in market prices.

The Group's senior management oversees the management of these risks. The Group's financial risk-taking activities are very limited. The Group has no derivative activities for risk management or other purposes.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The extent of the Group's credit exposure is represented by the aggregate balance of trade receivables, restricted cash, cash held on current accounts with banks, and short term deposits as at 31 December 2017 and 2016.

Trade receivables

Credit quality of a customer is assessed based on an extensive credit analyses and individual credit limits are defined in accordance with this assessment. Due to the circumstances described in Note 4 subsidiary of the Group in Ukraine suspended the credit limits offered to the customers. However, starting from 2017 the Group allowed late payments to its customers for purchased new product lines of beer and lemonade and accordingly as at 31 December 2017 certain accounts receivables are overdue. The Group monitors these receivables and performed impairment analysis on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

Cash on current account and short term deposits

The Group manages the credit risk by depositing the majority of available cash with well-known banks in Georgia. Management of the Group continually monitors the status of the banks where deposits are maintained, also status of major customers and respective receivables are monitored on daily bases.

At 31 December 2017 total credit risk exposure equalled to GEL 33,143 (2016: GEL 25,882).

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to Group's net investments in foreign subsidiaries.

The Group enters into contracts in USD, EUR, UAH and GEL. The Group does not use currency derivatives to hedge future transactions and cash flows.

(Thousands of Georgian lari)

24. Risk management (continued)

Foreign currency risk (continued)

The table below indicates the currencies to which the Group had significant exposure at 31 December 2017 and 2016 on monetary assets and liabilities (expressed in GEL):

2017	*GEL*	*USD*	*UAH*	*EUR*	*Total*
Assets					
Trade and other accounts receivable	6,755	592	3,236	1,317	**11,900**
Cash and cash equivalents	2,452	13,478	239	1,268	**17,437**
Restricted cash	2,622	1,759	–	–	**4,381**
Liabilities					
Interest bearing loans and borrowings	(4,868)	(8,130)	–	(58,279)	**(71,277)**
Trade and other accounts payable	(6,973)	(928)	(193)	(6,754)	**(14,848)**
Net position	**(12)**	**6,771**	**3,282**	**(62,448)**	**(52,407)**

2016	*GEL*	*USD*	*UAH*	*EUR*	*Total*
Assets					
Trade receivables	3,837	93	2,321	504	**6,755**
Cash and cash equivalents	758	4	199	1,438	**2,399**
Restricted cash	1,500	1,796	–	13,738	**17,034**
Liabilities					
Interest bearing loans and borrowings	(1,482)	(29,410)	–	(15,329)	**(46,221)**
Trade and other accounts payable	(2,292)	(1,731)	(42)	(14,051)	**(18,116)**
Net position	**2,321**	**(29,248)**	**2,478**	**(13,700)**	**(38,149)**

Analysis provided below calculates the effect of a reasonably possible movement of the currency rate against the Georgian lari, with all other variables held constant on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

2017	*Change in currency rate in %*	*Strengthening*	*Weakening*
USD	13.50%	914	(914)
EUR	16.00%	(9,992)	9,992
UAH	30.00%	985	(985)

2016	*Change in currency rate in %*	*Strengthening*	*Weakening*
USD	14.0%	(4,095)	4,095
EUR	17.5%	(2,398)	2,398
UAH	30.0%	743	(743)

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts and monitoring forecast and actual cash flows and matching cash resources with the maturity profiles of financial statements.

(Thousands of Georgian lari)

24. Risk management (continued)

Liquidity risk and funding management (continued)

The tables below summarises the maturity profiles of the Group's financial liabilities at 31 December 2017 and 2016 based on contractual undiscounted repayment obligations:

2017	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
Interest bearing loans and borrowings	–	1,933	9,366	63,226	17,925	**92,450**
Trade and other accounts payable	–	14,848	–	–	–	**14,848**
	–	**16,781**	**9,366**	**63,226**	**17,925**	**107,298**

2016	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
Interest bearing loans and borrowings	–	21,100	17,621	9,330	–	**48,051**
Trade and other accounts payable	–	18,116	–	–	–	**18,116**
	–	**39,216**	**17,621**	**9,330**	**–**	**66,167**

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. However, changes in interest rates do not impact any component of the Group's financial assets or liabilities. All interest-bearing loans and borrowings and cash and cash equivalents have fixed interest rates and therefore management do not believe the Group is exposed to the interest rate risk from these financial assets and liabilities.

Capital management

For the purpose of the Group's capital management, capital includes share capital, share premium and all other equity reserves attributable to the equity holders of the Parent and is measured at GEL 70,338 as at 31 December 2017 (2016: GEL 42,692).

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. The Group has taken a loan from financial institution which has imposed certain financial covenants on the Group's capital (Note 14). The Group should maintain a ratio of total liability to net assets less intangible assets of not more than 1.5 to 1. Breaches in meeting the financial covenants would permit the financial institution to accelerate the repayment.

	2017	*2016*
Total liabilities	**87,853**	**65,384**
Equity	70,338	46,189
Intangible assets	(723)	(480)
Tangible net worth	**69,615**	**45,709**
Ratio of total liability to net assets less intangible assets	**1.26**	**1.43**

Fair value of financial assets and liabilities not carried at fair value

Fair value of financial assets and financial liabilities approximates carrying value.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

(Thousands of Georgian lari)

26 Fair value of financial assets and financial liabilities

The fair value of interest bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for loans on similar terms, credit risk and remaining maturities.

27. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

27.1 Operating transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Purchases	*Rent and utility expense*	*Insurance expense*	*Advances paid to Related Parties*	*Amounts owed to related parties*
Entities under common control					
2017					
Insurance Company Aldagi JSC	–	–	273	94	–
New Coffee Company LLC	2,212	60	–	–	556
Insurance Company Imedi LJSC	–	–	47	–	23
Georgian Water and Power LLC	–	–	–	21	–
2016					
Insurance Company Imedi L JSC	–	–	20	–	–
Insurance Company Aldagi JSC	–	–	47	–	–

27.2 Investing and financing transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Finance cost	*Finance cost capitalized*	*Cash and cash equivalents and restricted cash*	*Amounts owed to related parties*
Shareholders				
2017				
JSC Georgia Capital (a)	337	617	–	954
Firebird Republics Fund Ltd.(b)	–	29	–	–
Firebird Avrora Fund Ltd. (b)	–	29	–	–
2016				
JSC Georgia Capital (b)	–	717	–	14,164
Firebird Republics Fund Ltd.(b)	–	105	–	2,230
Firebird Avrora Fund Ltd.(b)	–	105	–	2,230
Entities under common control				
2017				
Bank of Georgia	–	–	14,377	–
Galt and Taggart Holdings Limited (b)	–	27	–	–
2017				
Bank of Georgia	–	–	14,146	–
Galt and Taggart Holdings Limited (b)	–	139	–	1,538

(Thousands of Georgian lari)

27. Related party disclosures (continued)

27.2 Investing and financing transactions (continued)

(a) The Group has to pay 2% of the principal amount of the loans received from the EBRD and the DEG to the guarantor, JSC Georgia Capital. Total amount of guarantee fee accrued as at 31 December 2017 was GEL 954.

(b) The Group has interest bearing loans received from Galt & Taggart Holding Limited, from Firebird Republics Fund Ltd., from Firebird Avrora Fund Ltd and from JSC Georgia Capital.

27.3 Compensation of key management personnel of the Group

The amounts disclosed in the following table are the amounts recognised as an expense during the reporting period related to the key management personnel:

	2017	***2016***
Kay management salary expenses	703	610
Management bonuses	400	380
	1,103	**990**

27.3 Compensation of key management personnel of the Group

The amounts disclosed in the following table are the amounts recognised as an expense during the reporting period related to the key management personnel:

	2017	***2016***
Kay management salary expenses	703	610
Management bonuses	400	380
	1,103	**990**

28. Segment information

For management purposes, the Group is organized into single reportable segment – trading with alcoholic and non-alcoholic beverages. The management organizes sale of own produced finished goods and resale of imported goods under four regions: Georgia, Ukraine, Other CIS and Other countries.

Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment. Geographical performance is evaluated based on revenue and operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The information regarding income and expenses provided for the geographical regions for the year ended 31 December 2017 and 2016 is as follows:

For the year ended 31 December 2017	***Georgia***	***Ukraine***	***Other CIS***	***Other countries***	***Unallocated***	***Total***
Revenue from external customers	40,145	5,609	3,814	5,407	–	**54,975**
Cost of sales	(27,308)	(3,078)	(1,406)	(2,641)	–	**(34,433)**
Financial cost	(3,316)	–	–	–	–	**(3,316)**
Financial income	169	–	–	–	–	**169**
		–	–			
Loss before tax	**–**	**–**	**–**	**–**	**(14,246)**	**(14,246)**
Income tax expense	–	–	–	–	–	**–**
Loss for the year	**–**	**–**	**–**	**–**	**(14,246)**	**(14,246)**

(Thousands of Georgian lari)

28. Segment information (continued)

For the year ended 31 December 2016	*Georgia*	*Ukraine*	*Other CIS*	*Other countries*	*Unallocated*	*Total*
Revenue from external customers	18,977	4,959	2,238	3,619	–	**29,793**
Cost of sales	(11,268)	(2,045)	(857)	(1,747)	–	**(15,917)**
Financial cost	(886)	–	–	–	–	**(886)**
Financial income	99	–	–	–	–	**99**
Loss before tax	**–**	**–**	**–**	**–**	**(394)**	**(394)**
Income tax benefit	–	–	–	–	41	**41**
Loss for the year	**–**	**–**	**–**	**–**	**(353)**	**(353)**

The information regarding non-current assets provided for the geographical regions for the year ended 31 December 2017 and 2016 is as follows:

For the year ended 31 December 2017	*Georgia*	*Ukraine*	*Other CIS*	*Other countries*	*Unallocated*	*Total*
Property, plant and equipment	102,109	59	–	–	–	**102,168**
Intangible assets	723	–	–	–	–	**723**
Total	**102,832**	**59**	**–**	**–**	**–**	**102,891**

For the year ended 31 December 2016	*Georgia*	*Ukraine*	*Other CIS*	*Other countries*	*Unallocated*	*Total*
Property, plant and equipment	71,568	63	–	–	–	**71,631**
Intangible assets	480	–	–	–	–	**480**
Total	**72,048**	**63**	**–**	**–**	**–**	**72,111**

29. Events after the reporting period

In March 2018, Ukrainian Tax Authorities (UTA) started full tax inspection of the Teliani Trading Ukraine, tax inspection covered period from 1 January 2015 to 30 September 2017. Final inspection act is expected to be issued in April. Considering preliminary results of the inspection, the Group does not expect any significant additional tax charges and penalties caused by the tax inspection.