

Teliani Valley and Subsidiaries JSC

Consolidated financial statements

*For the year ended 31 December 2015
Together with independent auditors' report*

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Independent auditors' report

To the Shareholders and Board of Directors of
JSC Teliani Valley

We have audited the accompanying consolidated financial statements of JSC Teliani Valley and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

EY Georgia LLC

21 March 2016

Tbilisi, Georgia

Consolidated statement of financial position**As at 31 December 2015***(Thousands of Georgian lari)*

	Note	2015	2014
Property, plant and equipment	10	11,028	9,973
Intangible assets		124	105
Biological assets	11	2,170	1,227
Prepayments for fixed assets		1,309	–
Deferred tax assets	12	340	72
Total non-current assets		14,971	11,377
Inventories	13	10,761	11,807
Trade and other receivables	14	6,470	7,898
Prepaid corporate income tax		60	28
Taxes prepaid, other than income tax		2,057	2,002
Prepayments		460	584
Other current assets		60	62
Amounts due from financial institutions	16	2,375	1,265
Cash and cash equivalents	15	3,425	2,856
Total current assets		25,668	26,502
Total assets		40,639	37,879
Equity			
Issued capital	17	771	771
Share premium	17	12,958	12,958
Revaluation surplus		2,464	1,849
Foreign currency translation reserve		(1,777)	(1,526)
Retained earnings		3,659	4,905
Equity attributable to equity holders of the parent		18,075	18,957
Non-controlling interests		1	1
Total equity		18,076	18,958
Non-current liabilities			
Interest bearing loans and borrowings	18	9,605	9,233
Deferred tax liabilities	12	1,585	1,190
Total non-current liabilities		11,190	10,423
Current liabilities			
Trade and other accounts payable	19	2,529	2,735
Corporate income tax payable		605	892
Government grant		–	4
Interest bearing loans and borrowings	18	5,154	2,358
Taxes payable, other than income tax		2,438	1,960
Advances received		136	–
Other current liabilities	20	511	549
Total current liabilities		11,373	8,498
Total liabilities		22,563	18,921
Total equity and liabilities		40,639	37,879

Signed and authorized for release on behalf of the management of the Group on 21 March 2016

Shota Kobelia




Chief Executive Officer

Koba Chanturia

Chief Financial Officer

The accompanying notes on pages 8 to 35 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss**For the year ended 31 December 2015***(Thousands of Georgian lari)*

	Note	2015	2014
Sale of goods	22	29,527	30,776
Cost of sales	23	(15,222)	(14,482)
Gross profit		14,305	16,294
Change in fair value of biological assets	11	861	–
Selling and distribution expenses	24	(7,499)	(6,720)
General and administrative expenses	25	(4,099)	(4,411)
Other operating expenses	26	(850)	(838)
Operating profit		2,718	4,325
Finance costs	18	(1,109)	(1,102)
Finance income		55	100
Foreign exchange loss, net		(2,318)	(867)
Other non-operating income		56	59
Other non-operating expenses		–	(4)
(Loss)/profit before taxes		(598)	2,511
Income tax expense	12	(648)	(744)
(Loss)/profit for the year		(1,246)	1,767
Attributable to:			
- Shareholders of the Parent		(1,246)	1,767
- Non controlling interests		–	–
Earnings per share:			
- Basic and diluted (loss)/earning per share		(0.00001616)	0.00002292

The accompanying notes on pages 8 to 35 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income**For the year ended 31 December 2015***(Thousands of Georgian lari)*

	Note	2015	2014
(Loss)/profit for the year		<u>(1,246)</u>	<u>1,767</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange difference on translation of foreign operations		(251)	(1,770)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		<u>(251)</u>	<u>(1,770)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of property, plant and equipment	10	724	-
Income tax relating to component of other comprehensive income	12	(109)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		<u>615</u>	<u>-</u>
Total comprehensive loss for the year, net of tax		<u>(882)</u>	<u>(3)</u>
Attributable to:			
- Shareholders of the Parent		(882)	(3)
- Non controlling interests		-	-

Consolidated statement of changes in equity**For the year ended 31 December 2015***(Thousands of Georgian lari)*

	Share capital	Share premium	Revaluation surplus arising from property, plant and equipment	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
At 31 December 2013	771	12,958	1849	244	3,138	18,960	1	18,961
Profit for the year	-	-	-	-	1,767	1,767	-	1,767
Other comprehensive loss	-	-	-	(1,770)	-	(1,770)	-	(1,770)
At 31 December 2014	771	12,958	1,849	(1,526)	4,905	18,957	1	18,958
Loss for the year	-	-	-	-	(1,246)	(1,246)	-	(1,246)
Other comprehensive income/(loss)	-	-	615	(251)	-	364	-	364
At 31 December 2015	771	12,958	2,464	(1,777)	3,659	18,075	1	18,076

The accompanying notes on pages 8 to 35 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows**For the year ended 31 December 2015***(Thousands of Georgian lari)*

	Notes	2015	2014
Operating activities			
(Loss)/profit before income tax		(598)	2,511
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	10	1,256	1,090
Amortization of intangible assets		23	15
Accrued finance cost		1,109	1,102
Accrued finance income		(55)	(100)
Impairment charge	26	238	585
Gain on property, plant and equipment disposal		(16)	(26)
Net foreign exchange difference attributable to financing and investing activities		2,403	689
Revaluation of biological assets	11	(861)	–
Translation of foreign operations		(251)	(1,770)
Cash from operating activities before changes in working capital		3,248	4,096
Working capital adjustments			
Decrease/(increase) in inventories		1,046	(3,047)
Decrease in trade and other accounts receivables		1,190	603
Decrease in prepayments		124	184
Increase in other current assets		2	(90)
Increase in prepaid VAT		(55)	(111)
(Decrease)/increase in trade and other accounts payable		(206)	125
Increase/(increase) in other current liabilities		(38)	(483)
Increase in tax liabilities		478	332
Increase in received advances		136	–
Cash flows from operating activities before interest and income tax		5,925	1,609
Income tax paid		(879)	(500)
Interest paid		(1,013)	(1,091)
Net cash flow from operating activities		4,033	18
Investing activities			
Acquisition of property, plant and equipment		(1,609)	(1,414)
Acquisition of intangible assets		(42)	(18)
Acquisition of biological assets		(82)	(26)
Movements in amounts due from financial institutions, net		(750)	(137)
Prepayments made for acquisition of fixed assets		(1,309)	–
Proceeds from the sale of property, plant and equipment		38	48
Interest received		55	100
Net cash flow used in investing activities		(3,699)	(1,447)
Financing activities			
Repayment of borrowings		(3,473)	(3,544)
Proceeds from borrowings		3,481	2,430
Net cash flow from/(used in) financing activities		8	(1,114)
Net (decrease)/increase in cash and cash equivalents		342	(2,543)
Effect of exchange rate difference from cash and cash equivalents		227	83
Cash and cash equivalents at the beginning of the period	15	2,856	5,316
Cash and cash equivalents at the end of the year	15	3,425	2,856

The accompanying notes on pages 8 to 35 are an integral part of these consolidated financial statements.

(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 principal activity of the Company is production of wine and spirits. 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.

As at 31 December 2015 and 2014, 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	2015, %	2014, %
Liberty Consumer JSC	50.23	50.23
BGEO Group JSC	20.47	–
Salink Ltd.	–	17.54
Firebird Aurora Fund Ltd.	14.21	14.21
Firebird Republics Fund Ltd.	8.82	8.82
Other	6.26	9.2
Total	100.00	100.00

As at 31 December 2015, members of the Supervisory Board and Management Board of the Company have 1,830,111 or 2.4% (2014: 1,830,111 or 2.4%) shares of the Company.

Ultimate controlling shareholder of the Group is BGEO Group PLC.

2. Basis of preparation

Statement of compliance

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

Basis of preparation and measurement

These consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of land and buildings, wine tanks, biological assets and harvested produce.

These consolidated financial statements are presented in thousands of Georgian lari ("GEL"), unless otherwise indicated.

Subsidiaries

The consolidated financial statements as of 31 December 2015 and 2014 include following subsidiaries:

Subsidiary	Ownership, %	Country	Industry	Acquisition date
Teliani Trading LLC	100.0	Georgia	Trading	30 March 2007
Teliani Trading LLC	100.0	Ukraine	Trading	31 July 2008
Global Beer Georgia LLC	100.0	Georgia	Production of beer	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 and currently it is in the process of construction of a beer factory in Tsilkani, Georgia.

(Thousands of Georgian lari)

2. Basis of preparation (continued)

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.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. 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.

4. Summary of significant accounting policies

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(a) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) Fair value measurement

The Group measures non-financial assets such as land and building, wine tanks, biological assets and harvested produce at fair value at each balance sheet date. Fair-value related disclosures are summarised in the following notes:

- ▶ property, plant and equipment under revaluation model (Note 10);
- ▶ biological assets (Note 11).

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.

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.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(b) Fair value measurement (continued)

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.

External valuers are involved for valuation of significant assets, such as properties and biological assets. Involvement of external valuers is decided upon annually by the Ultimate Parent. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

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.

(c) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is 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. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Foreign currency translation

The Group's consolidated financial statements are presented in GEL, which is also the Company'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.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

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).

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 OCI relating to that particular foreign operation is recognised in profit or loss.

The official National Bank of Georgia ("NBG") exchange rates at 31 December 2015 and 2014 to convert 1 UAH into GEL were as follows:

	2015	2014
Period end	0.0994	0.1182
Period average	0.1059	0.1540

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.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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.

(f) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(f) Taxes (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- ▶ when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ in respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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 receivables or payables in the statement of financial position.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

Machinery and heavy equipment, vehicles, office equipment and fixtures 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 income statement as incurred.

Land, buildings and specialized wine tanks are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold, leased under finance lease or dismantled is transferred to retained earnings.

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

Buildings	7 to 20 years
Machinery and heavy equipment	5 to 13 years
Specialized wine tanks	11 to 13 years
Vehicles	5 to 7 years
Office equipment and fixtures	3 to 8 years

Assets are depreciated from the month of acquisition or, in respect of self-constructed assets, from the month the asset is completed and put into operation. Land is 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 income statement 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

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).

(h) Biological assets (grape vines) and produce (grapes)

All expenses incurred in land preparation, planting and development of vineyards that are of capital expenditure are capitalised on biological assets, while expenditures that are of operating nature are directly expenses in the consolidated statement of profit and loss.

Grape vines are measured at their fair value less cost to sell. The fair value of vineyards, including land, grape vines and other vineyard infrastructure, is determined by an independent valuer using the market approach. The fair value of land is deducted from the fair value of vineyards to determine the fair value of grape vines and related infrastructure (poles, wires, etc). Changes in fair value, less estimated cost to sell of grape vines, are recognised in the consolidated statement of financial performance in the year in which they arise.

Grapes are measured at fair value, less cost to sell at the time of harvest. The fair value of grapes is determined by reference to market prices for grapes for that local area at the time of harvest. The fair value becomes the basis of cost when accounting for inventories.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(i) 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 useful lives of intangible assets are assessed as either finite or indefinite.

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 income statement 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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 income statement when the asset is derecognised.

(j) 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 within the scope of IAS 39 are classified 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 and other receivables, loans and other 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. Loans and receivables are initially recognised at fair value. 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 income statement. The losses arising from impairment are recognised in the statement of comprehensive income as finance costs.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(j) Financial instruments – initial recognition & subsequent measurement (continued)

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is 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 a 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 any 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 comprehensive income. 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 within the scope of IAS 39 are classified 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. The Group determines the classification of its financial liabilities at initial recognition.

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

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(j) Financial instruments – initial recognition & subsequent measurement (continued)

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

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 comprehensive income 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 comprehensive income.

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.

(k) Inventories

Finished goods

Inventories are valued at the lower of cost or net realisable value. Costs of finished goods sold are assigned on a weighted average cost basis. Included within the cost of inventory is the fair value of the grapes (agricultural produce) at the time the grapes are harvested.

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.

Agricultural produce

Harvesting of the grape crop is ordinarily performed in autumn. Costs incurred in growing the grapes, including any applicable harvest costs incurred on the biological asset that are of operating nature, are initially expensed as other operating cost. At the point of harvest, the harvested produce is recorded at its fair value in accordance with IAS 41 *Agriculture*. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. Fair value adjustment is recorded net, together with the growing and harvesting costs as other operating costs.

(l) 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. 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 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 income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

(Thousands of Georgian lari)

4. Summary of significant accounting policies (continued)

(l) Impairment of non-financial assets (continued)

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. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(m) Cash and cash equivalents

Cash and cash equivalents in the 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.

(n) 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.

(o) 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 income statement net of any reimbursement.

5. Reclassifications

Certain comparative information in the consolidated statement of financial position has been reclassified to match the classification of current year.

As at 31 December 2014	As reclassified	As previously reported
Taxes payable, other than income tax	1,960	–
Other current liabilities	549	2,509
Total current liabilities	8,498	8,498

(Thousands of Georgian lari)

6. Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments which are effective for annual periods beginning on or after 1 January 2015:

- ▶ Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*.
- ▶ Annual improvements 2010-2012 cycle:
 - ▶ IFRS 2 *Share-based Payment*;
 - ▶ IFRS 3 *Business Combinations*;
 - ▶ IFRS 8 *Operating Segments*;
 - ▶ IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*;
 - ▶ IAS 24 *Related Party Disclosures*.
- ▶ Annual improvements 2011-2013 cycle:
 - ▶ IFRS 3 *Business Combinations*;
 - ▶ IFRS 13 *Fair Value Measurement*;
 - ▶ IAS 40 *Investment Property*.

Adoption of these new and amended standards and interpretations did not have material impact on the financial position or performance of the Group.

7. New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements, which may have impact on the Group's consolidated financial statements, are listed below. The Group intends to adopt these standards, if applicable, when they become effective. Management does not expect application of other new standards and interpretations to have significant impact on the consolidated financial statements, except for the below:

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

Other standards and interpretations issued but not yet effective that are not expected to have a material effect on the Group's consolidated financial statements are listed below:

- ▶ IFRS 9 *Financial instruments*;
- ▶ IFRS 14 *Regulatory Deferral Accounts*;
- ▶ IFRS 15 *Revenue from Contracts with Customers*;
- ▶ Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*;
- ▶ Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*;
- ▶ Amendments to IAS 27 *Equity Method in Separate Financial Statements*;
- ▶ Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- ▶ Annual improvements 2012-2014 cycle;
- ▶ IFRS 7 *Financial Instruments: Disclosures*;
- ▶ IAS 19 *Employee Benefits*;
- ▶ IAS 34 *Interim Financial Reporting*;
- ▶ Amendments to IAS 1 *Disclosure Initiative*;
- ▶ Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*.

(Thousands of Georgian lari)

8. 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

Net investment in a subsidiary

The Group treats 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 differences of GEL 1,137 were classified as part of other comprehensive income in 2015 (2014: 3,479).

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.

Revaluation of property, plant and equipment and biological assets

The Group carries its land, buildings and specialized wine tanks at fair value, with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 31 December 2015 for non-agricultural land and buildings. For revaluation, the valuator used a valuation technique based on a comparable market data. The key assumptions used to determine the fair value of the Group's land and buildings are further explained in Note 10. The management did not revalue the wine tanks, since it estimated that from the last revaluation date of the wine tanks, the fair value of these assets did not change materially.

The Group also engaged another valuator to estimate the fair value of its biological assets and agricultural land as at 31 December 2015. The valuator used a valuation technique based on a comparable market data. The key assumptions used to determine the fair value of the Group's land and buildings are further explained in Note 11.

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 1,608 (2014: GEL 1,387) is the best estimate of possible losses from impairment of accounts receivable (Note 14).

Current taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. As at 31 December 2015 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax and customs positions will be sustained.

(Thousands of Georgian lari)

9. Ukrainian economic environment

In 2014, the economic and political situation in Ukraine deteriorated significantly. As a result, Ukraine has experienced a fall in gross domestic product, a significant negative balance of payments and a sharp reduction in foreign currency reserves. Furthermore, between 1 January 2015 and 31 December 2015, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 52%, and the National Bank of Ukraine imposed certain restrictions on foreign currency operations. Restrictions have also been introduced for certain cross-border settlements, including payments of dividends.

International rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

However, Ukraine and the Committee of creditors on 27 August 2015 reached agreement on the restructuring of the state debt with a total volume of USD 18 billion. The restructuring involves the full write-off of USD 3.6 billion, deferral of payments on principal in the amount of USD 11.5 billion for 4 years, and fixed coupon rate on all the bonds at 7.75% per annum.

In addition the International Monetary Fund approved a USD 17.5 billion loan program for Ukraine, including an immediate USD 5 billion disbursement, to help Ukraine stave off default.

At 31 December 2015, the Group balance sheet exposure to Ukrainian risk amounted to approximately GEL 2,597 (2014: GEL2,570). These and any further negative developments in Ukraine could adversely impact results and financial position of the Group and its Ukrainian subsidiary in a manner not currently determinable.

10. Property, plant and equipment

	Land	Buildings	Specialized wine tanks	Machinery and heavy equipment	Vehicles	Office equipment furniture and fixtures	Construction in progress	Total
Cost or revalued amount								
At 1 January 2014	1,671	2,700	2,776	3,623	1,054	536	352	12,712
Additions	33	-	-	384	113	17	902	1,449
Disposal	-	-	-	(23)	(126)	-	-	(149)
Translation	-	-	-	-	(23)	(46)	-	(69)
Reclassification	-	-	-	-	-	-	(35)	(35)
Internal transfers	-	470	81	628	9	30	(1,218)	-
At 31 December 2014	1,704	3,170	2,857	4,612	1,027	537	1	13,908
Additions	856	33	-	458	127	63	71	1,608
Revaluation adjustment	(785)	1,162	-	-	-	-	-	377
Disposal	-	-	-	(14)	(80)	-	-	(94)
Translation	-	-	-	-	(4)	(10)	-	(14)
At 31 December 2015	1,775	4,365	2,857	5,056	1,070	590	72	15,785
Depreciation and impairment								
At 1 January 2014	-	23	53	2,081	457	408	-	3,022
Charge	-	154	186	502	179	69	-	1,090
Disposals	-	-	-	(23)	(104)	-	-	(127)
Translation	-	-	-	-	(10)	(40)	-	(50)
At 31 December 2014	-	177	239	2,560	522	437	-	3,935
Charge	-	183	265	587	183	38	-	1,256
Disposals	-	-	-	(5)	(67)	-	-	(72)
Revaluation adjustment	-	(347)	-	-	-	-	-	(347)
Translation	-	-	-	-	(2)	(13)	-	(15)
At 31 December 2015	-	13	504	3,142	636	462	-	4,757
Net book value								
At 1 January 2014	1,671	2,677	2,723	1,542	597	128	352	9,690
At 31 December 2014	1,704	2,993	2,618	2,052	505	100	1	9,973
At 31 December 2015	1,775	4,352	2,353	1,914	434	128	72	11,028

(Thousands of Georgian lari)

10. Property, plant and equipment (continued)**Revaluation of land and buildings**

Land, buildings and specialized wine tanks are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The wine tanks were last time revalued on 1 October 2013. The Group engaged an independent valuator to revalue buildings and land as at 31 December 2015. The valuation of buildings and non-agricultural land was performed by Colliers Georgia LLC an accredited independent valuator with a recognised and relevant professional qualification. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. Fair value was determined by reference to market comparable method. This means that valuations performed by the valuator are based on data available on the market, adjusted for any difference in the nature, location or condition of the specific property. Fair value measurement disclosures for revalued land, buildings and wine tanks are provided in Note 29. The agricultural land was revalued by local valuator - Georgian Valuation Company LLC together with vineyards and related infrastructure (Note 11).

If land, buildings and specialized wine tanks were measured using the cost model, the carrying amounts would be as follows:

	Land	Buildings	Specialized wine tanks
2015			
Gross value	1,265	4,091	3,165
Accumulated depreciation and impairment	–	(1,337)	(1,242)
Net book value	1,265	2,754	1,923
2014			
Gross value	409	4,058	3,165
Accumulated depreciation and impairment	–	(1,175)	(1,084)
Net book value	409	2,883	2,081

As at 31 December 2015 and 2014, property plant and equipment with total carrying value of GEL 8,855 and GEL 8,842, respectively, were pledged for loans received. For more details on pledge terms please see Note 21.

11. Biological assets

Biological assets consist of vineyards. The Group grows grapes to use in production of wine, as part of normal operation activity. Vineyards are located in Kakheti region, Georgia.

The Group uses market-determined prices based on most recent market transactions price for determination of fair value of biological assets. The level at which fair value measurement is categorised is Level 3 (Note 29). During financial year ended 31 December 2015, the Group engaged Georgian Valuation Company LLC, an experienced independent valuator, specialising on valuation of property plant and equipment, real estate and biological assets, to determine the fair value of the biological assets. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. Fair value was determined by reference to market comparable method. This means that valuations performed by the valuator are based on data available on the market, adjusted for any difference in the nature, location or condition of the specific vineyard.

	2015	2014
Opening balance	1,227	1,201
Purchases of biological assets	–	26
Vineyard Improvements, capital expenses	82	–
Changes in fair value less estimated selling cost	861	–
Fair value of biological assets	2,170	1,227

*(Thousands of Georgian lari)***11. Biological assets (continued)**

Below table discloses details of the hectares of vineyards age by sort of grape as at 31 December 2015 (numbers are presented in hectares):

2015	<5 years	5-10 years	10-50 years	Total
Saperavi	6	–	54	60
Mtsvane	–	12	–	12
Rkatsiteli	–	6	11	17
Sauvignon Blanc	–	–	1	1
Total	6	18	66	90

2014	<5 years	5-10 years	10-50 years	Total
Saperavi	6	–	54	60
Mtsvane	–	12	–	12
Rkatsiteli	–	6	11	17
Sauvignon Blanc	–	–	1	1
Total	6	18	66	90

As at 31 December 2015, fair value distribution of vineyards, by age was as follows:

2015	<5 years	5-10 years	10-50 years	Total
Saperavi	115	–	1,401	1,516
Mtsvane	–	270	–	270
Rkatsiteli	–	127	252	379
Sauvignon Blanc	–	–	5	5
Total	115	397	1,658	2,170

2014	<5 years	5-10 years	10-50 years	Total
Saperavi	33	–	874	907
Mtsvane	–	120	–	120
Rkatsiteli	–	57	115	172
Sauvignon Blanc	–	–	28	28
Total	33	177	1,017	1,227

As at 31 December 2015 and 2014, biological assets with total carrying value of GEL 2,170 (2014 1,227) were pledged for loans received from Overseas Private Investment Corporation (OPIC). For more details on pledge terms please see Note 21.

(Thousands of Georgian lari)

12. Income tax

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	2015	2014
Consolidated statement of profit and loss		
Current income tax charge	630	668
Deferred income tax charge	18	76
Income tax expense reported in the consolidated statement of profit or loss	648	744
Income tax charged to other comprehensive income		
Deferred income tax charge directly recognized in other comprehensive income	109	–
Total income tax charge to other comprehensive income	757	744

Reconciliation between tax expense and the product of accounting profit multiplied by Georgia's domestic tax rate of 15% except for subsidiary in the Ukraine taxed at 18% for the years ended as at 31 December 2015 and 2014 is as follows:

	2015	2014
(Loss)/profit before tax	(598)	2,511
Income tax (benefit)/charge using the domestic corporation tax rate 15%	(90)	377
Effect of higher tax rates in Ukraine	(87)	(17)
Non-deductible income and expenses		
Free of charge supplies	148	99
Marketing expenses	70	154
Income from resident financial institutions	(5)	(12)
Bonus expenses	–	31
Tax fines and penalties	–	27
Other	14	38
Change in allowance of deferred tax asset	598	47
Profit tax expense	648	744

Deferred tax assets and liabilities as at 31 December 2015 and their movements with respective years are as follows:

	2014	Change through income statement	Change through other comprehensive income	2015
Deferred tax assets				
Trade and other accounts receivable	180	81	–	261
Trade and other accounts payable	116	(116)	–	–
Inventories	31	18	–	49
Other current assets	3	(3)	–	–
Other Liabilities	64	1	–	65
Tax losses carried forward	618	610	–	1,228
Gross deferred tax assets	1,012	591	–	1,603
Unrecognized deferred tax asset	(665)	(598)	–	(1,263)
Total deferred tax assets	347	(7)	–	340
Deferred tax liabilities				
Biological assets	(184)	(141)	–	(325)
Inventories	(39)	39	–	–
Property, plant and equipment	(1,175)	64	(109)	(1,220)
Borrowings	(35)	(9)	–	(44)
Intangible assets	(4)	(7)	–	(11)
Prepayments	(28)	43	–	15
Total deferred tax liabilities	(1,465)	(11)	(109)	(1,585)
Net deferred tax liability	(1,118)	(18)	(109)	(1,245)

(Thousands of Georgian lari)

12. Income tax (continued)

Deferred tax assets and liabilities as at 31 December 2014 and their movements with respective years are as follows:

	2013	Change through income statement	Change through other comprehensive income	2014
Deferred tax assets				
Trade and other accounts receivable	136	44	–	180
Trade and other accounts payable	43	73	–	116
Inventories	64	(33)	–	31
Short-term borrowings	–	279	–	279
Other current assets	29	(26)	–	3
Government grant	23	(23)	–	–
Other Liabilities	44	20	–	64
Tax losses carried forward	–	–	618	618
Gross deferred tax assets	339	334	618	1,291
Unrecognized deferred tax asset	–	(47)	(618)	(665)
Total deferred tax assets	339	287	–	626
Deferred tax liabilities				
Biological assets	(173)	(11)	–	(184)
Trade and other payable	(24)	24	–	–
Inventories	–	(39)	–	(39)
Property, plant and equipment	(1,065)	(110)	–	(1,175)
Borrowings	(66)	(248)	–	(314)
Other current assets	(39)	39	–	–
Intangible assets	(3)	(1)	–	(4)
Prepayments	(11)	(17)	–	(28)
Total deferred tax liabilities	(1,381)	(363)	–	(1,744)
Net deferred tax liability	(1,042)	(76)	–	(1,118)

As at 31 December 2015 the Group had tax loss carry forward of GEL 6,822 (2014: GEL 3,433) 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. Further, the Group fully impaired deferred tax asset associated with the Ukrainian subsidiary in the amount of GEL 35 (2014: GEL 47).

13. Inventories

As at 31 December inventory balances were as follows:

	2015	2014
Bulk wine inventory	4,782	6,841
Finished goods (imported products)	2,170	1,389
Production supporting materials	1,424	1,855
Finished goods (own production)	1,268	750
Work in progress	271	343
Other inventories	846	629
Total inventories	10,761	11,807

During 2015, GEL 109 (2014: 0) was recognised as an expense for inventories carried at net realisable value under cost of sales account.

*(Thousands of Georgian lari)***14. Trade and other accounts receivable**

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

	2015	2014
Trade receivables	8,073	9,247
Other receivables	5	38
Less: allowance for doubtful debts	(1,608)	(1,387)
Total	6,470	7,898

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

	2015	2014
At 1 January	1,387	945
Charge for the year	238	549
Translation difference	(17)	(107)
At 31 December	1,608	1,387

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:

2015	Neither past due nor impaired	<30 days	30-90 days	90-180 days	Total
Trade receivables	6,280	108	56	26	6,470

2014	Neither past due nor impaired	<30 days	30-90 days	90-180 days	Total
Trade receivables	7,146	677	41	34	7,898

15. Cash and cash equivalents

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

	2015	2014
Current accounts with banks	3,120	2,609
Cash on hand	305	247
	3,425	2,856

Current accounts earn interest at annual 2%.

16. Amounts due from financial institutions

As at 31 December, amount due from financial institutions balances were as follows:

	2015	2014
Amounts due from financial institutions	2,375	1,265
Total amounts from financial institutions	2,375	1,265

As at 31 December 2015, the Group had short-term interest bearing deposit with the Georgian commercial bank in amount of USD 679 and GEL 750 (2014: USD 679). The maturity dates for these deposits are December 2016 And March 2016, respectively.

(Thousands of Georgian lari)

17. Equity

As at 31 December 2015, authorized share capital comprised 280,000,000 (2014: 120,000,000) common shares, of which 77,094,255 were issued and fully paid (2014: 77,094,255). Each share has a nominal value of GEL 0.00001. Shares issued and outstanding as at 31 December are described below. Since 2013 there has been no movement in the number of shares issued.

Share capital of the Company was paid by the existing shareholders in Georgian lari and they are entitled to dividends in Georgian lari. The weighted average number of ordinary and diluted ordinary shares outstanding in 2015 was 77,094,255 (2014: 77,094,255). The basic and diluted losses per share comprised GEL -0.00001616 (2014: earnings per share GEL 0.00002292). No dividends were declared or paid in 2015 and 2014.

18. Interest bearing loans and borrowings

	2015	2014
Non-current interest bearing loans and borrowings	9,605	9,233
Current portion of interest bearing loans and borrowings	2,329	1,812
Other current interest bearing loans and borrowings	2,825	546
	<u>14,759</u>	<u>11,591</u>

	Currency	Maturity date	Amount at 31 December 2015
Secured			
OPIC	USD	March 2021	11,934
TBC Bank	GEL	March 2016	750
Bank of Georgia (Note 21)	GEL	March 2016	693
Galt and Taggart Holdings Limited (Note 30)	EUR	June 2016	1,310
Accrued Interest	USD		62
Accrued Interest	GEL		10
Total			<u>14,759</u>

	Currency	Maturity date	Amount at 31 December 2014
Secured			
OPIC	USD	March 2021	11,045
Bank of Georgia (Note 21)	GEL	February 2015	483
Accrued Interest	USD		49
Accrued Interest	GEL		14
Total			<u>11,591</u>

In March 2014, the Group received the last tranche under a facility from the OPIC in the amount of USD 1,000. According to the terms stated in loan agreement with the OPIC total property plant and equipment and inventories owned by the Group are pledged. The Group's pledged property, plant and equipment and inventories carrying value as at 31 December 2015, is GEL 17,852 (2014: GEL 19,250) (Note 21).

*(Thousands of Georgian lari)***18. Interest bearing loans and borrowings (continued)**

The loan agreement with OPIC has imposed certain financial and non-financial covenants on the Group. The Group should maintain current assets to current liabilities ratio more than 2, Debt service ratio not less than 1.4 and Indebtedness to tangible net worth ratio of not more than 1.5. As at 31 December 2015, the Group was in compliance with the requirements of mentioned restrictive financial covenants.

The Group's borrowings mature as follows:

	2015	2014
Borrowings due		
Within 1 year	5,621	2,358
Between 1 and 5 years	8,557	7,248
After 5 years	581	1,985
Total borrowings	14,759	11,591

During 2015 interest expense on these loans was GEL 1,109 (2014: GEL 1,102).

19. Trade and other accounts payable

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

	2015	2014
Trade payables	2,466	2,726
Trade payable due to related party	63	9
	2,529	2,735

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

20. Other current liabilities

As at 31 December, other current liabilities balances were as follows:

	2015	2014
Salary and bonuses payable	426	406
Other	85	143
Total other current liabilities	511	549

21. Contingencies, commitments and operating risks**Georgian and Ukrainian tax environment**

The Group has accrued provisions based on the management's best estimates. Georgian and Ukrainian tax and customs 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. As such, significant additional taxes, penalties and interests may be assessed.

*(Thousands of Georgian lari)***21. Contingencies, commitments and operating risks (continued)****Collateral on assets**

The Group has provided property, plant and equipment and inventories owned by the Company as collateral to guarantee external loans received from the OPIC.

According to loan agreements the Group is responsible with total carrying value of Property, plant and equipment and total inventory balance including production supporting materials and finished goods.

The schedule below discloses assets pledged as at 31 December:

	2015	2014
Property plant and equipment pledged	8,855	8,841
Biological assets	2,170	1,227
Inventories pledged	6,827	9,182
Total	17,852	19,250

22. Revenue

	2015	2014
Sales of finished goods of own produce	17,825	20,605
Re-sale of goods	11,702	10,171
	29,527	30,776

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

	2015	2014
Wine	14,741	16,996
Sparkling wine	2,389	2,675
Brandy	151	488
Chacha	544	446
	17,825	20,605

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

	2015	2014
Vodka	5,935	6,263
Beer	4,487	3,435
Juice	676	193
Whiskey	209	253
Energetic drinks	171	1
Coffee	123	24
Other	101	2
	11,702	10,171

23. Cost of sales

	2015	2014
Cost of sales of finished goods of own produce	8,549	8,759
Cost of re-sold goods	6,673	5,723
	15,222	14,482

*(Thousands of Georgian lari)***23. Cost of sales (continued)**

Below is disclosed cost of sales by expense types used directly for production:

	2015	2014
Inventory	7,696	7,934
Re-sale of goods (excluding excise duty)	3,639	4,005
Excise duty	3,033	1,742
Depreciation	598	561
Wages and salaries	197	176
Utility expenses	59	64
	15,222	14,482

24. Selling and marketing expenses

	2015	2014
Sales promotion and advertising expense	4,247	3,839
Wages and salaries	1,430	1,241
Transportation expense	1,220	1,180
Rent and utility	287	176
Sales and marketing export	264	172
Other	51	112
	7,499	6,720

25. Administrative expenses

	2015	2014
Wages and salaries, including related taxes	1,953	2,184
Depreciation and amortization	674	544
Rent and utility	323	304
Professional services	244	137
Maintenance and repairs	144	175
Business trips	101	98
Taxes other than income tax	90	182
Certifications	78	138
Bank charges	57	38
Communication expenses	51	63
Fuel expenses	22	29
Insurance	11	11
Other	351	508
	4,099	4,411

26. Other operating expenses

	2015	2014
Allowance charge on trade and other receivable (Note 14)	238	442
Project costs (a)	295	-
Loan negotiation fee (b)	102	-
Research fee	68	-
Impairment of goodwill	-	143
Other	147	253
	850	838

(a) The Group contracted consultants for the design and assistance in the beer factory construction process. The prepayment to the consultants was written off after the parties cancelled the agreement.

(b) The Group was negotiating the loan with OPIC for the construction of the beer factory. However, the loan issuance process was not finalised and the negotiation fee was expensed.

(Thousands of Georgian lari)

27. 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 and other 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 and other receivables, cash held on current accounts with banks, and short term deposits as at 31 December 2015 and 2014.

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 9 subsidiary of the Group in Ukraine suspended the credit limits offered to the customers.

An impairment analysis is performed at each reporting date 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. The calculation is based on actual incurred historical data.

Cash on current account

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 2015 total credit risk exposure equalled to GEL 11,965 (2014: GEL 11,772).

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.

The table below indicate the currencies to which the Group had significant exposure at 31 December 2015 and 2014 on monetary assets and liabilities expressed in GEL:

2015	GEL	USD	UAH	EUR	Total
Assets					
Trade and other accounts receivable	4,035	404	1,423	608	6,470
Cash and cash equivalents	854	484	249	1,533	3,120
Amounts due from financial institutions	750	1,625	–	–	2,375
Liabilities					
Borrowings	(1,452)	(11,996)	–	(1,311)	(14,759)
Trade and other accounts payable	(1,752)	(164)	(51)	(562)	(2,529)
Other current liabilities	(511)	–	–	–	(511)
Net position	1,924	(9,647)	1,621	268	(5,834)

(Thousands of Georgian lari)

27. Risk management (continued)**Foreign currency risk (continued)**

2014	GEL	USD	UAH	EUR	Total
Assets					
Trade and other accounts receivable	3,836	447	1,813	1,802	7,898
Cash and cash equivalents	1,084	128	214	1,430	2,856
Amounts due from financial institutions	–	1,265	–	–	1,265
Liabilities					
Interest bearing loans and borrowings	(497)	(11,094)	–	–	(11,591)
Trade and other accounts payable	(1,874)	(172)	(68)	(621)	(2,735)
Other current liabilities	(549)	–	–	–	(549)
Net position	2,000	(9,426)	1,959	2,611	(2,856)

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 income statement. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in % 2015	Effect on profit before tax 2015	Effect on OCI 2015	Change in currency rate in % 2014	Effect on profit before tax 2014	Effect on OCI 2014
	USD	29%	(2,687)	(1,137)	7%	(691)
EUR	16%	7	–	(5%)	135	–
UAH	(16%)	(258)	–	(46%)	(893)	–

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.

The tables below summarises the maturity profiles of the Group's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted repayment obligations:

2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Borrowings	–	2,075	3,842	10,774	592	17,283
Trade and other accounts payable	–	2,529	–	–	–	2,529
	–	4,604	3,842	10,774	592	19,812

2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Interest bearing loans and borrowings	–	1,280	1,877	8,862	2,377	14,396
Trade and other accounts payable	–	1,976	759	–	–	2,735
	–	3,256	2,636	8,862	2,377	17,131

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.

(Thousands of Georgian lari)

28. Fair value of financial assets and financial liabilities**Fair value of financial assets and liabilities not carried at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2015	Fair value 2015	Unrecogni- sed loss 2015	Carrying value 2014	Fair value 2014	Unrecogni- sed loss 2014
Financial assets						
Amounts due from financial institutions	2,375	2,375	–	1,265	1,265	–
Trade and other receivables	6,470	6,470	–	7,898	7,898	–
Cash and cash equivalents	3,120	3,120	–	2,609	2,609	–
Financial liabilities						
Interest bearing loans and borrowings	14,759	15,025	266	11,591	11,865	274
Trade and other accounts payable	2,529	2,529	–	2,735	2,735	–
Other current liabilities	511	511	–	549	549	–
Total unrecognised change in fair value			266			274

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements. All fair values are determined based level 3 fair value hierarchies.

Assets for which fair value 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. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial liabilities carried at amortized cost

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.

29. Fair value of non-financial assets and non-financial liabilities

Fair value hierarchy for non-financial assets and non-financial liabilities, measured at fair value as at 31 December 2015:

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Revalued property, plant and equipment (Note 10)					
Land	31 December 2015	1,775	–	–	1,775
Buildings	31 December 2015	4,352	–	–	4,352
Specialized wine tanks	1 October 2013	2,353	–	–	2,353
Revalued biological assets	31 December 2015	2,170	–	–	2,170

There have been no transfers between levels of the hierarchy during the year.

(Thousands of Georgian lari)

30. Related party disclosure

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.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2015		2014	
	Entities under common control	Key management personnel	Entities under common control	Key management personnel
Cash and cash equivalents (a)	1,927	–	567	–
Prepayments and other current assets	26	–	–	–
Trade and other accounts payable	63	–	9	–
Loans from entities under common control (b)	2,003	–	–	–
Interest expense (b)	130	–	–	–
Insurance expense	23	–	22	–
Kay management salary expenses	–	556	–	477
Management bonuses	–	320	–	338

(a) As at 31 December 2015 the Group had placed GEL 1,927 at the Bank of Georgia, an entity under common control (2014: GEL 567).

(b) The Group has interest bearing loans received from Galt & Taggart Holding Limited and from Bank of Georgia on 28 December 2015.

31. 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 steering committee for the geographical regions for the year ended 31 December 2014 and 2015 is as follows:

For the year ended 31 December 2015	Georgia	Ukraine	Other CIS	Other Countries	Unallocated	Total
Revenue from external customers	18,874	4,468	2,563	3,622	–	29,527
Cost of sales	(9,886)	(2,536)	(1,068)	(1,732)	–	(15,222)
Financial cost	(1,109)	–	–	–	–	(1,109)
Financial income	56	–	–	–	–	56
Loss before tax	–	–	–	–	(598)	(598)
Income tax expense	–	–	–	–	(648)	(648)
Loss for the year	–	–	–	–	(1,246)	(1,246)

*(Thousands of Georgian lari)***31. Segment information (continued)**

For the year ended 31 December 2014	Georgia	Ukraine	Other CIS	Other Countries	Unallocated	Total
Revenue from external customers	17,449	5,823	3,979	3,525	–	30,776
Cost of sales	(8,979)	(2,370)	(1,469)	(1,664)	–	(14,482)
Financial cost	(1,102)	–	–	–	–	(1,102)
Financial income	100	–	–	–	–	100
Profit before tax	–	–	–	–	2,511	2,511
Income tax expense	–	–	–	–	(744)	(744)
Profit for the year	–	–	–	–	1,767	1,767

The information regarding Non-current assets provided for the steering committee for the geographical regions for the year ended 31 December 2014 and 2015 is as follows:

For the year ended 31 December 2015	Georgia	Ukraine	Other CIS	Other Countries	Unallocated	Total
Property, plant and equipment	11,014	14	–	–	–	11,028
Intangible assets	123	1	–	–	–	124
Biological assets	2,170	–	–	–	–	2,170
Goodwill	–	–	–	–	–	–
Deferred tax assets	–	–	–	–	340	340
Total	13,307	15	–	–	340	13,662

For the year ended 31 December 2014	Georgia	Ukraine	Other CIS	Other Countries	Unallocated	Total
Property, plant and equipment	9,959	14	–	–	–	9,973
Intangible assets	103	2	–	–	–	105
Biological assets	1,227	–	–	–	–	1,227
Goodwill	–	–	–	–	–	–
Deferred tax assets	–	–	–	–	72	72
Total	11,289	16	–	–	72	11,377