JSC Teliani Valley and Subsidiaries

Unaudited interim condensed consolidated financial statements

30 June 2019

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Report of review if interim financial information

Interim condensed consolidated financial statements

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Report on review of interim financial information

To the Shareholders of JSC Teliani Valley

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Teliani Valley and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2019 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Other matter

The comparative financial information for the six-month period ended 30 June 2018 is not reviewed.

EY LLC

26 August 2019

Tbilisi, Georgia

Interim consolidated statement of financial position

As at 30 June 2019

(Thousands of Georgian lari)

		As at	
	Notes	*30 June 2019 (unaudited)*	*31 December 2018 (restated*)*
Non-current assets			
Property, plant and equipment	8	136,503	131,071
Intangible assets		10,120	2,094
Prepayments		1,847	2,057
Amounts due from financial institutions		142	136
Goodwill	4	8,198	8,198
Total non-current assets		**156,810**	**143,556**
Current assets			
Inventories	9	34,923	30,043
Trade receivables	7	16,851	14,738
Prepayments		6,602	3,367
Loans issued		–	474
Cash and cash equivalents	6	9,308	9,504
Total current assets		**67,684**	**58,126**
Total assets		**224,494**	**201,682**
Equity and liabilities			
Equity			
Share capital	4	8,782	8,210
Share premium	4	142,116	131,887
Foreign currency translation reserve		(709)	(1,506)
Accumulated loss		(65,226)	(41,237)
Other capital reserves		(14,971)	(14,971)
Equity attributable to equity holders of the parent		**69,992**	**82,383**
Non-controlling interests		1	1
Total equity		**69,993**	**82,384**
Non-current liabilities			
Interest bearing loans and borrowings	10	87,288	55,368
Lease liabilities		842	–
Total non-current liabilities		**88,130**	**55,368**
Current liabilities			
Trade and other accounts payable		21,028	16,416
Taxes payable, other than income tax		2,708	2,456
Interest bearing loans and borrowings	10	35,947	41,057
Lease liabilities		811	–
Contract liabilities		1,466	1,523
Other current liabilities		4,411	2,478
Total current liabilities		**66,371**	**63,930**
Total liabilities		**154,501**	**119,298**
Total equity and liabilities		**224,494**	**201,682**

* *Certain amounts do not correspond to the 2018 consolidated financial statements, as they reflect adjustments made for reorganization of entities under common control (Note 4).*

Signed and authorized for release on behalf of the management of the Group on 26 August 2019:

Giorgi Tskhadadze Chief Executive Officer

Giorgi Kasradze Chief Financial Officer

The accompanying notes on pages 5 to 16 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2019

(Thousands of Georgian lari)

	Notes	*For the six months ended* *30 June 2019 (unaudited)*	*30 June 2018 (not reviewed)*
Revenue		46,226	30,467
Cost of sales		(30,594)	(19,863)
Gross profit	11	**15,632**	**10,604**
Selling and distribution expenses		(11,361)	(9,126)
Administrative expenses		(12,165)	(9,210)
Other operating expenses		(4,069)	(3,600)
Operating result		**(11,963)**	**(11,332)**
Finance costs		(5,513)	(3,044)
Finance income		12	105
Foreign exchange (loss)/gain, net		(6,525)	4,501
Management restructuring costs		–	(196)
Loss before tax		**(23,989)**	**(9,966)**
Income tax		–	–
Loss for the year		**(23,989)**	**(9,966)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange difference on translation of foreign operations		797	702
Total other comprehensive income to be reclassified to profit or loss in subsequent periods		797	702
Total comprehensive loss for the period, net of tax		**(23,192)**	**(9,264)**

The accompanying notes on pages 5 to 16 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity

For the six months ended 30 June 2019

(Thousands of Georgian lari)

	Attributable to shareholders of JSC Teliani Valley							
	Share capital	***Share premium***	***Accumulated loss***	***Translation differences***	***Other reserves***	***Total***	***Non-controlling interests***	***Total***
1 January 2018 (Note 4)	**5,555**	**85,059**	**(11,976)**	**(1,782)**	**(949)**	**75,907**	**1**	**75,908**
Share issuance under common control transaction	1,611	28,910	–	–	(8,983)	21,538	–	21,538
Loss for the period	–	–	(9,966)	–	–	(9,966)	–	(9,966)
Other comprehensive income	–	–	–	702	–	702	–	702
30 June 2018 (not reviewed)	**7,166**	**113,969**	**(21,942)**	**(1,080)**	**(9,932)**	**88,181**	**1**	**88,182**

	Attributable to shareholders of JSC Teliani Valley							
	Share capital	***Share premium***	***Accumulated loss***	***Translation differences***	***Other reserves***	***Total***	***Non-controlling interests***	***Total***
31 December 2018 (restated*)	**8,210**	**131,887**	**(41,237)**	**(1,506)**	**(14,971)**	**82,383**	**1**	**82,384**
Share issue	572	10,229	–	–	–	10,801	–	10,801
Loss for the period	–	–	(23,989)	–	–	(23,989)	–	(23,989)
Other comprehensive income	–	–	–	797	–	797	–	797
30 June 2019 (unaudited)	**8,782**	**142,116**	**(65,226)**	**(709)**	**(14,971)**	**69,992**	**1**	**69,993**

* *Certain amounts do not correspond to the 2018 consolidated financial statements, as they reflect adjustments made for reorganization of entities under common control (Note 4).*

The accompanying notes on pages 5 to 16 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of cash flows

For the six months ended 30 June 2019

(Thousands of Georgian lari)

	Notes	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (not reviewed)
Operating activities			
Loss before tax		(23,989)	(9,966)
Adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortization		7,232	5,225
Finance costs		5,513	3,044
Finance income		12	–
Provision for expected credit losses		493	(1,149)
Loss on disposal of property, plant and equipment		329	–
Net foreign exchange loss/ (gain) attributable to financing and investing activities		6,720	701
Cash from operating activities before changes in working capital		**(3,690)**	**(2,145)**
Working capital adjustments			
Changes in inventories		(4,880)	(4,107)
Changes in trade receivables		(2,606)	(2,885)
Changes in prepayments		(2,146)	(2,756)
Changes in trade and other accounts payable		739	2,944
Changes in other current liabilities		1,933	2,777
Changes in taxes payables, other than income tax		252	155
Changes in contract liabilities		(57)	(150)
Cash flows used in operating activities before interest and income tax		**(10,455)**	**(6,167)**
Interest paid		(5,049)	(1,916)
Net cash flows used in operating activities		**(15,504)**	**(8,083)**
Investing activities			
Acquisition of property, plant and equipment		(7,855)	(6,108)
Acquisition of intangible assets		(8,026)	(302)
Placements of cash on restricted cash account		(6)	–
Withdrawals from restricted cash account		–	1,769
Proceeds from the sale of property, plant and equipment		268	64
Net cash flows used in investing activities		**(15,619)**	**(4,577)**
Financing activities			
Issuance of new shares		10,801	–
Repayment of borrowings		(86,773)	(4,563)
Proceeds from borrowings		107,264	9,417
Net cash flows from financing activities		**31,292**	**4,854**
Foreign exchange difference, on cash and cash equivalents		**(365)**	**(1,368)**
Net (decrease)/ increase in cash and cash equivalents		**(196)**	**(9,174)**
Cash and cash equivalents, beginning of the period	6	9,504	17,455
Cash and cash equivalents, end of the period		**9,308**	**8,281**

Non-cash transactions:

During the six months ended 30 June 2019 changes in property, plant and equipment include i) IFRS 16 transition effect of GEL 2,293 with related recognition of lease liabilities at transition date; ii) acquisitions on deferred payment terms of GEL 3,677, and iii) contribution of land by the Group's debtor for GEL 474.

The accompanying notes on pages 5 to 16 are an integral part of these interim condensed consolidated financial statements

(Thousands of Georgian lari)

1. Principal activities

JSC Teliani Valley (the “Company”), Identification number 203855444, 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.

These interim condensed consolidated financial statements comprise the interim condensed financial statements of the Company and its subsidiaries (together referred to as the “Group”).

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

During the six months ended 30 June 2019, the Group launched new brands. In March 2019, the Group acquired a prominent Georgian beverages brand and started production and sale of Kazbegi beer and lemonade. In May 2019, the Group launched three upper-mainstream segment beer brands: Krusovice, Amstel and a local light beer, Kaiaki.

After successful consecutive trial brews, the Group launched locally brewed Heineken beer in August 2019.

The Company’s shareholders comprise:

Shareholders	***30 June 2019 (%)***	***31 December 2018 (%)***
Georgia Capital PLC	84.76	75.77
Firebird Republics Fund Ltd.	6.22	9.89
Firebird Avrora Fund Ltd.	5.07	8.07
Firebird Fund LP	2.54	4.04
JSC Liberty Consumer	1.18	1.87
Other	0.23	0.36
Total	**100.00**	**100.00**

As at 30 June 2019 and 31 December 2018, the ultimate parent of the Company is Georgia Capital PLC (“GCAP” or the “Ultimate Parent”). No individual shareholder owns more than 8% of the GCAP shares as at 30 June 2019 and 31 December 2018, respectively. The GCAP’s registered legal address is 84 Brook Street, London, W1K 5EH, England and registration number is 10852406.

2. Basis of preparation

General

These interim condensed consolidated financial statements for the six months ended 30 June 2019 were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Conduct authority.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management’s best judgment at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

Assumptions and significant estimates in these interim condensed consolidated financial statements, including going concern considerations, are consistent with those applied in the preparation of JSC Teliani Valley’s annual consolidated financial statements for the year ended 31 December 2018. The Group did not previously present interim financial information for 6 months ended 30 June 2018.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended 31 December 2018, issued on 30 April 2019.

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

(Thousands of Georgian lari)

3. Summary of significant accounting policies

Accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time IFRS 16 *Leases*. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	GEL '000
Assets	
Property, plant and equipment (Note 9)	2,293
Total assets	**2,293**
Liabilities	
Lease liabilities	2,293
Total liabilities	**2,293**
Weighted average incremental borrowing rate	7%

Impact on the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2019 is as follows:

	GEL '000
Occupancy and rent (included in administrative expenses)	(581)
EBITDA	**(581)**
Depreciation and amortization	402
Interest expense	106
Net effect	**(73)**

(Thousands of Georgian lari)

3. Summary of significant accounting policies (continued)

Accounting policies (continued)

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and warehouses for its distribution activities. Before the adoption of IFRS 16, the Group only had lease arrangements that were classified as operating leases and were not reported on a Group's balance sheet. Such leases were accounted for similarly to service contracts, with the Group reporting a rental expense in the income statement. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets as described below.

The Group recognised a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. Lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. A right-of-use asset was recognised at the date of initial application for leases previously classified as an operating lease applying IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group applied low value lease exemption to its low value leases such as computers and furniture (assets with a value, when new, of US$5,000 or less). Lease payments on short-term leases (equal or less than 12 months) and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group also applied the available practical expedients wherein it:

- Used a single discounted rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are presented within property, plant and equipment.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(Thousands of Georgian lari)

3. Summary of significant accounting policies (continued)

Accounting policies (continued)

The following amendments had no impact on the Group's interim condensed consolidated financial statements:

- IAS 23 *Borrowing Costs*;
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*;
- Annual Improvements 2015-2017 Cycle.

4. Business combinations

In April 2019, GCAP transferred to the Group controlling stakes in Global Coffee Georgia LLC ("GCG") (ultimate parent company of New Coffee Georgia LLC), Genuine Brewing Company LLC ("GBC") and control over the Loan and Management Agreement concluded with JSC Harvest (ultimate parent company of Kindzmarauli Marani LLC). In return, the Group issued 268,571,429 shares with cost of GEL 43,400. As a result, GCAP's shareholding in the Group increased from 75.77% to 84.76%.

The Group accounted for these transactions under common control using pooling of interest method with the retrospective restatement of comparative financial information. Under the pooling of interest method, the assets and liabilities of GCG, GBC and JSC Harvest are recognized in the Group's consolidated financial statements as if the business combination occurred at the beginning of the earliest period presented at their carrying values, with the corresponding adjustment to the Group's equity.

GCAP acquired controlling stakes in GCG, GBC, and concluded the Loan and Management Agreement with JSC Harvest on 15 February 2017, 7 February 2018, and 26 April 2018, respectively. Therefore, consolidated statement of financial position of the Group as at 1 January 2018 was restated for the effect of GCC business combination using pooling of interest method. The impact of change due to pooling of interest was GEL 5,570 and GEL 30,579 on net assets as of 1 January 2018 and 31 December 2018, respectively.

(Thousands of Georgian lari)

4. Business combinations (continued)

The reconciliation of previously reported amounts for the effect of common control business combinations as at 31 December 2018 is disclosed below:

Consolidated statement of financial position as at 31 December 2018	***The Group before common control transactions***	***Financial position of Global Coffee Georgia LLC (Unaudited)***	***Financial Position of Genuine Brewing Company LLC (Unaudited)***	***Financial Position of JSC Harvest (Unaudited)***	***Intragroup eliminations (Unaudited)***	***The Group after common control transactions (Unaudited)***
Non-current assets						
Property, plant and equipment	100,081	916	4,681	25,426	(33)	131,071
Intangible assets	991	2	60	28	1,013	2,094
Prepayments	2,057	–	–	–	–	2,057
Amounts due from financial institutions	125	–	–	9	2	136
Loans issued	332	–	–	–	(332)	–
Goodwill	–	–	–	–	8,198	8,198
Investments in associates	–	–	–	6,439	(6,439)	–
Total non-current assets	**103,586**	**918**	**4,741**	**31,902**	**2,409**	**143,556**
Current assets						
Inventories	24,472	108	401	5,672	(610)	30,043
Trade receivables	13,377	494	270	2,903	(2,306)	14,738
Prepayments	3,264	10	2,378	70	(2,355)	3,367
Loans issued	649	–	–	474	(649)	474
Cash and cash equivalents	7,354	4	247	1,899	–	9,504
Total current assets	**49,116**	**616**	**3,296**	**11,018**	**(5,920)**	**58,126**
Total assets	**152,702**	**1,534**	**8,037**	**42,920**	**(3,511)**	**201,682**
Equity and liabilities						
Equity						
Share capital	5,525	1,500	8,940	841	(8,596)	8,210
Share premium	83,992	–	–	–	47,895	131,887
Foreign currency translation reserve	(1,506)	–	–	–	–	(1,506)
Accumulated loss	(36,207)	(99)	(4,462)	(9,054)	8,585	(41,237)
Other reserves	–	4	124	9,907	(25,006)	(14,971)
Equity attributable to equity holders of the parent	**51,804**	**1,405**	**4,602**	**1,694**	**22,878**	**82,383**
Non-controlling interests	1	–	–	–	–	1
Total equity	**51,805**	**1,405**	**4,602**	**1,694**	**22,878**	**82,384**
Non-current liabilities						
Interest bearing loans and borrowings	55,368	–	–	–	–	55,368
Total non-current liabilities	**55,368**	**–**	**–**	**–**	**–**	**55,368**
Current liabilities						
Trade and other accounts payable	15,807	60	87	2,852	(2,390)	16,416
Taxes payable, other than income tax	1,877	69	343	167	–	2,456
Interest bearing loans and borrowings	23,351	–	3,005	36,427	(21,726)	41,057
Contract liabilities	2,857	–	–	939	(2,273)	1,523
Other current liabilities	1,637	–	–	841	–	2,478
Total current liabilities	**45,529**	**129**	**3,435**	**41,226**	**(26,389)**	**63,930**
Total liabilities	**100,897**	**129**	**3,435**	**41,226**	**(26,389)**	**119,298**
Total equity and liabilities	**152,702**	**1,534**	**8,037**	**42,920**	**(3,511)**	**201,682**

(Thousands of Georgian lari)

4. Business combinations (continued)

The reconciliation of previously reported amounts for the effect of common control business combinations as at 1 January 2018 is disclosed below:

Consolidated statement of financial position as at 1 January 2018	***The Group before common control transactions***	***Financial position of Global Coffee Georgia LLC (unaudited, not reviewed)***	***Intragroup eliminations (unaudited, not reviewed)***	***The Group after common control transactions (unaudited, not reviewed)***
Non-current assets				
Property, plant and equipment	102,168	726	–	102,894
Intangible assets	723	3	1,073	1,799
Prepayments	1,658	–	(81)	1,577
Goodwill	–	–	2,836	2,836
Total non-current assets	**104,549**	**729**	**3,828**	**109,106**
Current assets				
Inventories	17,122	392	–	17,514
Trade receivables	11,900	835	(556)	12,179
Prepayments	2,795	12	–	2,807
Other current assets	7	–	–	7
Restricted cash	4,381	–	–	4,381
Cash and cash equivalents	17,437	18	–	17,455
Total current assets	**53,642**	**1,257**	**(556)**	**54,343**
Total assets	**158,191**	**1,986**	**3,272**	**163,449**
Equity and liabilities				
Equity				
Share capital	5,200	1,500	(1,145)	5,555
Share premium	78,748	–	6,311	85,059
Foreign currency translation reserve	(1,782)	–	–	(1,782)
Accumulated loss	(11,829)	238	(385)	(11,976)
Other capital reserves	–	4	(953)	(949)
Equity attributable to equity holders of the parent	**70,337**	**1,742**	**3,828**	**75,907**
Non-controlling interests	1	**–**	**–**	1
Total equity	**70,338**	**1,742**	**3,828**	**75,908**
Non-current liabilities				
Interest bearing loans and borrowings	61,482	–	–	61,482
Total non-current liabilities	**61,482**	–	–	**61,482**
Current liabilities				
Trade and other accounts payable	14,848	43	(556)	14,335
Taxes payable, other than income tax	1,178	–	–	1,178
Interest bearing loans and borrowings	9,795	153	–	9,948
Contract liabilities	95	–	–	95
Other current liabilities	455	48	–	503
Total current liabilities	**26,371**	**244**	**(556)**	**26,059**
Total liabilities	**87,853**	**244**	**(556)**	**87,541**
Total equity and liabilities	**158,191**	**1,986**	**3,272**	**163,449**

(Thousands of Georgian lari)

5. Segment information

The Group is organised into three operating segments: wine production, beer production and distribution.

Management monitors the operating results of its segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured in the same manner as profit or loss in the interim condensed consolidated financial statements. Transactions between segments are accounted for at actual transaction prices.

The following tables present income statement and certain asset and liability information regarding the Group's operating segments:

Profit or loss statement for 6 months ended 30 June 2019

	Wine	*Beer*	*Distribution*	*Inter-business eliminations/ consolidations*	*Group total*
Revenue	17,254	18,241	27,225	(16,494)	46,226
Cost of sales	(9,436)	(13,374)	(22,727)	14,943	(30,594)
Gross profit	**7,818**	**4,867**	**4,498**	**(1,551)**	**15,632**
Operating expenses and impairment	(4,772)	(11,331)	(5,483)	(6,009)	(27,595)
EBITDA	**3,046**	**(6,464)**	**(985)**	**(7,560)**	**(11,963)**
Depreciation and amortization	(1,114)	(5,358)	(735)	7,207	–
Finance expense	(1,988)	(4,237)	(75)	787	(5,513)
Finance income	28	1	–	(17)	12
Foreign exchange loss, net	(1,964)	(4,561)	–	–	(6,525)
Operating result	**(1,992)**	**(20,619)**	**(1,795)**	**417**	**(23,989)**
Income tax	–	–	–	–	–
Loss for the period	**(1,992)**	**(20,619)**	**(1,795)**	**417**	**(23,989)**

Assets and liabilities as at 30 June 2019

	Wine	*Beer*	*Distribution*	*Inter-business eliminations/ consolidations*	*Group total*
Cash and cash equivalents	5,824	3,055	429	–	9,308
Total assets	**77,475**	**138,052**	**25,007**	**(16,040)**	**224,494**
Interest bearing loans and borrowings	31,745	92,302	–	(812)	123,235
Total liabilities	**38,923**	**112,312**	**17,981**	**(14,715)**	**154,501**
Total equity attributable to shareholders of the Group	**38,551**	**25,740**	**7,026**	**(1,325)**	**69,992**

(Thousands of Georgian lari)

5. Segment information (continued)

Profit or loss statement for 6 months ended 30 June 2018

	Wine	*Beer*	*Distribution*	*Inter-business eliminations/ consolidations*	*Group total*
Revenue	9,857	13,251	9,639	(2,280)	30,467
Cost of sales	(5,174)	(8,803)	(7,555)	1,669	(19,863)
Gross profit	**4,683**	**4,448**	**2,084**	**(611)**	**10,604**
Operating expenses and impairment	(3,056)	(12,032)	(1,808)	(5,040)	(21,936)
EBITDA	**1,627**	**(7,584)**	**276**	**(5,651)**	**(11,332)**
Depreciation and amortization	(587)	(4,341)	(450)	5,378	–
Finance expense	(1,066)	(2,033)	(1)	56	(3,044)
Finance income	135	8	–	(38)	105
Foreign exchange gain/(loss), net	90	4,486	8	(83)	4,501
Net operating income/ (loss) before non-recurring items	**199**	**(9,464)**	**(167)**	**(338)**	**(9,770)**
Non-recurring expense	(196)	–	–	–	(196)
Profit/(loss) before income tax	**3**	**(9,464)**	**(167)**	**(338)**	**(9,966)**
Income tax	–	–	–	–	–
Profit/(loss) for the period	**3**	**(9,464)**	**(167)**	**(338)**	**(9,966)**

Assets and liabilities as at 31 December 2018 (restated)

	Wine	*Beer*	*Distribution*	*Inter-business eliminations/ consolidations*	*Group total*
Cash and cash equivalents	7,933	1,244	327	–	9,504
Total assets	**77,385**	**116,153**	**17,318**	**(9,174)**	**201,682**
Interest bearing loans and borrowings	49,857	68,096	–	(21,528)	96,425
Total liabilities	**59,409**	**79,936**	**8,517**	**(28,564)**	**119,298**
Total equity attributable to shareholders of the Group	**17,975**	**36,217**	**8,801**	**19,390**	**82,383**

The Group presented adjusted EBITDA as a performance measure management believes to be relevant to an understanding of the Group's financial performance. EBITDA is calculated by adjusting profit/(loss) to exclude the impact of taxation, net finance costs, depreciation, amortisation, foreign exchange gain/(loss) and other non-operating income and expenses. EBITDA is not a defined performance measure in IFRSs. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

(Thousands of Georgian lari)

5. Segment information (continued)

The following tables present reconciliation of adjusted EBITDA to profit/(loss) for the six months ended 30 June 2019 and 2018.

	Wine	*Beer*	*Distribution*	*Inter-business eliminations/ consolidations*	*Group total*
For six months ended 30 June 2019					
Loss for the period	**(1,992)**	**(20,619)**	**(1,795)**	**417**	**(23,989)**
Adjustments for:					
Depreciation and amortisation	1,114	5,358	735	25	7,232
Finance costs	1,988	4,237	75	(787)	5,513
Finance income	(28)	(1)	–	17	(12)
Foreign exchange loss, net	1,964	4,561	–	–	6,525
Adjusted EBITDA	**3,046**	**(6,464)**	**(985)**	**(328)**	**(4,731)**

	Wine	*Beer*	*Distribution*	*Inter-business eliminations/ consolidations*	*Group total*
For six months ended 30 June 2018					
Loss for the period	**3**	**(9,464)**	**(167)**	**(338)**	**(9,966)**
Adjustments for:					
Depreciation and amortisation	587	4,341	450	(133)	5,245
Finance costs	1,066	2,033	1	(56)	3,044
Finance income	(135)	(8)	–	38	(105)
Foreign exchange gain/(loss), net	(90)	(4,486)	(8)	83	(4,501)
Management restructuring costs	196	–	–	–	196
Adjusted EBITDA	**1,627**	**(7,584)**	**276**	**(406)**	**(6,087)**

6. Cash and cash equivalents

	30 June 2019 (unaudited)	*31 December 2018 (restated)*
Cash on hand	257	201
Current accounts with financial institutions	9,051	9,303
	9,308	**9,504**

7. Trade receivables

	30 June 2019 (unaudited)	*31 December 2018 (restated)*
Trade receivables	19,761	17,880
Less: provision for expected credit losses	(2,910)	(3,142)
	16,851	**14,738**

(Thousands of Georgian lari)

8. Property, plant and equipment

	Land	*Buildings*	*Machinery and equipment*	*Vehicles*	*Other*	*Vineyard establishment*	*Right of use assets*	*Total*
Cost								
As at 31 December 2018 (restated)	**7,502**	**23,271**	**101,862**	**7,170**	**2,429**	**12,426**	**–**	**154,660**
IFRS 16 transition effect	–	–	–	–	–	–	2,293	2,293
Additions	–	4,761	3,730	811	1,580	–	245	11,127
Disposals	–	(13)	(420)	(278)	(83)	–	(717)	(1,511)
As at 30 June 2019 (unaudited)	**7,502**	**28,019**	**105,172**	**7,703**	**3,926**	**12,426**	**1,821**	**166,569**
Accumulated depreciation								
As at 31 December 2018 (restated)	**–**	**1,281**	**18,586**	**2,305**	**977**	**440**	**–**	**23,589**
Depreciation charge	–	4,477	1,149	784	421	**–**	402	7,233
Depreciation on disposals	–	(36)	(298)	(253)	(49)	–	(120)	(756)
As at 30 June 2019 (unaudited)	**–**	**5,722**	**19,437**	**2,836**	**1,349**	**440**	**282**	**30,066**
Net book value								
At 31 December 2018 (restated)	**7,502**	**21,990**	**83,276**	**4,865**	**1,452**	**11,986**	**–**	**131,071**
At 30 June 2019 (unaudited)	**7,502**	**22,297**	**85,735**	**4,867**	**2,577**	**11,986**	**1,539**	**136,503**

	Land	*Buildings*	*Machinery and equipment*	*Vehicles*	*Other*	*Vineyard establishment*	*Construction in progress*	*Total*
Cost								
As at 1 January 2018	**1,115**	**17,599**	**87,383**	**5,890**	**1,565**	**1,233**	**175**	**114,960**
Business combinations	6,263	3,620	9,257	851	257	11,193	–	31,441
Additions	–	42	5,478	100	488	–	–	6,108
Disposals	–	–	(70)	–	–	–	–	(70)
As at 30 June 2018 (not reviewed)	**7,378**	**21,261**	**102,048**	**6,841**	**2,310**	**12,426**	**175**	**152,439**
Accumulated depreciation								
As at 1 January 2018	**–**	**597**	**9,486**	**1,197**	**646**	**140**	**–**	**12,066**
Depreciation charge	–	163	4,309	505	149	**98**	–	5,224
Depreciation on disposals	–	–	(6)	–	–	–	–	(6)
As at 30 June 2018	**–**	**760**	**13,789**	**1,702**	**795**	**238**	**–**	**17,284**
Net book value								
As at 1 January 2018	**1,115**	**17,002**	**77,897**	**4,693**	**919**	**1,093**	**175**	**102,894**
As at 30 June 2018 (not reviewed)	**7,378**	**20,501**	**88,259**	**5,139**	**1,515**	**12,188**	**175**	**135,155**

(Thousands of Georgian lari)

9. Inventories

	30 June 2019 (unaudited)	*31 December 2018 (restated)*
Raw materials and production supporting materials	15,680	18,350
Finished goods (own production)	9,292	6,438
Finished goods (third party goods)	5,477	3,803
Work in progress	2,768	609
Other inventories	1,706	843
	34,923	**30,043**

10. Interest bearing loans and borrowings

	30 June 2019 (unaudited)	*31 December 2018 (restated)*
Borrowings from local financial institutions	115,819	29,082
Borrowings from international financial institutions	–	57,119
Other borrowings*	7,416	10,224
	123,235	**96,425**

* *Other borrowings comprised of borrowing from JSC Georgia Capital, a related party.*

At 30 June 2019 and 31 December 2018, the Group complied with all the debt covenants of the borrowings.

11. Gross profit

	For the six months ended	
	30 June 2019 (unaudited)	*30 June 2018 (not reviewed)*
Revenue from wine	17,967	10,758
Revenue from beer and lemonade	20,425	13,251
Revenue from third party sales	7,834	6,458
Total revenue	**46,226**	**30,467**
Cost of wine sold	(9,730)	(5,580)
Cost of beer and lemonade sold	(14,831)	(9,238)
Cost of third party sales	(6,033)	(5,045)
Total cost of sales	**(30,594)**	**(19,863)**
Gross profit	**15,632**	**10,604**

12. Related party disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm’s length basis.

(Thousands of Georgian lari)

12. Related party disclosures (continued)

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

Entities under common control	*Rent and utility expense*	*Insurance expense*	*Finance cost*	*Amounts owed to related parties*	*Advances paid to related parties*
	30 June 2019 (unaudited)	***30 June 2019 (unaudited)***	***30 June 2019 (unaudited)***	***30 June 2019 (unaudited)***	***30 June 2019 (unaudited)***
Insurance Company Aldagi JSC	–	162	–	59	24
Insurance Company Imedi L JSC	–	51	–	58	–
JSC Insurance Company Tao	–	107	–	9	8
JSC m2 Real Estate	–	–	–	1,203	–
Georgian Water and Power LLC	16	–	–	–	21
JSC Georgia Capital	–	–	1,234	7,417	–
Firebird Republics Fund Ltd.	–	–	–	53	–
	30 June 2018 (not reviewed)	***30 June 2018 (not reviewed)***	***30 June 2018 (not reviewed)***	***31 December 2018***	***31 December 2018***
Insurance Company Aldagi JSC	–	167	–	78	4
Insurance Company Imedi L JSC	–	41	–	50	–
JSC Insurance Company Tao	–	7	–	17	8
JSC m2 Real Estate	–	–	–	–	–
Georgian Water and Power LLC	5	–	–	1	21
JSC Georgia Capital	–	–	–	10,193	–
Firebird Republics Fund Ltd.	–	–	–	53	–

Compensation of key management personnel of the Group

	For the six months ended	
	30 June 2019 (unaudited)	***30 June 2018 (not reviewed)***
Key management salary	1,186	590
Management bonuses	590	464
Termination bonuses	–	196
	1,776	**1,250**

13. Events after reporting period

Issue of share capital

In August 2019, the Group issued 258,871,804 ordinary shares for consideration of USD 8,197 (GEL 24,048).

New financing received

On 23 August 2019, The Group received financing from GCAP of USD 4,700 (GEL 13,788) .The Loan matures in February 2020.

Investment in JSC Harvest Alaverdi

In August 2019, the Group co-founded and received 49% in JSC Harvest Alaverdi, ultimate owner of Alcoholic Beverages Company Alaverdi LLC and additionally issued a loan of USD 11.3 million (GEL 33,150) to JSC Harvest Alaverdi. Alcoholic Beverages Company Alaverdi LLC is a producer of Georgian wines and spirits.