JSC Georgia Capital and Subsidiaries
Consolidated Financial Statements

31 December 2019

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INDEPENDENT AUDITOR'S REPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Independent auditor's report

To the Shareholder and the Supervisory Board of JSC Georgia Capital

Opinion

We have audited the consolidated financial statements of JSC Georgia Capital (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed it
Change to an investment entity basis of accounting	
The Company determined that it met the IFRS 10 Consolidated Financial Statements (IFRS 10) investment entity criteria on 31 December 2019. Accordingly, it deconsolidated all of its subsidiaries and instead recognised them at their fair value as at 31 December 2019. The difference between the net assets of the deconsolidated subsidiaries and their fair value was recognised as a gain from the change in investment entity status in the consolidated income statement. Substantial level of judgment applied by management in assessing whether the Company meets the investment entity criteria under IFRS 10 and at what point in time the Company became an investment entity, as well as significant effect of change to an investment entity basis of accounting on the consolidated financial statements made it a key audit matter. The disclosures related to change to an investment entity basis of accounting are presented in notes 2, 3 and 4 to the consolidated financial statements.	We involved our internal valuation specialists and IFRS subject matter experts in our procedures. We examined the Company's assessment whether it meets the investment entity criteria under IFRS 10. We assessed whether the Company has substantially all the features of an investment entity evident in practice by considering its policies and practices related to fair value measurement and reporting. We inspected internal management reporting to assess whether the management measures and evaluates performance of substantially all of its investments on a fair value basis, and performed respective inquiries to the members of the Audit and Valuation Committee and executive management of the Group. We reviewed the Company's valuation policy and rulebook and assessed whether they comply with the requirements of IFRS 13 Fair Value Measurement (IFRS 13). We considered whether the Board's approval of the valuation policy, rulebook and the updated terms of reference of the Audit and Valuation Committee on 31 December 2019 was the trigger point which meant that the Company met all of the IFRS 10 investment entity criteria. We assessed the disclosures in the consolidated financial statements against the requirements of IFRS 10 and IFRS 12 Disclosure of Interests in Other Entities.

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<table>
<tr><td>Key audit matter</td><td>How our audit addressed it</td></tr>
<tr><td colspan="2">Valuation of private investments</td></tr>
<tr><td>Following change to an investment entity basis of accounting, the Company measures its investments in subsidiaries at fair value through profit or loss. Equity investments at fair value, including investments in subsidiaries, comprise the most significant part of the Group's total assets as at 31 December 2019. Majority those equity investments are private, without observable prices from an active market available as at the reporting date.

Owing to the unquoted and illiquid nature of the private investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management, in particular in respect of the selection of an appropriate valuation method, determination of peer group and applicable earnings multiples, calculation of discount rates and the estimation of future cash flows, could lead to the incorrect valuation of the unquoted investment portfolio. In turn, this could have a material impact on the value of equity investments at fair value in the consolidated statement of financial position as at 31 December 2019, and the gain from change in investment entity status in the consolidated income statement for the year then ended, which made it a key audit matter.

Information related to private investments is disclosed in notes 4, 11 and 33 to the consolidated financial statements.</td><td>We obtained an understanding of management's processes and controls for determining the fair valuation of private investments.

We involved valuation specialists to assist us in performing our audit procedures.

We compared the Company's valuation methodology to IFRS 13 requirements.

We assessed the suitability of the comparable companies used in the calculation of the earnings multiples.

We assessed whether any significant changes occurred from the acquisition to the reporting date for the recently acquired companies that would warrant change in valuation of such investments as compared to the recent purchase price.

We evaluated the selection of weighting applied to earnings multiples of the comparable companies.

We assessed the discount rates applied in valuations performed using income method.

We compared key inputs in the valuation models, such as EBITDA, net asset and net debt, to the underlying accounting records.

We performed procedures to evaluate mathematical accuracy of the valuation models.

We formed a range for the key assumptions used in the valuation of private investments. Where appropriate, we derived a range of fair values for private investments using our assumptions and other qualitative risk factors. We compared those ranges with the fair values determined by the management.

We assessed the disclosures in the consolidated financial statements against the requirements of IFRS 10 and IFRS 13.</td></tr>
</table>

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Key audit matter	How our audit addressed it
Effect of the COVID-19 pandemic on the consolidated financial statements	
The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. There is a significant degree of uncertainty about the further spread of the virus and the state of the world economy. The Company's cash and liquid funds comprise cash at banks, listed debt securities and loans issued to portfolio investments. The outbreak of COVID-19 has resulted in some equity investees suspending dividend payments and may affect the ability of Company's investments to make capital distributions and pay back loans due. This in turn would affect the Company's ability to make capital allocations to its portfolio investments and service its debt. The disclosures related to the effect of COVID-19 outbreak on the Group are presented in note 36 to the consolidated financial statements.	We obtained the base case cash flow and liquidity forecasts covering the full viability assessment period until 31 December 2022 and the single worst case scenario prepared by management and assessed the inputs and key assumptions used in the forecasts. We assessed the credit quality and liquidity of the underlying cash and liquid funds at 31 December 2019 with reference to the business model and the financial position of the counterparties in case of loans granted to the equity investees and the credit ratings of debt securities. We performed an independent stress testing to assess whether the liquidity headroom calculations are reasonable. We screened the local media and public announcements made by the Government of Georgia to assess the severity of COVID-19 pandemic in the country and the Government's ability and intentions to support the local economy. We considered the financial position of Bank of Georgia and the COVID-19 related disclosures presented in its annual report for the year ended 31 December 2019, given that Bank of Georgia is the largest quoted investment in the Company's portfolio and also a depository of the majority of the Company's cash.
Revenue recognition	
Recognition of revenue across various businesses within the Group was a key audit matter due to the significance of revenue to the consolidated financial statements, the degree of management judgment involved in the determination of transition of control to customers as well as the complexity and judgmental nature of estimation process and assumptions used when measuring progress towards satisfaction of performance obligation satisfied over time.	We obtained an understanding of the revenue recognition process across different revenue streams covering majority of the Group's businesses: healthcare and pharmaceutical, real estate, utility and energy, insurance, auto service and beverages. We evaluated the relevant controls in the revenue cycle by assessing the design and tested the operational effectiveness of key controls across the major revenue streams.

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Key audit matter	How our audit addressed it
The disclosures related to the recognition of revenue are presented in note 27 to the consolidated financial statements.	We discussed key contractual arrangements with the management and inspected relevant documentation, where applicable, and assessed revenue recognition policies. We tested a sample of revenue transactions (including those around the reporting date) by tracing them to supporting documentation. We recalculated and assessed the inputs present in the manual adjustments posted by management at year end, including consignment sales adjustment at the beverages business; completion rates at the real estate (housing development) business; as well as those used in the adjustment to long-term treatments in the healthcare business and in the water utility business. For the insurance businesses, we recalculated the multi-year adjustment and traced the inputs such as premium amount, commencement, expiry and cancellation dates to underlying accounting records. Within the healthcare business, we assessed revenue adjustment for the corrections and rebates through recalculation with reference to the historical corrections and rebates rate. We ran correlation analysis between the cash receipts during the year and the revenue recorded in the consolidated income statement on beverages and pharmaceutical revenue streams. We analysed unusual trends in revenue in water utility business.
Valuation of investment properties	
Investment property valuations are inherently uncertain and subject to an estimation process, particularly due to the fact that the Group's properties are located in Georgia, where the market for such assets is relatively illiquid.	We tested the accuracy of the underlying property database by tracing the location and total area of the sample of properties to the Georgian public registry.

Key audit matter	How our audit addressed it
The measurement of investment property and investment property under construction at fair value was one of the matters of most significance in our audit because of the significance of the balances of investment property and investment property under construction to the fair valuation of the Group's commercial and hospitality business, and the complexity and judgmental nature of estimation processes and assumptions used. Notes 4, 14 and 33 to the consolidated financial statements disclose the information about investment properties.	We involved our real estate specialists to assist us in evaluating the Group's valuations of investment properties, including the following: • assessment of the competence, professional qualifications and objectivity of the external valuers involved by the Group; • through examining the valuation reports and discussion with management and the valuers, obtaining an understanding of the objectives and scope of the valuers' work, the methods and assumptions that they had used and the conclusions that they had reached in relation to a sample of investment properties; • evaluation of the methods and assumptions used in the valuation reports, including consideration as to whether there was contrary market intelligence that had not been taken into account in the valuers' analyses. We recalculated the results of the valuations recognized in the consolidated financial statements.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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Responsibilities of management and the Audit and Valuation Committee for the consolidated financial statements

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

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

The Audit and Valuation Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Marchello Gelashvili.

Marchello Gelashvili

On behalf of EY LLC

Tbilisi, Georgia

11 April 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Thousands of Georgian Lari)

	Notes	*31 December 2019*	*31 December 2018 (restated)**	*1 January 2018 (restated)**
Assets				
Cash and cash equivalents	7	117,215	253,349	346,239
Amounts due from credit institutions	8	-	40,299	38,141
Marketable securities	9	62,493	71,824	31,907
Accounts receivable	12	1,176	170,228	21,507
Insurance premiums receivable		-	57,801	30,855
Inventories	13	-	276,230	76,713
Investment properties	14	-	151,232	159,989
Prepayments		384	117,818	87,760
Income tax assets	19	-	2,405	1,374
Property and equipment	15	580	1,573,624	551,339
Loans issued	10	151,884	150,300	101
Goodwill	17	-	142,095	21,935
Intangible assets	17	122	51,471	5,143
Other assets	18	6,520	101,162	69,769
Equity investments at fair value	11	2,251,465	457,495	1,153
Assets of disposal group held for sale		-	-	1,148,584
Total assets		**2,591,839**	**3,617,333**	**2,592,509**
Liabilities				
Accounts payable	24	1,284	143,114	42,987
Insurance contracts liabilities	20	-	68,207	46,403
Income tax liabilities	19	-	1,119	860
Deferred income	23	-	62,345	73,489
Borrowings	21	-	764,355	650,734
Debt securities issued	22	825,952	916,401	77,835
Other liabilities	18	6,406	235,180	63,206
Liabilities of disposal group held for sale		-	-	619,029
Total liabilities		**833,642**	**2,190,721**	**1,574,543**
Equity	26			
Share capital		12,400	11,526	10,000
Additional paid-in capital		499,369	498,781	466,187
Treasury shares		(961)	(584)	-
Other reserves		-	497,350	171,076
Retained earnings		1,247,389	90,534	76,354
Total equity attributable to the shareholder of JSC Georgia Capital		**1,758,197**	**1,097,607**	**723,617**
Non-controlling interests		-	329,005	294,349
Total equity		**1,758,197**	**1,426,612**	**1,017,966**
Total liabilities and equity		**2,591,839**	**3,617,333**	**2,592,509**

** Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy as described in Note 3.*

Signed and authorised for release on behalf of the Management by:

Irakli Gilauri Chief Executive Officer

Giorgi Alpaidze Chief Financial Officer

10 April 2020

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018 (restated)**
Revenue		1,473,437	1,282,995
Cost of sales		(883,024)	(789,884)
Gross profit	27	**590,413**	**493,111**
Salaries and other employee benefits	28	(174,762)	(135,824)
Administrative expenses	28	(112,669)	(105,740)
Other operating expenses		(11,457)	(11,225)
Expected credit loss / impairment charge on financial assets	29	(11,474)	(10,610)
Impairment charge on insurance premium receivables, other assets and provisions	29	(1,078)	(2,179)
		(311,440)	**(265,578)**
EBITDA		**278,973**	**227,533**
Share in profit of associates		357	247
Dividend income	9	24,953	23,875
Depreciation and amortisation		(110,075)	(66,449)
Net foreign currency loss		(41,792)	(37,658)
Net gains from investment securities measured at FVPL		1,654	-
Net realised gains from investment securities measured at FVOCI		1,187	-
Interest income at EIR method		30,658	23,237
Interest expense		(150,370)	(96,895)
Net operating income before non-recurring items		**35,545**	**73,890**
Net non-recurring items	30	(8,235)	(29,486)
Gain from change in investment entity status	3	588,828	-
Profit before income tax expense		**616,138**	**44,404**
Income tax expense	19	(4,633)	(3,606)
Profit for the year		**611,505**	**40,798**
Total profit attributable to:			
– the shareholder of JSC Georgia Capital		576,501	14,391
– non-controlling interests		35,004	26,407
		611,505	**40,798**

** Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3.*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

(Thousands of Georgian Lari)

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		611,505	**40,798**

** Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018 (restated)**
Profit for the year		**611,505**	**40,798**
Other comprehensive income			
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:			
Income from currency translation differences		9,962	9,252
Changes in the fair value of debt instruments at FVOCI		2,694	(1,207)
Realised gain on financial assets measured at FVOCI reclassified to the consolidated income statement		(1,187)	-
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI		(172)	117
Reclassification of other reserves to PL due to Change in investment entity status		(26,864)	-
Net other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods		**(15,567)**	**8,162**
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation of property and equipment	15	3,474	-
Changes in fair value of equity instruments designated at FVOCI	26	140,441	(248,505)
Reclassification of other reserves to retained earnings due to Change in investment entity status		108,265	-
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**252,180**	**(248,505)**
Other comprehensive income/(loss) for the year, net of tax		**236,613**	**(240,343)**
Total comprehensive income / (loss) for the year		**848,118**	**(199,545)**
Total comprehensive income / (loss) attributable to:			
– the shareholder of JSC Georgia Capital		811,275	(226,928)
– non-controlling interests		36,843	27,383
		848,118	**(199,545)**

** Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy as described in Note 3.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Thousands of Georgian Lari)

	Attributable to the shareholder of JSC Georgia Capital							
	Share capital	***Additional paid-in capital***	***Treasury Shares***	***Other reserves***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total Equity***
31 December 2017	**10,000**	**466,187**	**-**	**171,254**	**197,222**	**844,663**	**297,565**	**1,142,228**
Effect of adoption of IFRS 9	-	-	-	192	(10,808)	(10,616)	(3,216)	(13,832)
Effect of change in accounting policy (Note 3, (a))*	-	-	-	(370)	(3,450)	(3,820)	-	(3,820)
Effect of change in accounting policy (Note 3, (b))*	-	-	-	-	(106,610)	(106,610)	-	(106,610)
1 January 2018 (restated)*	**10,000**	**466,187**	**-**	**171,076**	**76,354**	**723,617**	**294,349**	**1,017,966**
Profit for the year (restated)*	-	-	-	-	14,391	14,391	26,407	40,798
Other comprehensive (loss) income for the year	-	-	-	(241,319)	-	(241,319)	976	(240,343)
Total comprehensive loss	**-**	**-**	**-**	**(241,319)**	**14,391**	**(226,928)**	**27,383**	**(199,545)**
Issue of share capital (Note 26)	1,526	127,844	-	577,913	-	707,283	-	707,283
Increase in equity arising from share-based payments (Note 31)	-	32,282	-	-	-	32,282	6,062	38,344
Dilution of interests in subsidiaries	-	-	-	2,760	-	2,760	(2,760)	-
Increase in share capital of subsidiaries**	-	-	-	-	-	-	23,348	23,348
Acquisition of non-controlling interests in existing subsidiaries****	-	-	-	(13,080)	-	(13,080)	(8,629)	(21,709)
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	44	44
Dividends paid by subsidiaries***	-	-	-	-	(211)	(211)	(10,792)	(11,003)
Other purchases of treasury shares (Note 26)	-	(63,936)	(532)	-	-	(64,468)	-	(64,468)
Contributions under share-based payment plan	-	(63,596)	(52)	-	-	(63,648)	-	(63,648)
31 December 2018 (restated)*	**11,526**	**498,781**	**(584)**	**497,350**	**90,534**	**1,097,607**	**329,005**	**1,426,612**

**Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3 ((a) borrowing costs and (b) infrastructure assets).*
*** The minority shareholder of the Group in JSC Georgian Renewable Power Company contributed GEL 23,348 to the equity in 2018.*
**** JSC GEPHA, a subsidiary of the Group's healthcare business, paid dividend to its minority shareholders in the amount of GEL 10,792.*
***** GEL (6,446) change in non-controlling interest is related to deemed acquisition of NCI arising from share acquisition put option issued in 2017 to non-controlling shareholders of "GEPHA".*

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Attributable to the shareholder of JSC Georgia Capital							
	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total Equity*
31 December 2018 (restated)*	**11,526**	**498,781**	**(584)**	**497,350**	**90,534**	**1,097,607**	**329,005**	**1,426,612**
Profit for the year	-	-	-	-	576,501	576,501	35,004	611,505
Other comprehensive income for the year	-	-	-	234,774	-	234,774	1,839	236,613
Total comprehensive income for the year	**-**	**-**	**-**	**234,774**	**576,501**	**811,275**	**36,843**	**848,118**
Issue of share capital (Note 26)***	1,253	138,503	-	-	-	139,756	-	139,756
Increase in equity arising from share-based payments (Note 31)	-	24,616	-	-	-	24,616	6,585	31,201
Dilution of interests in subsidiaries	-	-	-	5,040	-	5,040	(5,040)	-
Increase in share capital of subsidiaries	-	-	-	-	-	-	6,215	6,215
Acquisition / Sale of non-controlling interests in existing subsidiaries***	-	-	-	(46,512)	-	(46,512)	(92,354)	(138,866)
Acquisition of additional interest in existing subsidiaries by non-controlling shareholders	-	-	-	(1,932)	-	(1,932)	749	(1,183)
Non-controlling interests arising on acquisition of subsidiary (Note 5)	-	-	-	-	-	-	6,976	6,976
Dividends paid by subsidiaries **	-	-	-	-	(89)	(89)	(11,170)	(11,259)
Capital reduction(Note 26)	(379)	(79,705)	(305)	-	-	(80,389)	-	(80,389)
Purchase of treasury shares	-	(82,826)	(72)	-	-	(82,898)	-	(82,898)
Change in investment entity status (Note 3)	-	-	-	(688,720)	580,443	(108,277)	(277,809)	(386,086)
31 December 2019	**12,400**	**499,369**	**(961)**	**-**	**1,247,389**	**1,758,197**	**-**	**1,758,197**

**Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3 ((a) borrowing costs and (b) infrastructure assets).*
*** During 2019 Georgia Healthcare Group PLC, Group's subsidiary, announced dividend out of which GEL 2,873 was paid dividends to it minority shareholders. In addition, JSC GEPHA, a subsidiary of the Group's healthcare business, paid dividend to its minority shareholders in the amount of 8,297 GEL.*
****On December 18 2019 GCAP PLC, 100% shareholder of JSC GCAP, contributed 17,892,911 existing GHG shares into the equity of JSC GCAP, in return of 1,025,680 newly issued GCAP shares. Group's interest in GHG increased to 70.6%. Acquisition of non-controlling interest in existing subsidiaries is mostly attributable to this transaction. For details refer to note 26.*

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018*
Cash flows from operating activities			
Revenue received		1,386,928	1,196,852
Cost of goods sold paid		(896,818)	(818,201)
General, administrative and operating expenses paid		(106,769)	(109,173)
Salaries and other employee benefits paid		(148,790)	(107,566)
Net other income received / (expense paid)		7,207	(1,936)
Interest received		23,349	22,253
Net change in operating assets and liabilities		(93)	(2,324)
Net cash flows from operating activities before income tax		**265,014**	**179,905**
Income tax paid		(4,082)	(2,423)
Net Cash flow from operating activities		**260,932**	**177,482**
Net withdrawals of amounts due from credit institutions		(16,240)	14,586
Loans repaid / (issued)		114,654	(135,785)
Acquisition of subsidiaries, net of cash acquired	5	(160,348)	(25,339)
Repayment of remaining holdback amounts from previous year acquisitions		(5,876)	(14,820)
Purchase of marketable securities		(81,970)	(62,297)
Proceeds from sale and redemption of marketable securities		125,534	28,780
Purchase of investments in associates	2	(10,822)	-
Proceeds from sale of investment properties	14	860	2,566
Purchase and construction of investment properties	14	(13,430)	(20,397)
Proceeds from sale of property and equipment and intangible assets		11,162	1,496
Purchase of property and equipment		(283,402)	(378,928)
Purchase of intangible assets		(28,740)	(23,919)
Dividends received		24,953	23,875
Change in investment entity status	3	(131,520)	-
Net cash flows used in investing activities		**(455,185)**	**(590,182)**

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	2019	2018
Cash flows from financing activities			
Proceeds from borrowings	19	660,400	247,574
Repayment of borrowings	19	(416,682)	(393,981)
Proceeds from debt securities issued	19	247,053	747,184
Redemption and buyback of debt securities issued	19	(106,713)	(80,747)
Other purchases of treasury shares	26	(80,389)	(64,468)
Dividends paid by subsidiaries to non-controlling shareholders		(11,405)	(10,012)
Interest paid		(148,790)	(96,312)
Contributions under share-based payment plan		(59,180)	(66,701)
Increase in share capital of subsidiaries		6,216	2,675
Purchase of additional interest in existing subsidiaries		(1,615)	(5,719)
Cash payments for principal portion of lease liability	14	(21,087)	-
Cash payments for interest portion of the lease liability	14	(6,665)	-
Net cash from financing activities		**61,143**	**279,493**
Effect of exchange rates changes on cash and cash equivalents		(3,024)	(8,524)
Effect of change in expected credit losses for cash and cash equivalents		-	1
Net decrease in cash and cash equivalents		**(136,134)**	**(141,730)**
Cash and cash equivalents, beginning of the year	7	**253,349**	**346,239**
Cash and cash equivalents of disposal group held for sale, beginning of the year		**-**	**48,840**
Cash and cash equivalents of disposal group held for sale, end of the year		**-**	**-**
Cash and cash equivalents, end of the year	7	**117,215**	**253,349**

The accompanying notes on pages 8 to 87 are an integral part of these consolidated financial statements

1. Principal Activities

JSC Georgia Capital ("Georgia Capital") makes up a group of companies (the "Group"), focused on investing in and developing businesses in Georgia. The Group principally operates in utility and renewable energy, property and casualty insurance, housing development, hospitality and commercial - property construction and development, wine and beer production, education, digital, auto service businesses through privately held subsidiaries and healthcare, pharmaceutical and medical insurance business through London Stock Exchange premium-listed Georgian Healthcare Group PLC. In addition to its subsidiaries, the Group has a significant investment in London Stock Exchange premium listed Bank of Georgia Group PLC.

Georgia Capital's registered legal address is Kazbegi street 3-5, Tbilisi Georgia.

JSC Georgia Capital was established on 6 August 2015 as a joint stock company (JSC) under the laws of Georgia. As of 31 December 2019 and 31 December 2018, the Group's ultimate 100% owner was Georgia Capital PLC, a company incorporated in England and listed on the London Stock Exchange.

2. Basis of Preparation

General

The consolidated financial statements of JSC Georgia Capital have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

These financial statements are prepared under the historical cost convention except for financial assets measured at fair value and investments in subsidiaries held at fair value through profit or loss (FVPL).

The financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

Investment entity status

On 31 December 2019 Georgia Capital concluded that it met the definition of investment entity as defined in IFRS 10 *Consolidated Financial Statements*. As per IFRS 10 an investment entity is an entity that:

a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

According to IFRS 10, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.

Given the above, these financial statements consolidate the Group's subsidiaries up to 31 December 2019. As of that date, the subsidiaries have been de-consolidated, and recognised as investments in subsidiaries at their fair value as at 31 December 2019.

Further details on financial impact of change in investment entity status and underlying significant judgments are provided in notes 3, 4 and 33, respectively.

(Thousands of Georgian Lari)

2. Bases of Preparation (continued)

Going concern

The Board of Directors of Georgia Capital has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Basis of consolidation (policy applied up to 31 December 2019)

Starting from 31 December 2019, Georgia Capital's status has been changed to investment entity. As the result, it measures investments in subsidiaries at fair value rather than consolidating them. Investments in subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. The Group consolidates a subsidiary when it controls it. 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.

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; and
- 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. 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 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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(Thousands of Georgian Lari)

2. Bases of Preparation (continued)

Subsidiaries and associates

The Consolidated Financial Statements as at 31 December 2019 include the following subsidiaries and associates:

Subsidiaries	*Proportion of voting rights and ordinary share capital held 31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*
⇒ JSC Georgia Real Estate (formerly JSC m2 Real Estate)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	27/9/2006	–
⇒ m2 Group, LLC (formerly m2 Residential, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
⇒ m2 Development, LLC	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	12/12/2019	–
⇒ Optima ISANI, LLC	100.00%	Georgia	14 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
⇒ Tamarashvili 13, LLC	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
⇒ m2 at Hippodrome, LLC	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
⇒ m2 Skyline, LLC	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	23/7/2015	–
⇒ m2 at Kazbegi, LLC	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
⇒ m2 at Tamarashvili, LLC	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–
⇒ m2 at Nutsubidze, LLC	100.00%	Georgia	71 Vaja Pshavela Ave., 0186	Real estate	21/5/2013	–
⇒ M Square Park, LLC	100.00%	Georgia	1 Marshal Gelovani ave., Tbilisi	Real estate	15/9/2015	–
⇒ Optima Saburtalo, LLC	100.00%	Georgia	2 Mikheil Shavishvili st, Tbilisi	Real estate	15/9/2015	–
⇒ m2 at Chavchavadze LLC	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
⇒ Land, LLC	100.00%	Georgia	Between university and Kavtaradze st.,Tbilisi	Real estate	3/10/2014	–
⇒ Optima, LLC (formerly m2 at Vake, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	3/8/2016	–
⇒ BK Construction, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	18/5/2017	2/6/2017
⇒ BK Production, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	27/6/2019	–
⇒ Georgia Real Estate Management Group, LLC (formerly m2 Hospitality, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
⇒ Amber Group, LLC	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Hospitality	10/12/2019	–
⇒ Kakheti Wine and Spa, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	23/04/2018	–
⇒ Gudauri Lodge, LLC (formerly m2 at Gudauri, LLC)	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	24/04/2018	–
⇒ m2 Mtatsminda, LLC (former Kass 1, LLC)	100.00%	Georgia	22 Zaal Dumbadze st., Tbilisi	Hospitality	16/10/2014	26/12/2017
⇒ m2 Svaneti, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	14/11/2018	–
⇒ m2 Hatsvali, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	17/4/2019	–
⇒ m2 Resort,LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	11/2/2019	–
⇒ JSC Litera	50.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	4/12/2019	–
⇒ Georgia Property Management Group, LLC (formerly m2 Commercial Assets, LLC)	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Property management	4/10/2018	–
⇒ Vere Real Estate, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	4/3/2010	6/8/2018
⇒ Caucasus Autohouse, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	29/3/2011	–
⇒ Georgia Hotels Management Group, LLC	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	16/12/2019	–
⇒ m2, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	12/2/2014	–
⇒ m2 Kutaisi, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 at Melikishvili, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 Zugdidi, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	7/11/2018	–
⇒ Georgia Hospitality Management Group, LLC	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Real estate	22/8/2018	–
⇒ JSC Georgian Renewable Power Company	65.59%	Georgia	79 David Agmashenebeli Ave, 0102, Tbilisi	Renewable Energy	15/9/2015	–
⇒ JSC Geohydro	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
⇒ JSC Svaneti Hydro	100.00%	Georgia	29a, Gagarin Street, Tbilisi 0160	Renewable Energy	6/12/2013	–
⇒ JSC Zoti Hydro	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	20/8/2015	–
⇒ JSC Caucasian Wind Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	14/9/2016	–
⇒ JSC Caucasian Solar Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	27/10/2016	–
⇒ Bakhvi 2, LLC	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	22/10/2015	8/23/2019
⇒ JSC A Group	100.00%	Georgia	1, Berbuki str., Saburatlo, Tbilisi	Various	20/9/2018	–
⇒ JSC Insurance Company Aldagi	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	31/7/2014	–
⇒ JSC Insurance Company Tao	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	22/8/2007	21/1/2015
⇒ Aliance, LLC	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	3/1/2000	30/4/2012
⇒ Auto Way LLC	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	9/8/2004	30/4/2012
⇒ Insurance Informational Bureau, LLC	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2007	–
⇒ JSC Carfest (former JSC Uno Leasing)	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
⇒ JSC Greenway Georgia	100.00%	Georgia	6, University str., Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
⇒ GreenWash, LLC	100.00%	Georgia	6, University str., Vake, Tbilisi	Car Wash	31/8/2018	–

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates (continued)

Subsidiaries	*Proportion of voting rights and ordinary share capital held* *31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*
⇒ Georgia Healthcare Group PLC	70.63%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
⇒ JSC Georgia Healthcare Group	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	29/4/2015	–
⇒ JSC Insurance Company Imedi L	100.00%	Georgia	9, Anna Politkovskaias Str. Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–
⇒ JSC GEPHA	67.00%	Georgia	142, A. Beliashvili str, Tbilisi	Pharmacy and Distribution	19/10/1995	4/5/2016
⇒ JSC ABC Pharamcia (Armenia)	100.00%	Armenia	Kievyan Str. 2/8, Erevan, Armenia	Pharmacy and Distribution	28/12/2013	6/1/2017
⇒ ABC Pharmalogistics, LLC	100.00%	Georgia	Peikrebi str. 14a, Tbilisi, Georgia	Pharmacy and Distribution	24/2/2004	6/1/2017
⇒ JSC Evex Hospitals	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/8/2014	1/8/2014
⇒ EVEX-Logistics, LLC	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	13/2/2015	–
⇒ New Clinic, LLC	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	3/1/2017	20/7/2017
⇒ Caucasus Medical Center, LLC	99.80%	Georgia	23, P. Kavtaradze Str., Tbilisi	Healthcare	12/1/2012	30/6/2015
⇒ JSC Pediatry	76.00%	Georgia	U. Chkeidze str. 10, Tbilisi, Georgia	Healthcare	5/9/2003	6/7/2016
⇒ JSC Kutaisi County Treatment and Diagnostic Center for Mothers and Children	67.00%	Georgia	Djavakhishvili str. 85, Kutaisi, Georgia	Healthcare	5/5/2003	29/11/2011
⇒ LLC Academician Z. Tskhakaia National Centre of Intervention Medicine of Western Georgia	67.00%	Georgia	A Djavakhishvili str. 83A, Kutaisi, Georgia	Healthcare	15/10/2004	29/11/2011
⇒ NCLE Evex Learning Centre	100.00%	Georgia	#83A, Javakhishvili street, Tbilisi	Other	20/12/2013	20/12/2013
⇒ Emergency Service, LLC	85.00%	Georgia	U. Chkeidze str. 10, Tbilisi, Georgia	Healthcare	18/6/2013	3/1/2015
⇒ GNCo	50.00%	Georgia	Chavchavadze ave. N 16, Tbilisi	Healthcare	4/6/2001	5/8/2015
⇒ High Technology Medical Center, LLC	100.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	16/4/1999	5/8/2015
⇒ LLC Nefrology Development Clinic Centre	80.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	28/9/2010	5/8/2015
⇒ JSC Evex Clinics	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/4/2019	–
⇒ Tskaltubo Regional Hospital, LLC	67.00%	Georgia	16 Eristavi street, Tskhaltubo	Healthcare	29/9/1999	29/11/2011
⇒ LLC Aliance Med	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	7/7/2015	20/7/2017
⇒ JSC Polyclinic Vere	97.80%	Georgia	18-20 Kiacheli str.,Tbilisi	Healthcare	22/11/2013	25/12/2017
⇒ New Dent, LLC	75.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Healthcare	24/12/2018	–
⇒ JSC Mega-Lab	92.00%	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	6/6/2017	–
⇒ JSC Patgeo	100.00%	Georgia	Mukhiani, II mcr. District, Building 22, 1a, Tbilisi	Healthcare	13/1/2010	1/8/2016
⇒ JSC Vabaco	67.00%	Georgia	Bochorishvili str. 37, Tbilisi, Georgia	Software Development	9/9/2013	28/9/2018
⇒ Georgian Global Utilities, LLC	100.00%	British Virgin Islands	33 Porter Road, PO Box 3169 PMB 103, Road Town, Tortola	Utilities	16/08/2007	31/12/2014
⇒ Georgian Water and Power, LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	25/06/1997	31/12/2014
⇒ Rustavi Water, LLC	100.00%	Georgia	5, St. Nino St., Rustavi	Utilities	31/08/1999	31/12/2014
⇒ Gardabani Sewage Treatment, LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/12/1999	31/12/2014
⇒ Mtskheta Water, LLC	100.00%	Georgia	Aghmashenebeli St., Mtskheta	Utilities	1/9/1999	31/12/2014
⇒ Georgian Engineering and Management Company (GEMC), LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/03/2011	31/12/2014
⇒ JSC Saguramo Energy	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	11/12/2008	31/12/2014
⇒ JSC Georgian Beverages	100.00%	Georgia	75 Chavchavadze Ave., Tbilisi	Beer Production and Distribution	14/11/2016	7/2/2018
⇒ JSC Georgian Beverages Holding	86.81%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Investment	17/12/2019	–
⇒ JSC Teliani Valley	100.00%	Georgia	3 Tbilisi highway, Telavi.	Winery	30/6/2000	28/2/2007
⇒ Teliani Trading (Ukraine), LLC	100.00%	Ukraine	18/14 Khvoiki St. Kiev	Distribution	3/10/2006	31/12/2007
⇒ Georgia Logistics and Distribution, LLC	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Distribution	10/1/2006	27/3/2007
⇒ Le Caucase, LLC	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Cognac Production	23/9/2006	20/3/2007
⇒ Kupa, LLC	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
⇒ Global Beer Georgia, LLC	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
⇒ Kindzmarauli Marani, LLC	100.00%	Georgia	56 A. Tsereteli Ave., Tbilisi	Winery	18/12/2001	25/4/2018
⇒ Alaverdi, LLC	100.00%	Georgia	Chumlaki, Gurjaani Region, Georgia	Winery	8/4/2008	19/8/2019
⇒ Global Coffee Georgia, LLC	100.00%	Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
⇒ New Coffee Company, LLC	100.00%	Georgia	Tskneti Highway, №16/18, app. 36	Coffee Distribution	23/9/2009	15/2/2017
⇒ Genuine Brewing Company, LLC	100.00%	Georgia	7 Kotetishvili st, Tbilisi, 0108	Beer Production and Distribution	7/6/2011	7/2/2018
⇒ Craf and Draft, LLC	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Beer Production	20/2/2019	–
⇒ JSC Artisan Wine and Drinks	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Wine distribution	26/8/2019	–

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates (continued)

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ Amboli, LLC	80.00%	Georgia	24, Leonidze st, Rustavi, Georgia	Car Services	13/8/2004	25/6/2019
⇒ Redberry, LLC	60.00%	Georgia	9, Tashkenti st, Tbilisi, Georgia	Digital Services	29/8/2014	1/5/2019
⇒ Lunchoba, LLC	100.00%	Georgia	22 Nutsubidze IV Micro-district, Tbilisi	Catering Services	8/10/2018	–
⇒ GCMF, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Excess liquidity management company	2/5/2019	–
⇒ Georgian Energy Trading Company (GETC), LLC	100.00%	Georgia	15 Aleksandre Kazbegi Ave, Tbilisi, 0160	Renewable Energy Sales	23/4/2019	–
⇒ Georgian Wind Company, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	18/6/2019	–
⇒ Qartli Wind Farm, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	10/9/2012	30/12/2019
⇒ Georgia Energy Holding, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	26/9/2019	–
⇒ Racha Hydro, LLC	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	31/10/2019	–
⇒ Hydrolea, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/7/2012	28/10/2019
⇒ Geoenergy, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	26/1/2012	28/10/2019
⇒ Hydro Georgia, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	8/5/2012	28/10/2019
⇒ Darchi, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
⇒ Hydro S, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/1/2019	28/10/2019
⇒ Kasleti 2, LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
⇒ Georgia Geothermal Company LLC	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	16/12/2019	–
⇒ Tbilisi Green School, LLC	80.00%	Georgia	Didube-Chughureti / Dighomi massive IV, Building 5A, Apartment 35	Education	7/6/2011	22/8/2019
⇒ Georgia Education Group, LLC	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	16/7/2019	–
⇒ Green School, LLC	90.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	21/10/2019	–
⇒ British Georgian Academy, LLC	70.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2006	23/7/2019
⇒ NNLE British International School of Tbilisi	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2015	–
⇒ British International School of Tbilisi LLC	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	5/9/2019	–
⇒ Buckswood International School - Tbilisi, LLC	80.00%	Georgia	2, Dolidze str, Tbilisi	Education	24/8/2005	29/7/2019
⇒ JSC Liberty Consumer	75.10%	Georgia	74a Chavchavadze Ave, Tbilisi, 0162	Investments	24/5/2006	–
⇒ JSC Intertour	99.94%	Georgia	49a, Chavchavadze Ave, Tbilisi, 0162	Travel agency	29/3/1996	25/4/2006

Associates	Proportion of voting rights and ordinary share capital held 31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
#5 Clinic hospital, LLC	35.00%	Georgia	Temka, XI mcr. Block 1, N 1/47, Tbilisi	Healthcare	16/9/1999	4/5/2016
Ytong Capital, LLC*	28.90%	Georgia	15, Kipshidze str, Tbilisi, Georgia	Production	6/3/2015	30/10/2019
JSC Isani Parki	6.00%	Georgia	Kakheti Highway, Isani, Tbilisi	Real estate	18/12/2017	–

**On 30 October 2019 one of the Group's wholly owned subsidiaries – JSC Georgia Real Estate (formerly JSC m2 Real Estate) acquired 28.9% equity investment in Ytong Capital LLC. Total consideration paid was GEL 10,823*

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates (continued)

The Consolidated Financial Statements as at 31 December 2018 include the following subsidiaries and associates:

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2018	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ JSC m2 Real Estate	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	27/9/2006	–
⇒ m2 Residential, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	17/8/2015	–
⇒ Optima ISANI, LLC	100.00%	Georgia	16 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
⇒ Tamarashvili 13, LLC	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
⇒ m2 at Hippodrome, LLC	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
⇒ m2 Skyline, LLC	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	23/7/2015	–
⇒ m2 at Kazbegi, LLC	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
⇒ m2 at Tamarashvili, LLC	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–
⇒ m2 at Nutsubidze, LLC	100.00%	Georgia	71 Vaja Pshavela Ave., 0186	Real estate	21/5/2013	–
⇒ M Square Park, LLC	100.00%	Georgia	1 Marshal Gelovani ave., Tbilisi	Real estate	15/9/2015	–
⇒ Optima Saburtalo, LLC	100.00%	Georgia	2 Mikheil Shavishvili st, Tbilisi	Real estate	15/9/2015	–
⇒ m2 at Vake, LLC	100.00%	Georgia	50 I. Chavchavadze ave., Tbilisi	Real estate	3/8/2016	–
⇒ m2 Hospitality, LLC	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	17/8/2015	–
⇒ m2, LLC (formerly JSC m2)	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	12/2/2014	–
⇒ m2 Kutaisi, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 at Melikishvili, LLC	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ Kass 1, LLC	67.00%	Georgia	20 Merab Kostava st., Tbilisi	Real estate	16/10/2014	27/12/2017
⇒ Kakheti Wine and Spa, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	23/04/2018	–
⇒ m2 at Gudauri, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	24/04/2018	–
⇒ m2 Zugdidi, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	7/11/2018	–
⇒ m2 Svaneti, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	14/11/2018	–
⇒ m2 at Chavchavadze LLC	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
⇒ m2 Commercial Properties LLC	100.00%	Georgia	80 Chavchavadze Ave., Tbilisi	Real estate	11/6/2014	–
⇒ Caucasus Autohouse, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	29/3/2011	–
⇒ Land, LLC	100.00%	Georgia	Between university and Kavtaradze st.,Tbilisi	Real estate	3/10/2014	–
⇒ BK Construction, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	18/5/2017	2/6/2017
⇒ m2 Commercial Assets, LLC	100.00%	Georgia	Tbilisi, Chavchavadze ave. 29	Real estate	4/10/2018	–
⇒ Melikishvili Business Center, LLC	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	4/12/2018	–
⇒ Georgia Hospitality Management Group, LLC	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Real estate	22/8/2018	
⇒ JSC Georgian Renewable Power Company	65.00%	Georgia	79 David Agmashenebeli Ave, 0102, Tbilisi	Renewable Energy	14/9/2015	–
⇒ JSC Geohydro	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
⇒ JSC Svaneti Hydro	100.00%	Georgia	29a, Gagarin Street, Tbilisi 0160	Renewable Energy	6/12/2013	–
⇒ JSC Zoti Hydro	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	20/8/2015	–
⇒ JSC Caucasian Wind Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	14/9/2016	–
⇒ JSC Caucasian Solar Company	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	27/10/2016	–
⇒ JSC A Group	100.00%	Georgia	1, Berbuki str., Saburatlo, Tbilisi	Various	20/9/2018	–
⇒ JSC Insurance Company Aldagi	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	31/7/2014	–
⇒ JSC Insurance Company Tao	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	22/8/2007	21/1/2015
⇒ Aliance, LLC	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	3/1/2000	30/4/2012
⇒ Auto Way LLC (formerly known as Green Way, LLC)	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	9/8/2004	30/4/2012
⇒ Insurance Informational Bureau, LLC	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2007	–
⇒ JSC Uno Leasing (formerly known as JSC AMF)	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
⇒ JSC Greenway Georgia (formerly known as Premium Residence, LLC)	100.00%	Georgia	6, University str., Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
⇒ GreenWash, LLC	100.00%	Georgia	6, University str., Vake, Tbilisi	Car Wash	31/8/2018	–
⇒ Georgia Healthcare Group PLC	57.05%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
⇒ JSC Georgia Healthcare Group	100.00%	Georgia	40 Vazha-Pshavela Ave., Tbilisi	Healthcare	29/4/2015	–
⇒ JSC Insurance Company Imedi L	100.00%	Georgia	9, Anna Politkovskaias Str. Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–
⇒ JSC GEPHA	67.00%	Georgia	Old Tbilisi, Sanapiro str. #6, Tbilisi	Healthcare	19/10/1995	4/5/2016
⇒ JSC ABC Pharamcia (Armenia)	100.00%	Armenia	Kievnaia sts. #2/8, 2/10, Erevan	Pharmaceutical	28/4/2013	6/1/2017
⇒ ABC Pharmalogistics, LLC	100.00%	Georgia	Sanapiro Str.#6, Tbilisi	Pharmaceutical	24/2/2004	6/1/2017

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates (continued)

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2018	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ JSC Medical Corporation EVEX	100.00%	Georgia	40 Vazha-Pshavela Ave., Tbilisi	Healthcare	31/7/2014	–
⇒ JSC Kutaisi County Treatment and Diagnostic Center for Mothers and Children	66.70%	Georgia	85 Djavakhishvili street, Kutaisi, 4600	Medical services	5/5/2003	29/11/2011
⇒ Academician Z. Tskhakaia National Center of Intervention Medicine of Western Georgia, LLC	66.70%	Georgia	83 A Djavakhishvili street, Kutaisi	Medical services	15/10/2004	12/9/2011
⇒ Tskaltubo Regional Hospital, LLC	66.70%	Georgia	16 Eristavi street, Tskhaltubo	Medical services	29/9/1999	12/9/2011
⇒ Patgeo, LLC	100.00%	Georgia	Gldani Nadzaladevi district, Mukhiani, II mcr. District, Building #22, 1a, Tbilisi	Medical services	13/10/2010	27/9/2016
⇒ GN KO, LLC	50.00%	Georgia	Chavchavadze ave. N 16, Tbilisi	Medical services	6/4/2001	5/8/2015
⇒ High Technology Medical Center, LLC	100.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare Service	16/4/1999	5/8/2015
⇒ Geolab, LLC	-	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare Service	3/5/2011	5/8/2015
⇒ Nephrology Development Clinic Center, LLC	80.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare Service	28/9/2010	5/8/2015
⇒ Catastrophe Medicine Pediatric Center, LLC	100.00%	Georgia	U. Chkeidze str. N 10, Tbilisi	Medical services	18/6/2013	5/8/2015
⇒ JSC Pediatria	76.00%	Georgia	1, t. Chkheidze str., Didube-Chugureti District, Tbilisi	Medical services	5/9/2003	5/7/2016
⇒ Emergency Service, LLC	100.00%	Georgia	#2, D. Uznadze st., Tbilisi	Medical services	28/7/2009	6/1/2016
⇒ JSC Poti Central Hospital (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Guria str. 171, Poti	Medical services	29/10/2014	1/1/2016
⇒ Deka, LLC	97.20%	Georgia	23, P. Kavtaradze Str., Tbilisi	Medical services	12/1/2012	11/6/2015
⇒ EVEX-Logistics, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	2/2/2015	–
⇒ EVEX Collection, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	25/3/2016	–
⇒ Unimed Achara, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	29/6/2010	1/5/2012
⇒ Unimedi Samtskhe, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	29/6/2010	1/5/2012
⇒ Unimedi Kakheti, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	20 Chavchvadze ave Tbilisi	Medical services	29/6/2010	1/5/2012
⇒ M. Iashvili Children's Central Hospital, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	2/6 Lubliana Street, Tbilisi	Medical Service	3/5/2011	19/2/2014
⇒ Institute of Pediatrics, Alergology and Rheumatology Centre, LLC (merged with JSC Medical Corporation Evex)	100.00%	Georgia	5 Lubliana Street 5, Tbilisi	Medical Service	6/3/2000	19/2/2014
⇒ Iv Bokeria Tbilisi Referral Hospital (merged with JSC Medical Corporation Evex)	100.00%	Georgia	Kindzmarauli I turn, N1 , Isan-Samgori, Tbilisi	Medical Service	16/3/2017	–
⇒ JSC Kutaisi St. Nicholas Surgical and Oncological Hospital (merged with JSC Medical Corporation Evex)	96.87%	Georgia	9 Paolo Iashvili street, Kutaisi	Medical services	3/11/2000	20/5/2008
⇒ Referral Centre of Pathology, LLC	100.00%	Georgia	40 Vazha-Pshavela Ave., Tbilisi	Medical services	29/12/2014	–
⇒ EVEX Learning Center	100.00%	Georgia	#83A, Javakhishvili street, Tbilisi	Education	20/12/2013	–
⇒ JSC Mega-Lab	100.00%	Georgia	23 Kavtaradze str., Tbilisi	Medical services	6/6/2017	–
⇒ New Clinic, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	1/3/2013	26/7/2017
⇒ Alliance Medi, LLC	100.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	7/7/2015	26/7/2017
⇒ Medical Center Alimedi, LLC	-	Georgia	17 R. Tabukashvili str., Tbilisi	Medical services	27/9/2003	8/11/2017
⇒ JSC Polyclinic Vere	97.80%	Georgia	18-20 Kiacheli str.,Tbilisi	Medical services	22/11/2017	25/12/2017
⇒ New Dent, LLC	75.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Medical services	24/12/2017	–
⇒ JSC Vabaco	67.00%	Georgia	37. Bochorishvili Str. Saburtalo district, Tbilisi	Software Developer	3/9/2013	28/9/2018
⇒ Georgian Global Utilities, LLC	100.00%	British Virgin Islands	33 Porter Road, PO Box 3169 PMB 103, Road Town, Tortola	Utilities	16/08/2007	31/12/2014
⇒ Georgian Water and Power, LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	25/06/1997	31/12/2014
⇒ Rustavi Water, LLC	100.00%	Georgia	5, St. Nino St., Rustavi	Utilities	31/08/1999	31/12/2014
⇒ Gardabani Sewage Treatment, LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/12/1999	31/12/2014
⇒ Mtskheta Water, LLC	100.00%	Georgia	Aghmashenebeli St., Mtskheta	Utilities	1/9/1999	31/12/2014
⇒ Georgian Engineering and Management Company (GEMC), LLC	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/03/2011	31/12/2014
⇒ JSC Saguramo Energy	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	11/12/2008	31/12/2014

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates (continued)

Subsidiaries	Proportion of voting rights and ordinary share capital held 31 December 2018	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ JSC Teliani Valley	77.62%	Georgia	3 Tbilisi highway, Telavi.	Winery	30/6/2000	28/2/2007
⇒ Georgia Logistics and Distribution, LLC (Formerly known as Teliani Trading (Georgia), LLC)	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Distribution	10/1/2006	27/3/2007
⇒ Teliani Trading (Ukraine), LLC	100.00%	Ukraine	18/14 Khvoiki St. Kiev	Distribution	3/10/2006	31/12/2007
⇒ Le Caucase, LLC	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Cognac Production	23/9/2006	20/3/2007
⇒ Kupa, LLC	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
⇒ Global Beer Georgia, LLC	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
⇒ Global Coffee Georgia, LLC		Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
⇒ New Coffee Company, LLC		Georgia	Tskneti Highway, №16/18, app. 36	Coffee Distribution	23/9/2009	15/2/2017
⇒ Genuine Brewing Company, LLC	100.00%	Georgia	75 Chavchavadze Ave., Tbilisi	Beer Production and Distribution	14/11/2016	7/2/2018
⇒ JSC Georgian beverages	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Oak Barrel Production	7/6/2016	–
⇒ Kindzmarauli Marani, LLC	100.00%	Georgia	56 A. Tsereteli Ave., Tbilisi	Winery	18/12/2001	25/4/2018
⇒ JSC Liberty Consumer	75.10%	Georgia	74a Chavchavadze Ave, Tbilisi, 0162	Investments	24/5/2006	–
⇒ JSC Intertour	99.94%	Georgia	49a, Chavchavadze Ave, Tbilisi, 0162	Travel agency	29/3/1996	25/4/2006
⇒ JSC Prime Fitness	100.00%	Georgia	78 Chavchavadze Ave, Tbilisi, 0162	Fitness centre	7/3/2006	–

Associates	Proportion of voting rights and ordinary share capital held 31 December 2018	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
#5 Clinic hospital, LLC	35.00%	Georgia	Temka XI M/D, Q.1, Tbilisi, Georgia	Healthcare	16/9/1999	8/2/2016
JSC Isani Parki	6.00%	Georgia	Kakheti Highway, Isani, Tbilisi	Real estate	18/12/2017	–

(Thousands of Georgian Lari)

3. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Change in basis of accounting

IFRS 10 Consolidated Financial Statements

Following the change in investment entity status on 31 December 2019 (Note 2), the Group de-consolidated its subsidiaries and recognised them as investments in subsidiaries at their fair value as at 31 December 2019.

Prospective application of IFRS 10 investment entity accounting requirements resulted in the following changes to the balance sheet as of December 31, 2019:

	Before change in investment entity status	***Effect - change in investment entity status***	***After change in investment entity status***
Assets			
Cash and cash equivalents	248,735	(131,520)	117,215
Amounts due from credit institutions	63,126	(63,126)	-
Marketable securities	42,509	19,984	62,493
Accounts receivable	210,133	(208,957)	1,176
Insurance premiums receivable	63,425	(63,425)	-
Inventories	323,515	(323,515)	-
Investment properties	184,744	(184,744)	-
Prepayments	94,157	(93,773)	384
Income tax assets	2,760	(2,760)	-
Property and equipment	2,027,284	(2,026,704)	580
Loans issued	41,192	110,692	151,884
Goodwill	197,281	(197,281)	-
Intangible assets	75,232	(75,110)	122
Other assets	248,689	(242,169)	6,520
Equity investments at fair value	601,957	1,649,508	2,251,465
Total assets	**4,424,739**	**(1,832,900)**	**2,591,839**
Liabilities			
Accounts payable	176,685	(175,401)	1,284
Insurance contracts liabilities	71,645	(71,645)	-
Income tax liabilities	2,033	(2,033)	-
Deferred income	77,521	(77,521)	-
Borrowings	1,163,094	(1,163,094)	-
Debt securities issued	1,113,246	(287,294)	825,952
Other liabilities	346,473	(340,067)	6,406
Total liabilities	**2,950,697**	**(2,117,055)**	**833,642**
Equity			
Share capital	12,400	-	12,400
Additional paid-in capital	499,369	-	499,369
Treasury shares	(961)	-	(961)
Other reserves	607,354	(607,354)	-
Retained earnings	78,071	1,169,318	1,247,389
Total equity attributable to the shareholder of JSC Georgia Capital	**1,196,233**	**561,964**	**1,758,197**
Non-controlling interests	277,809	(277,809)	-
Total equity	**1,474,042**	**284,155**	**1,758,197**
Total liabilities and equity	**4,424,739**	**(1,832,900)**	**2,591,839**

Change in equity attributable to the shareholder of JSC Georgia Capital	**561,964**
Reserves reclassified to profit or loss	26,864
-Revaluation of investment securities, net of tax	*681*
-Gains / (losses) from currency translation differences	*26,183*
Gain from change in investment entity status	**588,828**

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Business combinations and goodwill (policy applied up to 31 December 2019)

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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair values. 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, any 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.

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 IFRS 9, Financial Instruments is measured at fair value with changes in fair value recognised either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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 re-assessment 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.

Business combination under common control (policy applied up to 31 December 2019)

The business combinations under common control are accounted for using pooling of interest method with restatement of periods prior to the combination under common control.

The assets and liabilities acquired are recognized at carrying amounts to reflect the combination as if it had occurred from the beginning of the earliest period presented and no adjustments are made to reflect fair values at the date of combination. The difference between consideration transferred and net assets acquired is recorded as an adjustment to the equity. No goodwill is recognized as a result of business combination under common control.

Investments in associates and joint ventures (policy applied up to 31 December 2019)

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3. Summary of significant accounting policies (continued)

Investments in associates and joint ventures (policy applied up to 31 December 2019) (continued)

Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate or joint venture. The Group's share of its associates' and joint ventures' profits or losses is recognised in the consolidated income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group is considered an organization similar to a venture fund. When the Group acquires an associate, at initial recognition, the Group makes an irrevocable choice to measure investment in associate under the equity method or at fair value through profit or loss under IFRS 9.

Fair value measurement

The Group measures financial instruments, such as debt securities owned, equity investments, derivatives, investments in subsidiaries (starting from 31 December 2019) and non-financial assets such as investment properties at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 33.

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 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the consolidated 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.

3. Summary of significant accounting policies (continued)

Non-current assets held for sale and discontinued operations (policy applied up to 31 December 2019)

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately from other assets and liabilities in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented separately in the statement of cash flows.

The asset or disposal group ceases to be classified as held for sale if the criteria for classification are no longer met. Non-current asset or disposal group that ceased to be classified as held for sale is measured at the lower of (a) carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and (b) recoverable amount at the date of the subsequent decision not to sell. Any adjustment to carrying amount of non-current asset that ceases to be classified as held for sale is recognized in income statement in the period in which criteria for held for sale classification are no longer met. Financial statements for the periods since classification as held for sale are amended accordingly if the disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate.

The results of operations of the component previously presented in discontinued operations is reclassified and included in income from continuing operations for all periods presented. Amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods are not reclassified to reflect the classification in the statement of financial position for the latest period presented.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within ninety days of the date of contract origination and are free from contractual encumbrances and readily convertible to known amount of cash.

3. Summary of Significant Accounting Policies (continued)

Financial assets

Initial recognition

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (equity and debt instruments)

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, amounts due from credit institutions.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under debt securities owned.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments and listed equity investment in Bank of Georgia Group PLC under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include subsidiaries, associates and joint ventures measured at fair value through profit or loss, financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and investments in investments in subsidiaries and associates.

Investment in subsidiaries: in accordance with the exception under IFRS 10, the Group does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Group's investment activities. The Group has no consolidated subsidiaries. The Group measures unconsolidated subsidiaries (including loans to subsidiaries) at FVPL.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Investment in associates: In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Group does not account for its investments in associates using the equity method. Instead, the Group measures its investments in associates at FVPL.

Loans to subsidiaries are measured at FVPL in accordance with IFRS 9 as the loans are held within a business model with the objective other than held to collect contractual cash flows or held both to collect contractual cash flows and to sell financial assets

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the consolidated profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

3. Summary of Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

Or

- 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 a 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.

Financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Financial liabilities

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

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

The Group's financial liabilities include accounts payable, borrowings including bank overdrafts and debt securities issued.

Borrowings and debt securities issued

Borrowings and debt securities issued are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings and debt securities issued are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when borrowings are derecognised as well as through the amortisation process.

Borrowing costs

Borrowing costs comprise interest expense calculated using the effective interest method and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest 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 such asset. All other borrowing costs are expensed in the year in which they occur.

Offsetting

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

3. Summary of Significant Accounting Policies (continued)

Insurance and reinsurance receivables (policy applied up to 31 December 2019)

Insurance and reinsurance receivables are recognised based upon insurance policy terms and measured at cost. The carrying value of insurance and reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with any impairment loss recorded in the consolidated statement of income.

Reinsurance receivables, included in other assets, primarily comprise of balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance receivables are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract that this can be measured reliably.

Insurance liabilities (policy applied up to 31 December 2019)

General insurance liabilities

General insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures – therefore the ultimate cost of which cannot be known with certainty at the reporting date.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the consolidated income statement in order that revenue is recognised over the period of risk or, for annuities, the amount of expected future benefit payments.

Liability adequacy test

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any inadequacy is immediately charged to the consolidated income statement by establishing an unexpired risk provision.

Deferred acquisition costs (policy applied up to 31 December 2019)

Deferred acquisition costs ("DAC"), included in insurance premiums receivable, are capitalised costs related to the issuance of insurance policies. They consist of commissions paid to agents, brokers and some employees. They are amortised on a straight-line basis over the life of the contract.

Investment properties (policy applied up to 31 December 2019)

Investment property is a land or building or a part of a building held to earn rental income or for capital appreciation purposes and which is not used by the Group or held for sale in the ordinary course of business. Property that is under construction, is being developed or redeveloped for future use as an investment property is also classified as an investment property.

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Group's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognized and relevant professional qualifications and who have recent experience in valuation of property of similar location and category. Gains and losses resulting from changes in the fair value of investment property are recorded in the income statement in the period in which they arise.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Investment properties (policy applied up to 31 December 2019) (continued)

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Investment properties are derecognized either when they have been disposed of or they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Property and equipment (policy applied up to 31 December 2019)

Property and equipment is carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Office buildings	Up to 100
Hospitals and clinics	100
Hotels	Up to 100
Infrastructure assets	10-40
Factory and equipment	7-30
Furniture and fixtures	10
Computers and equipment	5-10
Motor vehicles	5

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Assets under construction are stated at cost and are not depreciated until the time they are available for use and reclassified to respective group of property and equipment.

Leasehold improvements are depreciated over the life of the related leased asset or the expected lease term if lower.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Leases (IAS 17, applied until 1 January 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Leases (IAS 17, applied until 1 January 2019) (continued)

Group as a lessee (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (IFRS 16, applied since 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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. The Group's right-of-use assets are presented separately in statement of financial position.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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, 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 of an option to purchase the underlying asset.

3. Summary of Significant Accounting Policies (continued)

Leases (IFRS 16, applied since 1 January 2019) (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of vehicles and equipment across the Group, exemption will not be applied to the lease of real estate. The Group also applies low value lease exemption to its low value leases such as computers and furniture (assets with a value, when new, of GEL 15,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories (policy applied up to 31 December 2019)

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

The cost of inventory includes expenditure incurred in acquiring inventory and bringing it to its existing location and condition including borrowing costs. The cost of inventory is determined on a weighted average basis for beverages and inventory in healthcare segment and first in first out basis ("FIFO") in the pharma segment. The cost of inventory in real estate segment is determined with reference to the specific costs incurred on the property sold and allocated non-specific costs based on the relative size of the property sold.

Biological assets (policy applied up to 31 December 2019)

Biological assets comprise grapes on the vine. Upon harvest the grapes are measured at fair value less costs to sell with any fair value gain or loss recognized in the consolidated income statement.

Intangible assets (policy applied up to 31 December 2019)

The Group's intangible assets include computer software and licenses and exclusive rights.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The economic lives of intangible assets are assessed to be finite and amortised over 4 to 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programs are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete the asset and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

Goodwill impairment (policy applied up to 31 December 2019)

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

3. Summary of Significant Accounting Policies (continued)

Goodwill impairment (policy applied up to 31 December 2019) (continued)

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment as defined in IFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses cannot be reversed in future periods.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share-based payment transactions

Employees (including senior executives) of the Group receive share-based remuneration, whereby they render services and receive equity instruments of Georgia Capital PLC ('equity settled transactions') as consideration for the services provided.

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value of shares at the grant date.

The cost of equity settled transactions is recognised together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Equity-settled transactions (continued)

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.
Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. Summary of Significant Accounting Policies (continued)

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

When the Group purchases shares of Georgia Capital or Georgia Capital PLC, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at par value, with adjustment of premiums against additional paid in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

Income and expense 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. The following specific recognition criteria must also be met before revenue and expense is recognised:

Dividend income

Dividend revenue is recognised when the Group's right to receive the payment is established.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of equity investment at fair value, financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Insurance income and expense (policy applied up to 31 December 2019)

- Premiums written
  Insurance premiums written are recognised on policy inception and earned on a pro rata basis over the term of the related policy coverage. Insurance premiums written reflect business incepted during the year before deduction of commission and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are computed principally on monthly pro rata basis.
- Premiums ceded
  Premiums payable in respect of reinsurance ceded are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not determined at the reporting date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro rata basis.
- Provision for unearned premiums
  The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the consolidated statement of comprehensive income in the order that revenue is recognised over the period of risk or, for annuities, the amount of expected future benefit payments.
- Benefits and claims
  General insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.
  Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims.

3. Summary of Significant Accounting Policies (continued)

Income and expense recognition (continued)

Income and expense recognition healthcare and pharma revenue (policy applied up to 31 December 2019)

The Group recognises revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Healthcare services that the Group provides to the clients are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group.
Healthcare revenue comprises the fair value of the consideration received or receivable for providing inpatient and outpatient services and includes the following components:

- Healthcare revenue from insurance companies – The Group recognises revenue from the individuals who are insured by various insurance companies by reference to the stage of completion of the actual medical service and agreed-upon terms between the counterparties.

- Healthcare revenue from state – The Group recognises the revenue from the individuals who are insured under the state programmes by reference to the stage of completion of the actual medical service and the agreed-upon terms between the counterparties.

- Healthcare revenue from out-of-pocket and other – The Group recognises the revenue from non-insured individuals based on the completion of the actual medical service and approved prices by the Group. Sales are usually in cash or by credit card. Other revenue from medical services includes revenue from municipalities and other hospitals, which the Group has contractual relationship with. Sales of services are recognised in the accounting period in which the services are rendered calculated according to contractual tariffs.

Revenue is presented net of corrections and rebates that occasionally arise as a result of reconciliation of detailed bills with counterparties (mostly with the State). Invoice corrections are estimated at contract inception. The estimation of potential future corrections and rebates is calculated based on statistical average correction rate which is applied to gross amount of invoices that were not approved by the state as at reporting date. The Group's gross revenue (before deducting its corrections and rebates) is based on the official invoices submitted to and formally accepted by the customers (State, insurance companies, provider clinics and individuals) and accruals for already performed but not yet billed service.

Revenue from pharma comprises the fair value of the consideration received or receivable both from wholesale and retail sales and drug exchange transactions. The pharma business sometimes receives drugs in exchange for sale of drugs from other wholesalers. The consideration received is assessed with reference to its actual wholesale price which is deemed fair value of consideration received.

Utility and energy revenue (policy applied up to 31 December 2019)

The Group recognizes revenue from utility when the Group satisfies a performance obligation at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the goods and services to a customer. The following specific recognition criteria must be met before revenue is recognized:

- Revenue from water supply – includes amounts billed to the customers based on the metered or estimated usage of water by legal entities and by application of the relevant tariff for services set per unit of water supplied. Meters are read on a cyclical basis and the Group recognizes revenue for unbilled amounts based on estimated usage from the last billing through to the end of the financial year.

- Revenue from water supply to population – includes amounts billed on monthly basis to the residential customers (with meter) based on the metered usage of water and by application of the relevant tariff for services set per unit of water supplied or based on the number of individual person registered by respective city municipality per each residential address (without meter) by application of the relevant tariff set per capita per month for the general population.

- Revenue from connection and water meter installation – includes non-refundable amounts billed upfront for connecting customers to water system and providing them with the access to water supply. Revenue from connection and water meter installation is recognized over the time in line with the satisfaction of performance obligation over the life of water meters.

Revenue from electric power sales is recognised on the basis of metered electric power transferred.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Income and expense recognition (continued)

Real estate revenue (policy applied up to 31 December 2019)

Gross real estate profit comprises revenue from sale of developed real estate property, revenue from construction services, revenue from hospitality operations and revaluation gains on investment properties.

Revenue from sale of developed real estate property is recognized over the time based on the progress towards complete satisfaction of a performance obligation using input method (proportion of costs incurred up to date to total expected project cost). Percentage of completion calculated based on total costs of the building is applied to apartment selling price to recognize revenue from apartment sale. Payment arrangements of the sale of developed real estate property usually include advance payment of part of transaction price and progress payments during the construction by the customer, such payments are recognized as deferred income. Significant financing component is usually immaterial.

Revenue from construction services is recognized over the time based on the progress towards complete satisfaction of a performance obligation using output method based on the completion level reflected in monthly completion reports. Payment arrangements for construction services usually include advance payment of part of transaction price (usually up to 10%) and monthly progress payments during the construction by the customer, 5% from each monthly progress payment is usually retained by the customer as guarantee for a year after the completions of construction. Significant financing component is usually immaterial.

Revenue from hospitality operations is generated through hotel room and meeting space rental and sale of foods and beverages. Revenue is recognized when the Group satisfies a performance obligation, i.e. over the time the customer stays in the hotel and food and beverages are delivered to the customer, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the goods and services to a customer.

Beverage revenue (policy applied up to 31 December 2019)

Revenue from the sale of beverages is recognised when the group satisfies the performance obligation, i.e. when the control of the goods has passed to the buyer, usually on delivery of the goods. For the finished goods sold on consignment basis, revenue is recognized when the goods are transferred to the end-customer or on expiration of specified period. Revenue recognized in connection to the sale of finished goods reflects an adjustment for the consideration payable to the customer (cash amounts that the Group pays, or expects to pay, to a customer).

Gain on measurement of grapes at fair value less costs to sell is recognized at the point of harvest.

Revenue from customer loyalty program (policy applied up to 31 December 2019)

Customer loyalty program points accumulated in the business are treated as deferred revenue and recognized in revenues gradually as they are earned. The Group recognizes gross revenue earned from customer loyalty program when the performance obligation is satisfied i.e. when the customer redeems the points or the points expire, where the Group acts as a principal. At reach reporting date the Group estimates portion of accumulated points that is expected to be utilized by customers based on statistical data. These points are treated as liability in the statement of financial position and are only recognized in revenues when points are earned or expired.

Interest and similar income and expense (policy applied up to 31 December 2019)

For all debt financial instruments measured at amortised cost and fair value through OCI interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

3. Summary of Significant Accounting Policies (continued)

Income and expense recognition (continued)

Education revenue (policy applied up to 31 December 2019)

Education revenue is recognised in line with the satisfaction of performance obligations in education contracts.

For performance obligations which are satisfied at a point in time, respective revenue is recognised at a point in time. Revenue is recognised on a straight-line basis for learning process, catering and transportation services over the period during which the performance obligation is being satisfied.

Renewable energy revenue (policy applied up to 31 December 2019)

The Group recognizes revenue from renewable energy when the Group satisfies a performance obligation at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the goods and services to a customer. Revenue amount is based on power generation by the end of each period and application of the relevant tariff for services set in the agreements with customers.

EBITDA

The Group separately presents EBITDA on the face of the consolidated income statement. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation and is derived as the Group's profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, interest expense, net foreign currency (loss) gain, profits from associates, gain from change in investment entity status and net non-recurring items.

Non-recurring items

The Group separately classifies and discloses those income and expenses that are non-recurring by nature. The Group defines non-recurring income or expense as an income or expense triggered by or originated from an economic, business or financial event that is not inherent to the regular and ordinary business course of the Group and is caused by uncertain or unpredictable external factors that cannot be reasonably expected to occur in the future and thus they should not be taken into account when making projections of the future results.

Taxation

The current income tax expense is calculated in accordance with the regulations in force in the respective territories in which the Group and its subsidiaries operate.

The annual profit earned by entities is not taxed in Georgia, except for insurance companies. Corporate income tax is paid on dividends, donations, abnormal losses, non-business related disbursements, etc. The corporate income tax arising from the payment of dividends is accounted for as a liability and expensed in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The corporate income tax rate is 15% in Georgia.

Georgia also has various operating taxes that are assessed on the Group's activities. These taxes are included as a component of general and administrative expenses.

Functional, presentation currencies and foreign currency translation

The consolidated financial statements are presented in Georgian Lari, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement as net foreign currency gain (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Functional, presentation currencies and foreign currency translation (continued)

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia ("NBG") exchange rate on the date of the transaction are included in Net foreign currency gain (loss). The official NBG exchange rates at 31 December 2019 and 31 December 2018 were as follows:

	Lari to GBP	***Lari to USD***	***Lari to EUR***
31 December 2019	3.7593	2.8677	3.2095
31 December 2018	3.3955	2.6766	3.0701

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Georgian Lari at the rate of exchange ruling at the reporting date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the rate at the reporting date.

Adoption of new or revised standards and interpretations

The nature and the effect of these changes are disclosed below:

IFRS 16 Leases

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as at 1 January 2019 (increase/decrease) is as follows:

	1 January 2019
Assets	
Right-of-use assets (presented in other assets)	93,053
Property and equipment	(8,799)
Prepayments	(261)
Total assets	**83,993**
Liabilities	
Income tax liabilities	-
Lease liabilities (presented in other liabilities)	83,993
Total liabilities	**83,993**

The adoption had no impact on shareholder equity.

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land, building, vehicles and other equipment. Before the adoption of IFRS 16, when a lease was determined to be economically similar to purchasing the underlying asset, the lease was classified as a finance lease and reported on a company's balance sheet. All other leases were classified as operating leases and not reported on a company's balance sheet (they were 'off balance sheet leases'). Off balance sheet leases were accounted for similarly to service contracts, with the company 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 standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

(b) Leases previously accounted for as operating leases

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 also applied the available practical expedients wherein it:

•Used a single discount 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

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	1 January 2019
Liabilities	
Operating lease commitments as at 31 December 2018	129,940
Weighted average incremental borrowing rate as at 1 January 2019	6.74%
Discounted operating lease commitments as at 1 January 2019	90,978
Less:	
Commitments relating to short-term leases	1,624
Commitments relating to leases of low-value assets	3,075
Lease payments relating to renewal and termination periods not included in operating lease commitments as at 31 December 2018	10,962
Add:	
Commitments relating to leases previously classified as finance leases	8,676
Lease liabilities as at 1 January 2019	**83,993**

IAS 23 Borrowing costs

Up until reporting period ended 31 December 2018, the Group's accounting policy was to capitalize borrowing costs to cost of inventory represented by residential apartments. In March 2019, IFRS Interpretations Committee adopted the final agenda decision in relation to recognition of borrowing costs in arrangements to sell properties (units in a building) where the property is transferred to customer over time under IFRS 15. According to the agenda decision, capitalization of borrowing costs under to cost of sold or unsold units would not be appropriate under IAS 23. As the result of new interpretation arising from the IFRS Interpretations Committee decision, starting from interim reporting period ended 30 June 2019, the Group changed its existing accounting policy retrospectively and ceased capitalization of borrowing costs to cost of inventory property represented by residential apartments from the moment when such properties become ready for sale.

Infrastructure assets

In the second half of 2019, the Group changed its accounting policy with respect to infrastructure assets category of property, plant and equipment. The Group now applies the cost model, where infrastructure assets are carried at cost less accumulated depreciation and any accumulated impairment. Prior to this change in policy, the Group applied the revaluation model, where infrastructure assets were carried at the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group believes that cost model provides more reliable and more meaningful presentation for investors since (1) it enhances comparability for the investors as the application of cost model is a market practice across utility industry (2) it more closely aligns the accounting with the business activities around these asset categories.

The change of accounting policy has been accounted for retrospectively and resulted in GEL 106,296 reduction in net property and equipment on 1 January 2018. In line with IAS 36 requirements, the Group revisited composition of its cash generating units (CGUs) for the purpose of performing impairment test of infrastructure assets as at the transition date. In applying the impairment requirements under the cost model, the Group identified separate water and energy CGUs, which were previously treated as a single CGU and asset category under the revaluation model. Under revaluation model, excess of fair value over historical cost in the energy CGU compensated for the respective downside effect in water utility CGU. As a result of change in accounting policy to cost model, fair value surplus existing in the energy CGU was no longer eligible for recognition, while the accumulated deficit of value in use of the water CGU below its historical cost resulted in reduction of property and equipment at 1 January 2018.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

Retrospective application effect: Borrowing costs (a) and infrastructure assets (b)

Changes in accounting policy has been applied retrospectively by restating each of the affected consolidated financial statement line items for the prior periods, as follows:

Consolidated statement of financial position as at 31 December 2018	***As previously reported***	***Change in accounting policy***	***As restated***	***Note***
Inventory	278,615	(2,385)	276,230	(a)
Property and equipment	1,671,917	(98,293)	1,573,624	(b)
Intangible assets	51,634	(163)	51,471	(b)
Deferred revenue	62,059	286	62,345	(a)
Equity	1,198,734	(101,127)	1,097,607	(a),(b)

Consolidated statement of financial position as at 1 January 2018	***As previously reported***	***Change in accounting policy***	***As restated***	***Note***
Inventory	80,110	(3,397)	76,713	(a)
Property and equipment	657,635	(106,296)	551,339	(b)
Intangible assets	5,457	(314)	5,143	(b)
Deferred revenue	73,066	423	73,489	(a)
Equity	834,047	(110,430)	723,617	(a),(b)

Consolidated income statement for the year ended 31 December 2018	***As previously reported***	***Change in accounting policy***	***As restated***	***Note***
Revenue	1,282,866	129	1,282,995	(a)
Cost of sales	(796,191)	6,307	(789,884)	(a)
Gross profit	**486,675**	**6,436**	**493,111**	(a)
Other operating expenses	(11,601)	376	(11,225)	(b)
EBITDA	**220,721**	**6,812**	**227,533**	(a),(b)
Depreciation and amortisation	(74,155)	7,706	(66,449)	(b)
Interest expense	(91,619)	(5,276)	(96,895)	(a),(b)
Net profit	**31,556**	**9,242**	**40,798**	(a),(b)

Consolidated statement of other comprehensive income for the year ended 31 December 2018	***As previously reported***	***Change in accounting policy***	***As restated***	***Note***
Income from currency translation differences	9,191	61	9,252	(a)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**8,101**	**61**	**8,162**	(a)
Other comprehensive loss for the year, net of tax	**(240,404)**	**61**	**(240,343)**	(a)
Total comprehensive loss for the year	**(208,848)**	**9,303**	**(199,545)**	(a),(b)

Change in accounting policy affected the result of change in investment entity status (note 3), as reduction of net carrying value of infrastructure assets increased the gain on their deemed disposal. This effect arises from the different requirements of IFRS to account for changes in accounting policy retrospectively and for change in investment entity status, on a prospective basis.

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations (continued)

The following Interpretations and amendments did not have any impact on the financial statements of the Group:

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

Standards issued but not yet effective

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted. Such standards that are expected to have an impact on the Group, or the impacts of which are currently being assessed, are as follows:

Amendments to IFRS 3: Definition of a Business

Amendments to IAS 1 and IAS 8: Definition of Material

These amendments have no impact on the consolidated financial statements of the Group.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes

Group does not expect any effect on its consolidated financial statements.

4. Significant Accounting Judgements and Estimates

In the process of applying the Group's accounting policies, the management board use their judgment and make estimates in determining the amounts recognised in the consolidated financial statements. The most significant judgments and estimates are as follows:

Assessment of investment entity status

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at FVPL rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

The Group invests funds, originally obtained from its investors, in greenfield and/or developed businesses and bolt-on acquisitions for its private portfolio companies, with a target to acquire businesses at low multiples as compared to their frontier and emerging market peers, uses its robust corporate governance and strong ability to access capital and management to help the portfolio companies institutionalize their governance and grow into mature, independent, companies, obtains dividend inflows from its mature investments and once the businesses are developed, identifies the next best owners for such businesses and exits the investment ideally at a higher multiple (vs entry multiple) to monetise on capital appreciation gains.

The Group reports to its investors via quarterly investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Group's annual reports. The Group has a clearly documented exit strategy for all of its investments.

The Board has also concluded that the Group meets the additional characteristics of an investment entity, in that it has more than one investment; the Group's ownership interests are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

Georgia Capital PLC (an investment entity on its own) holds a single investment in JSC Georgia Capital, which holds a portfolio of investments; although JSC Georgia Capital is wholly capitalised by Georgia Capital PLC, Georgia Capital PLC is funded by many investors who are unrelated to the entity; and ownership in Georgia Capital PLC is represented by units of equity interests acquired through a capital contribution. Thus the judgement above refers to both entities in aggregation. The Board has concluded that the Group meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

Until 2019, Georgia Capital did not measure and evaluate its equity investments in portfolio companies at fair value and therefore did not meet investment entity definition. In 2019, Georgia Capital management started to measure investments in portfolio companies at fair value and evaluating their performance on a fair value basis, such fair values are estimated internally and are disclosed to investors in management accounts. During 2019, management finalised a robust process for measuring fair values of private portfolio companies and implemented rigorous controls. As a final step, on 31 December 2019, Georgia Capital finalised corporate governance oversight over valuation process and as a result, started meeting investment entity definition on 31 December 2019.

The Group continues to consolidate GCMF LLC, which is not itself an investment entity and whose main purpose and activities are providing securities trading services that relate to the Group's investment activities.

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 discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments 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.

4. Significant Accounting Judgements and Estimates (continued)

Fair valuation of the investment portfolio

The investment portfolio, a material asset of the Group, is held at fair value. Details of valuation methodologies used and the associated sensitivities are disclosed in note 33 Given the importance of this area, the Board has formed a separate Audit and Valuations Committee to review the valuations to be placed on portfolio companies, compliance with the valuation standards and usage of appropriate judgement. Detailed valuation process is disclosed in note 33.

Determining the lease term of contracts with renewal and termination options – Group as lessee (applied up to 31 December 2019)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms and under some of its leases to terminate the lease agreements. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

Measurement of fair value of investment properties (applied up to 31 December 2019)

The fair value of investment properties is determined by independent professionally qualified appraisers. Fair value is determined using a combination of the internal capitalization method (also known as discounted future cash flow method) and the sales comparison method.

The Group performs valuation of its investment properties with a sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Results of this valuation are presented in note 14, while valuation inputs and techniques are presented in note 33. The Group's properties are specialized in nature and spread across the different parts of the country. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium sized properties, valuation of large and unique properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however, actual results could be different.

(Thousands of Georgian Lari)

5. Business Combinations

Acquisitions during the year ended 31 December 2019

Acquisition of Redberry

On 7th of May 2019 the Group acquired 60% share capital in digital services company, Redberry LLC.

Provisionally estimated net assets of Redberry LLC at acquisition date comprised GEL 399. Consideration comprised of GEL 1,222. Additional GEL 7,568 capital has been injected for digital start-up development and the amount is taken into account in NCI calculations.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	134
Accounts receivable	290
Property and equipment	101
Right-of-use assets	288
Intangible assets	39
Other assets	12
	864
Lease liabilities	447
Accounts payable	7
Other liabilities	11
	465
Total identifiable net assets	**399**
Non-controlling interests	3,187
Goodwill arising on business combination	4,010
Purchase consideration	**1,222**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(1,222)
Cash acquired with the subsidiary	134
Net cash outflow	**(1,088)**

The acquisition enables the Group to have a platform for investments in the digital business. Management considers that the purchases will have a positive impact on the value of the Group's business.

Since the acquisition, company has recorded total of GEL 2,690 and GEL 389 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,474,378 and GEL 611,664 respectively.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce that is expected to generate future economic benefits.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Amboli

In June 2019, Georgia Capital acquired an 80% equity interest in Amboli LLC, car service provider.

Provisionally estimated net assets of Amboli LLC at acquisition date comprised negative GEL 708. Consideration comprised of GEL 3,434.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	102
Accounts receivable[1]	117
Inventories	1,436
Property and equipment	1,006
Right-of-use assets	1,104
Intangible assets	91
Prepayments	640
	4,496
Borrowings	3,315
Lease liabilities	1,148
Accounts payable	721
Other liabilities	20
	5,204
Total identifiable net assets	**(708)**
Non-controlling interests	(141)
Goodwill arising on business combination	4,001
Purchase consideration [2]	**3,434**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(2,800)
Cash acquired with the subsidiary	102
Net cash outflow	**(2,698)**

The Group decided to increase its presence in the auto services markets by acquiring the company. Management considers that the purchases will have a positive impact on the value of the Group's business.

Since the acquisition, company has recorded total of GEL 5,078 of revenue. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,475,711 and GEL 610,905 respectively.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group's operations.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

[1] The fair value of the receivables amounted to GEL 117. The gross amount of receivables is GEL 219.
[2] Purchase consideration comprises of GEL 3,434, which consists of cash payment of GEL 2,800 and holdback amount with a fair value of GEL 634.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of private schools

In June-July 2019 Georgia Capital signed SPAs with private schools: British Georgian Academy ("BGA") to acquire 70% equity stake, Buckswood International School – Tbilisi LLC to acquire 80% equity stake and Tbilisi Green School ("Green School") to acquire 80% equity stake.
Provisionally estimated net assets of education businesses at acquisition date comprised GEL 5,752 Total consideration comprised of GEL 40,245.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	5,397
Accounts receivable[1]	523
Inventories	197
Property and equipment	34,723
Right-of-use assets	3,268
Intangible assets	55
Prepayments	1,534
Other assets	610
	46,307
Borrowings	20,934
Accounts payable	2,140
Deferred income	14,896
Other liabilities	2,585
	40,555
Total identifiable net assets	**5,752**
Non-controlling interests	3,228
Goodwill arising on business combination	37,721
Purchase consideration [2]	**40,245**

The net cash outflow on acquisitions was as follows:

	31 December 2019
Cash paid	(39,588)
Cash acquired with the subsidiary	5,397
Net cash outflow	**(34,191)**

The acquisitions are in line with the Group's business model combining premium, mid-level and affordable school segments. Management considers that the purchases will have a positive impact on the value of the Group's business.

Since the acquisition, education business has recorded total of GEL 12,083 and GEL 2,938 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,485,863 and GEL 612,189 respectively.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce, premises and experienced management that is expected to generate future economic benefits.

The Group elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets.

[1] The fair value of the receivables amounted to GEL 523. The gross amount of receivables is GEL 998.

[2] Purchase consideration comprises of GEL 40,245, which consists of cash payment of GEL 39,588 and holdback amount with a fair value of GEL 657.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Alaverdi

On 20 August 2019 the wine business of Georgia Capital acquired 100% equity interest in Alaverdi LTD, producer of exquisite Georgian wines and spirits. The acquisition was carried out through locally established special purpose vehicle (SPV). The control over Alaverdi is obtained without having direct controlling equity interest, through loan and management agreements signed with SPV, which provide Georgia Capital with the power, exposure to variability of returns and the ability to use the power to affect the returns of Alaverdi.

Provisionally estimated net assets of Alaverdi LTD at acquisition date comprised GEL 25,619 Total consideration comprised of GEL 33,286.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	223
Accounts receivable[1]	315
Inventories	7,567
Property and equipment	19,713
Prepayments	140
Other assets	1,671
	29,629
Borrowings	2,910
Accounts payable	527
Other liabilities	573
	4,010
Total identifiable net assets	**25,619**
Goodwill arising on business combination	7,667
Purchase consideration	**33,286**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(33,286)
Cash acquired with the subsidiary	223
Net cash outflow	**(33,063)**

Alaverdi owns vineyards and free land plot in Kakheti region, available for immediate vineyard development. The acquisition of Alaverdi is in line with Georgia Capital's strategy to reach a vineyard base of 1,000 hectares.

Since the acquisition, Alaverdi LTD has recorded total of GEL 3,111 and GEL 809 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,480,668 and GEL 611,235 respectively.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce, premises and experienced management that is expected to generate future economic benefits.

[1] The fair value of the receivables amounted to GEL 315. The gross amount of receivables is GEL 315.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Hydrolea

On 29 October 2019 the renewable energy business of Georgia Capital acquired 100% equity interest in Hydrolea LTD, operator of three Hydro Power Plants with aggregate 21 MW installed capacity.

Provisionally estimated net assets of Hydrolea LTD at acquisition date comprised GEL 65,252. Total consideration comprised of GEL 65,252.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	3,137
Amounts due from credit institutions, net	250
Accounts receivable[1]	1,266
Inventories	52
Property and equipment	107,980
Intangible assets	17
Other assets	1,129
	113,831
Borrowings	47,882
Accounts payable	316
Other liabilities	381
	48,579
Total identifiable net assets	**65,252**
Purchase consideration [2]	**65,252**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(59,600)
Cash acquired with the subsidiary	3,137
Net cash outflow	**(56,463)**

Since the acquisition, Hydrolea LTD has recorded total of GEL 1,394 and GEL 1,372 of revenue and profit, respectively. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,481,579 and GEL 607,566 respectively.

[1] The fair value of the receivables amounted to GEL 1,266. The gross amount of receivables is GEL 1,266.

[2] Purchase consideration comprises of GEL 65,262, which consists of cash payment of GEL 59,600 and holdback amount with a fair value of GEL 5,652.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Litera

On 4 December 2019 the Hospitality and Commercial Real Estate business of Georgia Capital acquired 50% share of JSC Litera. JSC Litera was established in December 2019 and operates in food and beverage business. The control over Litera is obtained without having more than 50% equity interest, through shareholder agreement signed with minority shareholder.

Provisionally estimated net assets of JSC Litera at acquisition date comprised GEL 175. Total consideration comprised of GEL 1,295 cash payment, which has been fully paid as at reporting date. Concurrently with the acquisition, the Group made injection to share capital of JSC Litera in the amount of USD 415 (GEL 1,190) without changing the Group's ownership percentage. The cash injection was deemed to be linked to the acquisition transaction and contributed to the estimation of acquisition-date non-controlling interest.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	-
Property and equipment	175
	175
Other liabilities	-
	-
Total identifiable net assets	**175**
Non-controlling interests	702
Goodwill arising on business combination	1,822
Purchase consideration	**1,295**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(1,295)
Cash acquired with the subsidiary	-
Net cash outflow	**(1,295)**

Since the acquisition, JSC Litera has recorded immaterial revenue. If the combination had taken place at the beginning of the period, the Group's revenue and profits would not have been materially different.

The primary factor that contributed to the cost of the business combination that resulted in the recognition of goodwill on acquisition is the assembled workforce, premises and experienced management that is expected to generate future economic benefits.

The Group elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets.

(Thousands of Georgian Lari)

5. Business Combinations (continued)

Acquisitions during the year ended 31 December 2019 (continued)

Acquisition of Qartli Wind Farm

On 30 December 2019 the renewable energy business of Georgia Capital acquired 100% equity interest in Qartli Wind Farm LLC.

Provisionally estimated net assets of Qartli Wind Farm LLC at acquisition date comprised GEL 41,322. Total consideration comprised of GEL 41,322.

The fair value of aggregate identifiable assets and liabilities of the companies as at the date of acquisition were:

	Fair value recognised on acquisition
Cash and cash equivalents	9,772
Amounts due from credit institutions, net	6,337
Accounts receivable[1]	1,271
Property and equipment	74,578
Other assets	306
	92,264
Borrowings	50,312
Accounts Payable	630
	50,942
Total identifiable net assets	**41,322**
Purchase consideration	**41,322**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(41,322)
Cash acquired with the subsidiary	9,772
Net cash outflow	**(31,550)**

Since the acquisition, Qartli Wind Farm LLC has not recorded any revenue or profit. If the combination had taken place at the beginning of the period the revenue and profit of the Group including this acquisition only would have been GEL 1,489,944 and GEL 613,846 respectively.

[1] The fair value of the receivables amounted to GEL 1,271. The gross amount of receivables is GEL 1,271.

(Thousands of Georgian Lari)

6. Segment Information

At 31 December 2019 three new segments were added to the Group's reportable segments: Education, Auto Service and Digital Service.
For management purposes, the Group is organised into the following operating segments based on the industries as follows:

Healthcare	- Georgia Healthcare Group - principally providing wide-scale healthcare, health insurance and pharmaceutical services to clients and insured individuals;
Housing Development	- Principally developing, constructing and selling residential apartments and providing land development services to third parties;
Hospitality and Commercial	- Developing and leasing rent-earning commercial assets and developing hotels across Georgia;
Water Utility	- Principally supplying water and providing a wastewater service;
Renewable Energy	- Principally developing renewable energy power plants and supplying electricity;
P&C Insurance	- Principally providing wide-scale property and casualty insurance services to corporate and individual clients;
Beverage	- Principally producing and distributing wine, beer and soft beverages;
Education	- Principally providing education for learners from Preschool to 12th grade (K-12);
Auto Services	- Principally providing auto and technical inspection services to corporate and individual clients;
Digital	- Principally providing tech-based marketing solutions to large Georgian corporate and government agencies;
Other	- Comprises of early stage business and feasibility costs incurred in pipeline projects;
Corporate Centre	- Comprising of JSC Georgia Capital

Management monitors the operating results of its segments separately for the purposes of making decisions about resource allocation and performance assessment.

Transactions between segments are accounted for at actual transaction prices.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue for the year ended 31 December 2019 and 2018.

As at 31 December 2019 and the for the periods following the change in investment entity status (refer to note 3) the management of Georgia Capital will no longer monitor and use consolidated financial information going forward and will solely focus on fair value information for performance evaluation and decision-making. In line with updated management view the change also applied to the presentation of segment information as at 31 December 2019 and 2018, as outlined in the tables below:

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the year ended 31 December 2019:

	Healthcare	*Water Utility*	*Housing development*	*P&C insurance*	*Renewable energy*	*Hospitality and Commercial*	*Beverage*	*Auto Services*	*Digital*	*Education*	*Other*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	976,329	168,457	117,741	64,631	16,171	37,588	125,092	19,610	2,700	12,125	-	521	(67,528)	1,473,437
Cost of sales	(650,191)	(41,868)	(101,946)	(31,311)	(108)	(7,627)	(80,349)	(9,799)	(2,142)	(680)	-	-	42,997	(883,024)
Gross profit	**326,138**	**126,589**	**15,795**	**33,320**	**16,063**	**29,961**	**44,743**	**9,811**	**558**	**11,445**	**-**	**521**	**(24,531)**	**590,413**
Operating expenses and impairment	(150,955)	(31,739)	(19,260)	(17,589)	(2,974)	(5,216)	(42,315)	(7,417)	(396)	(7,593)	(2,107)	(25,772)	1,893	(311,440)
EBITDA	**175,183**	**94,850**	**(3,465)**	**15,731**	**13,089**	**24,745**	**2,428**	**2,394**	**162**	**3,852**	**(2,107)**	**(25,251)**	**(22,638)**	**278,973**
Dividend income	-	-	-	-	-	-	-	-	-	-	-	122,221	(97,268)	24,953
Interest income	1,628	1,981	280	7,640	277	557	13	24	304	33	-	39,030	(21,109)	30,658
Interest expense	(48,034)	(26,046)	(7,966)	(208)	(7,872)	(7,929)	(12,869)	(5,454)	(18)	(490)	-	(55,071)	21,587	(150,370)
Gain from change in investment entity status	-	-	-	-	-	-	-	-	-	-	-	588,828	-	588,828
Profit / (loss) for the year	**61,550**	**35,470**	**(16,796)**	**18,280**	**3,629**	**15,822**	**(30,683)**	**(6,729)**	**389**	**2,730**	**(2,112)**	**655,463**	**(125,508)**	**611,505**
Assets and liabilities														
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	117,215	-	117,215
Amounts due from credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt investment securities	-	-	-	-	-	-	-	-	-	-	-	62,493	-	62,493
Equity investments at fair value	430,079	483,970	43,853	164,923	106,800	245,558	87,120	25,757	8,790	56,316	564	597,735	-	2,251,465
Total assets	**430,079**	**483,970**	**43,853**	**164,923**	**106,800**	**245,558**	**87,120**	**25,757**	**8,790**	**56,316**	**564**	**938,109**	**-**	**2,591,839**
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	825,952	-	825,952
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**833,642**	**-**	**833,642**
Net Asset Value	**430,079**	**483,970**	**43,853**	**164,923**	**106,800**	**245,558**	**87,120**	**25,757**	**8,790**	**56,316**	**564**	**104,467**	**-**	**1,758,197**

(Thousands of Georgian Lari)

6. Segment Information (continued)

The following tables present income statement and certain asset and liability information regarding the Group's operating segments as at and for the year ended 31 December 2018:

	Healthcare	*Water Utility*	*Housing development*	*P&C insurance*	*Renewable energy*	*Hospitality and Commercial*	*Beverage*	*Other*	*Corporate Center*	*Inter-Business Eliminations / Consolidations*	*Group Total*
Revenue	861,337	149,128	137,901	59,271	-	38,461	76,499	-	-	(39,602)	1,282,995
Cost of sales	(574,866)	(36,920)	(111,004)	(25,748)	-	(4,085)	(46,980)	-	-	9,719	(789,884)
Gross profit	**286,471**	**112,208**	**26,897**	**33,523**	**-**	**34,376**	**29,519**	**-**	**-**	**(29,883)**	**493,111**
Operating expenses and impairment	(154,448)	(29,051)	(11,583)	(15,453)	(789)	(2,841)	(35,734)	(1,395)	(15,223)	939	(265,578)
EBITDA	**132,023**	**83,157**	**15,314**	**18,070**	**(789)**	**31,535**	**(6,215)**	**(1,395)**	**(15,223)**	**(28,944)**	**227,533**
Dividend income	-	-	-	-	-	-	-	-	72,504	(48,629)	23,875
Interest income	1,139	568	320	3,539	149	197	132	-	39,549	(22,356)	23,237
Interest expense	(39,314)	(14,248)	(6,749)	-	-	(2,815)	(7,263)	(42)	(44,711)	18,247	(96,895)
Profit / (loss) for the year	**53,235**	**40,700**	**1,307**	**17,082**	**(816)**	**26,395**	**(28,916)**	**(1,326)**	**17,342**	**(84,205)**	**40,798**
Assets and liabilities											
Cash and cash equivalents	36,154	13,713	8,830	11,104	8,388	26,275	9,953	229	138,703	-	253,349
Amounts due from credit institutions	11,808	936	1,633	23,456	-	2,341	125	-	-	-	40,299
Debt investment securities	1,285	-	-	4,408	-	-	-	-	92,974	(26,843)	71,824
Equity investments at fair value	-	-	512	-	-	45	-	-	457,495	(557)	457,495
Total assets	**1,239,104**	**548,518**	**247,352**	**145,866**	**169,304**	**294,834**	**205,277**	**48,654**	**1,020,017**	**(301,593)**	**3,617,333**
Borrowings	296,817	290,266	59,312	-	70,711	113,933	118,147	38,095	-	(222,926)	764,355
Debt securities issued	93,573	29,980	67,697	-	-	19,609	-	-	732,519	(26,977)	916,401
Total liabilities	**665,490**	**376,488**	**183,238**	**89,632**	**75,144**	**134,994**	**149,107**	**42,721**	**734,843**	**(260,936)**	**2,190,721**
Total equity attributable to shareholders of the Group	**295,689**	**172,030**	**64,114**	**56,234**	**61,181**	**149,079**	**44,082**	**5,933**	**285,174**	**(35,909)**	**1,097,607**

(Thousands of Georgian Lari)

7. Cash and Cash Equivalents

	31 December 2019	*31 December 2018*
Cash on hand	-	2,577
Current accounts with financial institutions	114,698	223,960
Time deposits with financial institutions with maturities of up to 90 days	2,518	26,813
Cash and cash equivalents, Gross	**117,216**	**253,350**
Allowance (Note 29)	(1)	(1)
Cash and cash equivalents, Net	**117,215**	**253,349**

8. Amounts Due from Credit Institutions

	31 December 2019	*31 December 2018*
Time deposits with maturities of more than 90 days	-	35,924
Deposits pledged as security for open commitments	-	4,375
Amounts due from credit institutions, Gross	**-**	**40,299**
Allowance (Note 29)	-	-
Amounts due from credit institutions, Net	**-**	**40,299**

9. Marketable Securities

	31 December 2019	*31 December 2018*
Internationally listed marketable securities	38,775	67,933
Locally listed marketable securities	23,718	3,891
Marketable securities	**62,493**	**71,824**

As at 31 December 2019 Marketable securities consist of internationally and locally listed debt financial instruments GEL 58,339 (2018: GEL 71,824) and equity financial instruments GEL 4,154 (2018: nil).

10. Loans Issued

	31 December 2019	*31 December 2018*
Loans to subsidiaries (FVPL)	117,506	-
3rd party loans (FVPL)	-	1,038
3rd party loans (amortized cost)	34,412	149,676
Loans issued	**151,918**	**150,714**
Allowance (Note 29)	(34)	(414)
Loans issued, Net	**151,884**	**150,300**

As at 31 December 2019, Loans to subsidiaries are denominated in GEL and USD, carry interest rates from 9% to 12%, with average remaining terms of maturity of 2 years.

As at 31 December 2019, 3rd party loans are denominated USD (2018: USD), carry interest rate of 9% (2018: from 9% to 15%), with average remaining terms of maturity of 3 months (2018: 6 years).

(Thousands of Georgian Lari)

11. Equity Investments at Fair Value

	31 December 2019
Equity investments at fair value	2,251,465
Of which listed investments	***1,027,814***
GHG	*430,079*
BOG	*597,735*
Of which private investments:	***1,223,651***
Late stage	***692,746***
Water utility	*483,970*
Housing Development	*43,853*
P&C insurance	*164,923*
Early Stage	***439,478***
Renewable energy	*106,800*
Hospitality & Commercial RE	*245,558*
Beverages	*87,120*
Pipeline	***91,427***
Education	*56,316*
Auto service	*25,757*
Digital services	*8,790*
Other	*564*
Total equity investments at fair value	***2,251,465***
-Of which equity investments at FVOCI	*597,735*
-Of which equity investments at FVPL	*1,653,730*

Equity investments at fair value include equity instruments designated at fair value through OCI GEL 597,737 as at 31 December 2019 (2018: GEL 457,495), representing 19.9% interest of Bank of Georgia Group PLC. This investment was irrevocably designated at fair value through OCI as the Group considers this investment to be strategic in nature, in addition, the Group does not hold the shares for the purpose of short-term capital appreciation. In 2019 the Group recognized dividend income in the amount of GEL 24,953 from this investment (2018: 23,875). Refer to Note 33 for details on fair value measurements of equity investments.

12. Accounts Receivable

	31 December 2019	31 December 2018
Healthcare services	-	115,150
Water supply services	-	23,965
Sales of pharmaceuticals	-	21,024
Beverage sales	-	18,235
Connection services	-	4,317
Electric power sales	-	700
Installation of water meters	-	94
Other receivables	1,176	8,456
Accounts receivable, Gross	**1,176**	**191,941**
Allowance (Note 29)	-	(21,713)
Accounts receivable, Net	**1,176**	**170,228**

Accounts receivable balance includes contract assets from sales to customers GEL 2,586 as at 31 December 2018. For more details, please refer to note 27.

(Thousands of Georgian Lari)

13. Inventories

	31 December 2019	*31 December 2018*
Healthcare and pharma inventory	-	146,164
Real estate inventory	-	96,979
Other inventory	-	33,087
Inventory	**-**	**276,230**

The Group performed inventory net realisable value test and charged impairment in the amount of GEL nil as at 31 December 2019 (2018: GEL 179).

14. Investment Properties

	31 December 2019	*31 December 2018*
At 1 January	**151,232**	**159,989**
Additions*	13,430	27,626
Disposals	(860)	(2,461)
Net gains from revaluation of investment property	8,265	6,895
Transfers from / (to) property and equipment and other assets**	723	(48,971)
Currency translation differences	11,954	8,154
Change in investment entity status	(184,744)	-
At 31 December	**-**	**151,232**

**** Non-cash additions comprised GEL nil as at 31 December 2019 (2018: 1,145)***
***** Comprised of GEL 8,635 transfer from property ands equipment (2018: transfers to property and equipment GEL 8,930), GEL 7,912 transfer to other assets - inventories (2018: GEL 40,041).***

Investment properties are stated at fair value except for those investment properties under construction for which fair value is not reliably measurable (with carrying value of nil as at 31 December 2019 (2018: 43,676). Fair value represents the price that would be received in exchange for an asset in an arm's length transaction between market participants at the measurement date. As at 31 October 2019 the valuation of the properties has been performed by accredited independent valuers. Refer to Note 33 for details on fair value measurements of investment properties as at 31 December 2018.

The Group pledges some of its investment property as collateral for its borrowings. The carrying amount of investment property pledged as at 31 December 2018 was GEL 1,132.

(Thousands of Georgian Lari)

15. Property and Equipment

The movements in property and equipment during the year ended 31 December 2019 were as follows:

	Office buildings	*Hotels*	*Hospitals & clinics*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Other*	*Total*
Cost									
31 December 2018 (restated)*	**195,653**	**24,360**	**433,159**	**248,941**	**430,267**	**101,116**	**278,838**	**114,639**	**1,826,973**
Transfer to right-of-use assets at adoption of IFRS 16 (Note 3)	-	-	(8,799)	-	-	-	-	-	(8,799)
1 January 2019	**195,653**	**24,360**	**424,360**	**248,941**	**430,267**	**101,116**	**278,838**	**114,639**	**1,818,174**
Additions	20,856	439	4,943	182,006	56,259	7,239	23,983	33,304	329,029
Business combinations, Note 5	37,001	-	-	522	182,558	-	3,673	14,522	238,276
Disposals	(8,664)	-	-	(297)	-	(66)	(985)	(3,368)	(13,380)
Transfers	35,237	-	-	(250,180)	210,341	(71)	(762)	5,435	-
Transfers (to) / from investment properties	(12,700)	-	-	3,761	-	-	-	304	(8,635)
Transfers to from other assets*	5,041	-	-	-	-	-	-	-	5,041
Write off**	-	-	-	-	(39,011)	-	-	-	(39,011)
Revaluation	3,474	-	-	-	-	-	-	-	3,474
Currency translation differences	502	2,763	-	4,106	15,617	-	232	923	24,143
Change in investment entity status	(276,400)	(27,562)	(429,303)	(188,859)	(856,031)	(108,218)	(304,448)	(165,473)	(2,356,294)
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**531**	**286**	**817**
Accumulated impairment									
31 December 2018 (restated)*	**105**	**-**	**(4)**	**1,766**	**104,530**	**-**	**23**	**(7)**	**106,413**
Disposals	-	-	-	-	-	-	-	5	5
Currency translation differences	-	-	-	-	3	-	1	-	4
Change in investment entity status	(105)	-	4	(1,766)	(104,533)	-	(24)	2	(106,422)
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation									
31 December 2018 (restated)*	**6,463**	**162**	**10,753**	**-**	**36,036**	**10,805**	**60,125**	**22,592**	**146,936**
Depreciation charge	2,297	217	2,377	-	23,353	8,850	28,544	14,007	79,645
Currency translation differences	26	87	-	-	1,218	868	123	12	2,334
Transfers	-	-	-	-	-	-	(18)	18	-
Write off**	-	-	-	-	(1,653)	-	-	-	(1,653)
Disposals	(292)	-	-	-	(525)	(105)	(826)	(2,109)	(3,857)
Change in investment entity status	(8,494)	(466)	(13,130)	-	(58,429)	(20,418)	(87,792)	(34,439)	(223,168)
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**156**	**81**	**237**
Net book value:									
31 December 2018 (restated)*	**189,085**	**24,198**	**422,410**	**247,175**	**289,701**	**90,311**	**218,690**	**92,054**	**1,573,624**
At 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**375**	**205**	**580**

Comprised GEL 4,693 transfer from inventory and GEL 8,451 transfer to right-of-use assets.
*****In July 2019 a mudflow in Mestia in the Valley of Mestiachala caused damage to Mestiachala 1 and 2 Hydro Power Plants and the surrounding infrastructure. Mestiachala HPPs are owned by the Group's Renewable Energy segment, operated by Georgian Renewable Power Company, LLC. As a result the NBV of damaged infrastructure assets written off was GEL 37,358. Respective non-recurring expense of GEL 37,357 was recognized in the Group's 2019 financial statements. The expense amount was offset with the income recognized as a result of reimbursement of damage from a reinsurance contract concluded by JSC Aldagi (Group's P&C segment) in the amount of GEL 36,707.***

(Thousands of Georgian Lari)

15. Property and Equipment (continued)

The movements in property and equipment during the year ended 31 December 2018 were as follows:

	Office buildings	*Hotels*	*Hospitals & Clinics*	*Assets under construction*	*Infrastructure Assets*	*Factory and equipment*	*Computers & equipment*	*Other*	*Total*
Cost									
1 January 2018 (restated)*	**136,784**	**-**	**-**	**142,801**	**275,669**	**91,023**	**13,949**	**41,614**	**701,840**
Additions	10,213	2,991	22,209	274,101	12,582	5,726	62,174	20,659	410,655
Business combinations	6,639	-	-	-	-	15,303	5,632	4,042	31,616
Disposals	(833)	-	-	-	297	(70)	(297)	(382)	(1,285)
Transfers	19,107	-	(6,624)	(153,275)	141,719	(10,866)	(1,170)	11,109	-
Transfers (to) / from investment properties	8,572	19,837	-	(19,840)	-	-	-	-	8,569
Transfers from inventory	223	-	-	228	-	-	172	-	623
Transfer to assets of disposal group held for sale	14,939	-	417,574	325	-	-	198,315	37,297	668,450
Currency translation differences	9	1,532	-	4,601	-	-	63	300	6,505
31 December 2018 (restated)*	**195,653**	**24,360**	**433,159**	**248,941**	**430,267**	**101,116**	**278,838**	**114,639**	**1,826,973**
Accumulated impairment									
31 December 2017	**390**	**-**	**-**	**-**	**-**	**-**	**23**	**1**	**414**
Effect of change in accounting policy (Note 3, (b))*	-	-	-	3,849	102,447	-	-	-	106,296
1 January 2018 (restated)*	**390**	**-**	**-**	**3,849**	**102,447**	**-**	**23**	**1**	**106,710**
Reversal	(15)	-	-	-	-	-	-	-	(15)
Disposals	-	-	-	-	-	-	-	(8)	(8)
Transfers	-	-	-	(2,083)	2,083	-	-	-	-
Transfer from assets of disposal group held for sale	-	-	(4)	-	-	-	-	-	(4)
Transfers to investment properties	(271)	-	-	-	-	-	-	-	(271)
Currency translation differences	1	-	-	-	-	-	-	-	1
31 December 2018 (restated)*	**105**	**-**	**(4)**	**1,766**	**104,530**	**-**	**23**	**(7)**	**106,413**
Accumulated depreciation				**-**					
1 January 2018 (restated)*	**5,249**	**-**	**-**	**-**	**23,084**	**3,887**	**6,314**	**5,257**	**43,791**
Depreciation charge	1,460	162	5,192	-	12,883	7,490	23,674	10,684	61,545
Currency translation differences	(229)	-	-	-	(1)	47	191	29	37
Transfers	(70)	-	-	-	(5)	(613)	352	336	-
Transfers to investment properties	(90)	-	-	-	-	-	-	-	(90)
Transfer from assets of disposal group held for sale	327	-	5,561	-	-	-	29,771	6,316	41,975
Disposals	(184)	-	-	-	75	(6)	(177)	(30)	(322)
31 December 2018 (restated)*	**6,463**	**162**	**10,753**	**-**	**36,036**	**10,805**	**60,125**	**22,592**	**146,936**
Net book value:									
1 January 2018 (restated)*	**131,145**	**-**	**-**	**138,952**	**150,138**	**87,136**	**7,612**	**36,356**	**551,339**
31 December 2018 (restated)*	**189,085**	**24,198**	**422,410**	**247,175**	**289,701**	**90,311**	**218,690**	**92,054**	**1,573,624**

**Certain amounts do not correspond to the 2018 consolidated financial statements as they reflect the adjustments made for changes in accounting policy described in Note 3 ((b) infrastructure assets).*

The Group pledges its property as collateral for its borrowings. The carrying amount of the pledged property as at 31 December 2019 was nil (31 December 2018: GEL 662,034).

(Thousands of Georgian Lari)

16. Leases

Group as a lessee

The Group has lease contracts for various items of land, building, vehicles and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. Some lease contracts include extension and termination options and variable lease payments, which are further discussed below. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

Gross Balance	***Land***	***Buildings***	***Vehicles***	***Other equipment***	***Total***
At 1 January 2019	**2,687**	**90,188**	**178**	**-**	**93,053**
Additions	1,325	25,402	163	-	26,890
Business combination (Note 5)	348	4,245	57	10	4,660
Disposals	-	(2,218)	-	-	(2,218)
Transfers from (to) PPE	(348)	-	-	-	(348)
Currency translation differences	38	186	-	-	224
Change in investment entity status	(4,050)	(117,206)	(57)	(10)	(121,323)
At 31 December 2019	**-**	**597**	**341**	**-**	**938**
Accumulated Depreciation					
At 1 January 2019	**-**	**-**	**-**	**-**	**-**
Additions	314	22,552	98	1	22,965
Disposals	-	(783)	-	-	(783)
Currency translation differences	-	13	-	-	13
Change in investment entity status	(314)	(21,517)	(5)	(1)	(21,837)
At 31 December 2019	**-**	**265**	**93**	**-**	**358**
Net Book Value:					
Balance at 1 January 2019	**2,687**	**90,188**	**178**	**-**	**93,053**
Balance at 31 December 2019	**-**	**332**	**248**	**-**	**580**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019
At 1 January 2019	**83,993**
Additions	34,989
Business combination (Note 5)	1,595
Interest expense on lease liabilities	6,665
Payments of principal portion of lease liabilities	(21,087)
Payments of interest portion of lease liabilities	(6,665)
Foreign exchange rate movements	4,209
Change in investment entity status	(103,069)
At 31 December 2019	**630**

Right-of-use assets and lease liabilities are included in other assets and other liabilities respectively in the Consolidated Statement of Financial Position. For the breakdown of other assets and liabilities refer to note 18.

The following are the amounts recognised in profit or loss:

	2019
Depreciation expense of right-of-use assets	(22,182)
Interest expense on lease liabilities	(6,665)
Expense relating to short-term leases (included in administrative expenses)	(534)
Expense relating to leases of low-value assets (included in administrative expenses)	(130)
Variable lease payments (included in administrative expenses)	(4,427)
Total amount recognised in profit or loss	**(33,938)**

Total lease payments including low-value and short-term leases during the year was GEL 32,842.

(Thousands of Georgian Lari)

16. Leases (continued)

Group as a lessor

The Group has entered into operating leases of certain investment properties. Rental income recognised by the Group during the year is GEL 8,903 (2018: GEL 5,467). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	31 December 2018
Not later than 1 year	5,243
Later than 1 year but not later than 5 years	11,531
Later than 5 years	9,090
Total	**25,864**

Most of the Group's leases as at 31 December 2018 were priced in USD and had lease term varying from 3 moths to 10 years (average term: 4 years).

17. Goodwill and Intangible Assets

Movements in goodwill during the years ended 31 December 2019 and 31 December 2018, were as follows:

	31 December 2019	*31 December 2018*
Cost		
1 January	**146,787**	**26,627**
Business combinations	55,221	5,362
Transfer from/(to) assets of disposal group held for sale	-	114,798
Currency translation differences	(35)	-
Change in investment entity status	(201,973)	-
At 31 December	**-**	**146,787**
Accumulated impairment		
1 January	**4,692**	**4,692**
Change in investment entity status	(4,692)	**-**
At 31 December	**-**	**4,692**
Net book value:		
1 January	**142,095**	**21,935**
At 31 December	**-**	**142,095**

Impairment test for goodwill as at 31 December 2018

Goodwill acquired through business combinations have been allocated to five individual cash-generating units, for impairment testing: Property & Casualty Insurance, Beverage, Pharmacy, Healthcare and Health Insurance.

The carrying amount of goodwill allocated to each of the cash generating units ("CGU") is as follows:

	31 December 2018
P&C Insurance	15,454
Beverage	11,843
Pharmacy	77,755
Healthcare	33,581
Health Insurance	3,462
Total	**142,095**

(Thousands of Georgian Lari)

17. Goodwill and Intangible Assets (continued)

Impairment test for goodwill (continued)

The recoverable amount of the healthcare services operating segment exceeds its carrying amount by GEL253,595 using the discount rate of 12.7%. The discount rate that brings value in use of healthcare services segment equal to its carrying value is 15.21%.

Key assumptions used in value in use calculations

The recoverable amounts of the CGUs have been determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management covering from a one to three-year period. Discount rates were not adjusted for either a constant or a declining growth rate beyond the three-year periods covered in financial budgets. For the purposes of the impairment test, a 3% permanent growth rate has been assumed when assessing the future operating cash flows of the CGU.

The following rates were used by the Group for P&C Insurance, Beverage, Pharmacy, Healthcare and Health Insurance:

	P&C Insurance	***Beverage***	***Pharmacy***	***Healthcare***	***Health Insurance***
	2018, %	***2018, %***	***2018, %***	***2018, %***	***2018, %***
Discount rate	15.6%	15.3%	14.4%	12.7%	14.3%

Discount rates

Discount rates reflect management's estimate of return required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using pre-tax weighted average cost of capital ("WACC").

For the Healthcare CGU, the following additional assumptions were made over the first three-year period of the business plan:

- Further synergies from healthcare businesses will increase cost efficiency and further improve operating leverage;
- Growth of other healthcare business lines through an increased market demand and economic growth.

Management believes that reasonable possible changes to key assumptions used to determine the recoverable amount for each CGU will not result in an impairment of goodwill. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2018. Possible change was taken as +/-1% in discount rate and growth rate.

Increase in intangible assets during 2018 is mostly attributable to reclassifications from assets held for sale and acquisitions of intangible assets presented in the consolidated statement of cash flows.

(Thousands of Georgian Lari)

18. Other Assets and Liabilities

Other assets comprise:

	31 December 2019	*31 December 2018*
Pension fund assets	-	18,796
Reinsurance assets	-	18,240
Operating tax assets	-	38,028
Call option	-	16,969
Investments in associates	-	3,124
Operating lease receivable	-	742
Other derivative financial assets	1,918	661
Right-of-use assets*	580	-
Other	4,022	4,602
Other assets	**6,520**	**101,162**

Other liabilities comprise:

	31 December 2019	*31 December 2018*
Other taxes payable	-	22,701
Accruals	1,851	55,623
Amounts payable for share acquisitions**	1,355	92,126
Other insurance liabilities	-	19,707
Pension fund liabilities	-	18,932
Lease liabilities*	630	8,746
Dividends payable to non-controlling shareholders	-	991
Derivative financial liabilities	-	715
Provisions	-	525
Other	2,570	15,114
Other liabilities	**6,406**	**235,180**

**For Right-of-use assets and Lease liabilities movement refer to note 16.*
***2018 amount payable for share acquisitions comprise payables for healthcare and wine business acquisitions.*

19. Taxation

The corporate income tax (expense) credit comprises:

	2019	*2018 (restated)**
Current income tax expense	(4,548)	(3,924)
Deferred income tax (expense)/credit	(85)	318
Income tax (expense)	**(4,633)**	**(3,606)**
Deferred income tax credit (expense) in other comprehensive income (loss)	-	-

The income tax rate applicable to most of the Group's income is the income tax rate applicable to subsidiaries' income which is 15% 2019 (2018: 15%).

(Thousands of Georgian Lari)

19. Taxation (continued)

The effective income tax rate differs from the statutory income tax rates. As at 31 December 2019 and 31 December 2018 a reconciliation of the income tax expense based on statutory rates with the actual expense is as follows:

	2019	*2018 (restated)**
Profit before income tax expense*	**616,138**	**44,404**
Average tax rate	15%	15%
Theoretical income tax expense at average tax rate	**(92,421)**	**(6,661)**
Non-taxable income	88,225	3,142
Correction of prior year declarations	(376)	(19)
Unrecognised deferred tax asset	(61)	(68)
Income tax (expense) benefit	**(4,633)**	**(3,606)**

Applicable taxes in Georgia include corporate income tax (profit tax), individuals' withholding taxes, property tax and value added tax, among others. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

As at 31 December 2018 income tax assets and liabilities consist of the following:

	31 December 2018
Current income tax assets	1,078
Deferred income tax assets	1,327
Income tax assets	**2,405**
Current income tax liabilities	1,119
Income tax liabilities	**1,119**

Deferred tax assets and liabilities as at 31 December 2018 are as follows:

	31 December 2018
Tax effect of deductible temporary differences:	
Tax credits carried forward	21,048
Insurance premiums receivables	688
Other assets and liabilities	639
Deferred tax assets	**22,375**
Investments in subsidiaries	21,048
Deferred tax liabilities	**21,048**
Net deferred tax asset recognized in consolidated statement of financial position	**1,327**

(Thousands of Georgian Lari)

20. Insurance Contract Liabilities and Reinsurance Assets

	2019			*2018*		
	Insurance contract liabilities	***Reinsurance assets***	***Net***	***Insurance contract liabilities***	***Reinsurance assets***	***Net***
	2019	***2019***	***2019***	***2018***	***2018***	***2018***
At 1 January	**68,207**	**(18,240)**	**49,967**	**46,403**	**(20,671)**	**25,732**
Premiums written during the year	159,857	(22,517)	137,340	135,595	(29,252)	106,343
Premiums earned during the year	(156,674)	24,792	(131,882)	(133,965)	27,235	(106,730)
Claims incurred during the year	85,218	(8,226)	76,992	65,728	(7,195)	58,533
Claims paid during the year	(84,963)	10,347	(74,616)	(66,507)	11,643	(54,864)
Transfer from assets and liabilities of disposal group held for sale	-	-	-	20,953	-	20,953
Change in investment entity status	(71,645)	13,844	(57,801)	-	-	-
At 31 December	**-**	**-**	**-**	**68,207**	**(18,240)**	**49,967**

21. Borrowings

Borrowings comprise:

	31 December 2019	***31 December 2018***
Borrowings from local financial institutions	-	306,340
Borrowings from international financial institutions	-	451,984
Other borrowings	-	6,031
Borrowings	**-**	**764,355**

Some long-term borrowings from international credit institutions are received upon certain conditions (the "Lender Covenants"). At 31 December 2018 the Group complied with all the Lender Covenants of the borrowings from international credit institutions.

As at 31 December 2018, borrowings from local financial institutions are denominated in GEL, EUR and USD, carry interest rates from 5% to 12%, with average remaining terms of maturity of 4 years.

As at 31 December 2018, borrowings from international financial institutions are denominated in GEL, EUR and USD, carry interest rates from 1.63% to 12.25%, with average remaining terms of maturity of 8 years.

As at 31 December 2018, other borrowings are denominated in GEL and EUR, carry interest rated from 12% to 13%, with average remaining terms of maturity of 3 months.

During 2018 total amount of interest paid comprised GEL 96,312.

Material non-cash transactions

In 2019 year the Group incurred borrowings costs with total amount GEL 10,260 (2018: GEL 24,816) of which GEL nil (2018: GEL 6,018) has been capitalized as a part of investment property, GEL 4,261 (2018: GEL 3,153) was capitalized as a part of inventory property, GEL 5,678 (2018: GEL 15,450) was capitalized as part of property and equipment and GEL 321 (2018: GEL 195) was capitalized as part of intangible assets.

(Thousands of Georgian Lari)

21. Borrowings (continued)

Changes in liabilities arising from financing activities

	Borrowings	Debt securities	Lease liabilities
Carrying amount at 1 January 2018	**650,734**	**77,835**	**-**
Foreign currency translation	(7,335)	63,497	-
Cash proceeds	247,574	747,184	-
Cash repayments	(393,981)	(80,747)	-
Transfer from/to liabilities of disposal group held for sale	267,010	93,493	-
Acquisition of subsidiaries	14,560	-	-
Other	(14,207)	15,139	-
Carrying amount at 31 December 2018	**764,355**	**916,401**	**-**
IFRS 16 transition effect	-	-	83,993
Foreign currency translation	37,151	56,649	4,209
Cash proceeds	660,400	247,053	-
Cash repayments	(416,682)	(106,713)	(21,087)
Acquisition of subsidiaries (Note 5)	125,353	-	1,595
Other*	(7,483)	(144)	34,989
Change in investment entity status (Note 3)	(1,163,094)	(287,294)	(103,069)
Carrying amount at 31 December 2019	**-**	**825,952**	**630**

*Other movement for lease liabilities represents amounts recognized at conclusion of the new lease contracts during the year.

22. Debt Securities Issued

Debt securities issued comprise:

	31 December 2019	*31 December 2018*
USD denominated Eurobonds issued by Georgia Capital	825,952	732,519
USD denominated local bonds issued by m2	-	85,663
GEL denominated local bonds issued by GHG	-	84,858
GEL denominated local bonds issued by GGU	-	13,361
Debt securities issued	**825,952**	**916,401**

In March 2018 JSC Georgia Capital issued a USD 300 million (GEL 734 million) 6.125% notes due in March 2024 denominated in US Dollars which were admitted to the official list of the Irish Stock Exchange and to trading on the Global Exchange Market (the "Notes"). Notes were sold at the price of 98.770% of par value at the initial offering.

23. Deferred Income

	31 December 2019	*31 December 2018*
Advances received for connection services	-	27,249
Advances received for sale of apartments	-	19,846
Advances received for sale of pharmaceuticals	-	4,867
Other	-	10,383
Deferred income	**-**	**62,345**

(Thousands of Georgian Lari)

24. Accounts Payable

	31 December 2019	31 December 2018
Trade payables	-	139,879
Other payables	1,284	3,235
	1,284	**143,114**

As at 31 December 2018, most of trade payables represent amounts due to suppliers in healthcare, water utility, housing development, commercial and beverage segments. Trade payables are usually short-term, denominated mostly in GEL and USD and do not carry interest.

25. Commitments and Contingencies

Legal

In the ordinary course of business, the Group and its subsidiaries are subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Commitments and contingencies

As at 31 December 2018 the Group's commitments and contingencies comprised the following:

	31 December 2018
Operating lease commitments	
Not later than 1 year	23,383
Later than 1 year but not later than 5 years	75,147
Later than 5 years	31,410
	129,940
Capital expenditure commitments	**10,341**
Total Commitments	**140,281**

As at 31 December 2018 capital expenditure commitments represent the commitment for purchase of property and capital repairs GEL 9,624 and software and other intangible assets GEL 717.

(Thousands of Georgian Lari)

26. Equity

Share capital

As at 31 December 2019 issued share capital comprised 12,399,944 authorised common shares (31 December 2018: 11,526,000), of which 12,399,944 were fully paid (2018: 11,526,000). Each share has a nominal value of one Georgian Lari. Shares issued and outstanding as at 31 December 2019 are described below:

	Number of shares Ordinary	*Amount*
1 January 2018	**10,000,000**	**10,000**
Issue of share capital	1,526,000	1,526
31 December 2018	**11,526,000**	**11,526**
Issue of share capital	1,252,680	1,253
Capital reduction	(378,736)	(379)
31 December 2019	**12,399,944**	**12,400**

Issue of Share Capital

On 28 June 2019 and 18 December 2019 JSC GCAP issued 226,756 and 1,025,924 shares in the amount of GEL 26,900 and GEL 112,856 respectively. First share issuance is related to settlement of payable arising from transfer of treasury shares from 100% shareholder of JSC GCAP to Company's executive management compensation trust.

On 18 December 2019 GCAP PLC, 100% shareholder of JSC GCAP, contributed 17,892,911 existing GHG shares into the equity of JSC GCAP, in return of 1,025,680 newly issued GCAP shares. Group's interest in GHG increased to 70.6%. As a result of this transaction, the Group's capital increased by GEL 112,856, non-controlling interest decreased by GEL 70,819, unrealized loss from acquisition of non-controlling interest in existing subsidiary comprised GEL 42,037.

Capital Reduction

During the year JSC GCAP bought back from its Parent 683,834 own shares for total cash consideration of GEL 80,389, of which 378,736 ordinary shares were cancelled and 305,098 were placed in Company's treasury.

Treasury Shares

Treasury shares consist of GEL 837 (2018: 282) JSC Georgia Capital shares and GEL 124 (2018: 37) shares of Georgia Capital PLC (shareholder) repurchased as a result of management compensation scheme, which are considered as treasury shares for the Group.

Nature and purpose of other reserves

Unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries
This reserve records unrealised gains (losses) from dilution or sale / acquisition of shares in existing subsidiaries.

Unrealised gains (losses) on debt and equity investments at fair value
This reserve records fair value changes on debt and equity investments at fair value through other comprehensive income.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries with functional currency other than GEL.

Movements in other reserves during the year ended 31 December 2019 and 31 December 2018 are presented in the statements of other comprehensive income.

(Thousands of Georgian Lari)

26. Equity (continued)

Non-controlling interest

Georgia Healthcare Group PLC ("GHG") is the only significant subsidiary of the Group that has a material non-controlling interest of 43% as of 31 December 2018. The following table summarises key information before intragroup eliminations relevant to Georgia Healthcare Group PLC.

	2018
Total assets	1,222,503
Total Liabilities	665,487
Non-controlling interest	287,016
Revenue	861,337
Profit for the year	53,237
Total comprehensive income for the year	53,237
Net decrease in cash and cash equivalents	12,687
Profit attributable to non-controlling interest	33,142

27. Gross Profit

	2019	*2018 (restated)**
Pharma revenue	570,836	501,090
Healthcare revenue	315,042	291,069
Utility and energy revenue	162,962	139,290
Net insurance premiums earned	131,882	106,730
Beverage revenue	124,705	76,358
Real estate revenue	97,780	142,147
Auto service revenue	19,540	-
Education revenue	12,083	-
Digital services revenue	2,324	-
Other income	36,283	26,311
Revenue	**1,473,437**	**1,282,995**
Cost of pharma services	(424,814)	(386,153)
Cost of healthcare	(176,753)	(154,452)
Cost of utility and energy	(41,121)	(36,274)
Net insurance claims incurred	(76,992)	(58,533)
Cost of beverage	(80,283)	(46,879)
Cost of real estate	(70,441)	(107,593)
Cost of auto service	(9,799)	-
Cost of education	(679)	-
Cost of digital services	(2,142)	-
Cost of sales	**(883,024)**	**(789,884)**
Gross profit	**590,413**	**493,111**

(Thousands of Georgian Lari)

27. Gross Profit (continued)

Gross Healthcare and Pharma Profit

	2019	*2018*
Revenue from government programmes	221,397	200,652
Revenue from free flow (non-insured retail individuals)	84,299	78,500
Revenue from insurance companies	9,346	11,917
Healthcare revenue	**315,042**	**291,069**
Retail	430,312	378,398
Wholesale	140,524	122,692
Pharma revenue	**570,836**	**501,090**
Healthcare and pharma revenue	**885,878**	**792,159**
Direct salary expenses	(112,321)	(105,440)
Healthcare direct materials	(48,189)	(34,012)
Expenses on medical service providers	(3,280)	(3,226)
Other direct expenses	(12,963)	(11,774)
Cost of healthcare	**(176,753)**	**(154,452)**
Retail	(309,213)	(275,887)
Wholesale	(115,601)	(110,266)
Cost of pharma services	**(424,814)**	**(386,153)**
Cost of healthcare and pharma services	**(601,567)**	**(540,605)**
Gross healthcare and pharma profit	**284,311**	**251,554**

Gross Utility and Energy Profit

	2019	*2018*
Revenue from water supply	131,608	130,238
Revenue from electric power sales	31,354	9,052
Utility and energy revenue	**162,962**	**139,290**
Cost of water supply	(33,102)	(33,663)
Cost of electric power sales	(8,019)	(2,611)
Cost of utility and energy	**(41,121)**	**(36,274)**
Gross utility and energy profit	**121,841**	**103,016**

Gross Insurance Profit

	2019	*2018*
Gross health insurance premiums earned	73,981	54,040
Gross P&C insurance premiums earned	82,693	79,925
Total gross premiums earned on insurance contracts	156,674	133,965
Reinsurers' share of gross earned premiums on health insurance contracts	(2,552)	(3,020)
Reinsurers' share of gross earned premiums on P&C insurance contracts	(22,240)	(24,215)
Reinsurers' share of gross earned premiums on insurance contracts	(24,792)	(27,235)
Net insurance premiums earned	**131,882**	**106,730**
Gross health insurance claims incurred	(47,697)	(37,096)
Gross P&C insurance claims incurred	(37,521)	(28,632)
Gross insurance claims incurred	(85,218)	(65,728)
Reinsurers' share of gross health insurance claims incurred	558	4,311
Reinsurers' share of gross P&C insurance claims incurred	7,668	2,884
Reinsurers' share of gross insurance claims incurred	8,226	7,195
Net insurance claims incurred	**(76,992)**	**(58,533)**
Gross insurance profit	**54,890**	**48,197**

(Thousands of Georgian Lari)

27. Gross Profit (continued)

Gross Beverage Profit

	2019	*2018*
Revenue from beer sales	49,668	27,395
Revenue from wine sales	42,216	27,020
Revenue from distribution of imported goods	19,569	14,065
Change in net realizable value of agricultural produce after harvest	2,899	2,875
Other beverage revenue	10,353	5,003
Beverage revenue	**124,705**	**76,358**
Cost of beer	(32,803)	(17,848)
Cost of wine	(23,553)	(15,188)
Cost of distribution	(15,894)	(10,625)
Cost of other beverage revenue	(8,033)	(3,218)
Cost of beverage	**(80,283)**	**(46,879)**
Gross beverage profit	**44,422**	**29,479**

Gross Real Estate Profit

	2019	*2018 (restated)**
Revenue from apartment sale	52,022	96,052
Revenue from construction services	21,835	27,864
Income from operating leases	9,416	6,454
Revaluation of m^2 investment property	7,498	6,626
Revenue from hospitality services	7,009	5,151
Real estate revenue	**97,780**	**142,147**
Cost of apartments sold	(43,513)	(79,962)
Cost of construction services	(19,412)	(23,637)
Cost of operating leases	(2,445)	(879)
Cost of hospitality services	(5,071)	(3,115)
Cost of real estate	**(70,441)**	**(107,593)**
Gross real estate profit	**27,339**	**34,554**

(Thousands of Georgian Lari)

27. Gross Profit (continued)

Total revenue above includes the following revenue streams that are not in scope of IFRS 15 Revenue from Contracts with customers:

	2019	2018
Real estate revenue:		
Net gain from revaluation of investment property	7,498	6,626
Income from operating leases	9,416	6,454
	16,914	**13,080**
Beverage revenue:		
Change in net realizable value of agricultural produce after harvest	2,899	2,875
	2,899	**2,875**
Net insurance premiums earned	**131,882**	**106,730**
Other income		
Revenue from BI insurance*	9,933	-
Gain from call option	6,619	6,863
Payables derecognised	1,021	3,881
Litigation reserve reversal	-	817
Loss from sale of PPE and IP	589	262
Net gains (losses) from revaluation of investment property	767	269
	170,624	**134,777**

** Reimbursement of lost revenue due to business interruption under insurance contract.*

Salary and employee benefit expenses included in cost of sales comprised GEL 128,664 (2018: GEL 124,333). Inventory recognised as an expense during the period comprised GEL 55,307 (2018: GEL 185,512)

28. Salaries and Other Employee Benefits, and General and Administrative Expenses

	2019	2018
Salaries and bonuses	(147,891)	(120,570)
Equity compensation plan costs	(23,687)	(14,341)
Pension costs	(3,184)	(913)
Salaries and other employee benefits	**(174,762)**	**(135,824)**

General and administrative expenses

	2019	2018
Marketing and advertising	(21,800)	(17,278)
Legal and other professional services	(17,433)	(12,544)
Office supplies	(11,636)	(7,800)
Operating taxes	(10,951)	(10,275)
Utility expenses	(6,547)	(3,824)
Repair and maintenance	(5,783)	(4,974)
Occupancy and rent	(4,972)	(23,115)
Corporate hospitality and entertainment	(3,566)	(2,576)
Communication	(3,445)	(2,842)
Travel expenses	(3,258)	(2,430)
Banking services	(3,189)	(2,835)
Security	(1,702)	(1,348)
Customer service fee	(1,697)	(1,710)
Personnel training and recruitment	(740)	(1,829)
Other	(15,950)	(10,360)
General and administrative expenses	**(112,669)**	**(105,740)**

(Thousands of Georgian Lari)

28. Salaries and Other Employee Benefits, and General and Administrative Expenses (continued)

Auditor's remuneration

Remuneration of the Group's auditors is included within legal and other professional services expenses above and for the years ended 31 December 2019 and 2018 comprises (net of VAT):

	2019	*2018*
Fees for the audit of the Group's annual financial statements for the year ended 31 December	374	37
Expenditures for other assurance services, including statutory audits of subsidiaries	3,608	2,709
Expenditures for other professional services	-	951
	3,982	**3,698**

The figures shown in the above table relate to fees paid to EY LLC and its associates. Fees paid to other auditors not associated with EY in respect of the audit of the Parent and Group's subsidiaries were GEL 179 (2018: nil) and in respect of other services of the Group were GEL 26 (2018: GEL 131), net of VAT.

Fees for other professional services in 2018 mostly include fees related to corporate finance services that are presented in non-recurring expenses. Refer to note 30.

29. Impairment of insurance premiums receivable, accounts receivable, other assets and provisions

The movements in the allowance for insurance premiums receivables and other receivables are as follows:

	Insurance premiums receivable 2019	*Provisions 2019*	*Total 2019*
At 1 January	**8,285**	**525**	**8,810**
Charge	958	120	1,078
Write-offs	(24)	-	(24)
Currency translation differences	333	-	333
Change in investment entity status	(9,552)	(645)	(10,197)
At 31 December	**-**	**-**	**-**

	Insurance premiums receivable 2018	*Other assets 2018*	*Provisions 2018*	*Total 2018*
At 1 January	**4,243**	**22**	**3,103**	**7,368**
Charge	1,898	50	231	2,179
Transfer from assets of disposal group held for sale	1,787	-	-	1,787
Recoveries	242	-	(1,302)	(1,060)
Reversal	-	-	(1,353)	(1,353)
Write-offs	8	(72)	(154)	(218)
Currency translation differences	107	-	-	107
At 31 December	**8,285**	**-**	**525**	**8,810**

(Thousands of Georgian Lari)

29. Impairment of insurance premiums receivable, accounts receivable, other assets and provisions (continued)

The movements in the allowance for financial assets according to IFRS 9 are as follows:

	Cash and cash equivalents 2019	*Amounts due from credit institutions 2019*	*Marketable securities 2019*	*Accounts receivable 2019*	*Loans issued 2019*	*Total 2019*
At 31 December	**1**	**-**	**309**	**21,713**	**414**	**22,437**
(Reversal) Charge	-	-	(172)	12,026	(380)	11,474
Recoveries	-	-	-	(220)	-	(220)
Write-offs	-	-	-	(2,506)	-	(2,506)
Change in investment entity status	-	-	58	(31,013)	-	(30,955)
At 31 December	**1**	**-**	**195**	**-**	**34**	**230**

	Cash and cash equivalents 2018	*Amounts due from credit institutions 2018*	*Marketable securities 2018*	*Accounts receivable 2018*	*Loans issued 2018*	*Total 2018*
At 31 December	-	-	-	4,003	-	4,003
IFRS 9 Effect	2	-	192	13,830	-	14,024
At 1 January	**2**	**-**	**192**	**17,833**	**-**	**18,027**
(Reversal) Charge	(1)	-	117	10,080	414	10,610
Write-offs	-	-	-	(9,479)	-	(9,479)
Transfer from assets of disposal group held for sale	-	-	-	3,415	-	3,415
Currency translation difference	-	-	-	(136)	-	(136)
At 31 December	**1**	**-**	**309**	**21,713**	**414**	**22,437**

For contract assets and accounts receivable, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. For other debt financial assets, the ECL is based on the 12-month ECL since there has not been a significant increase in credit risk since origination.

Increase in impairment charge in 2019 and 2018 is mainly attributable to the increased gross balance of receivables of healthcare and utility businesses.

(Thousands of Georgian Lari)

30. Net Non-recurring Items

Net non-recurring expense for the year ended 31 December 2019 comprised:

	2019
Termination benefits	(4,397)
Prepayments write-off	(3,019)
Net loss on flood of Mestiachala	(1,068)
Other	249
Net non-recurring items	**(8,235)**

Net non-recurring expense for the year ended 31 December 2018 comprised:

	2018
Share based payment acceleration effect	(20,303)
College construction	(2,422)
Reorganization costs	(2,070)
Loan prepayment fee and derecognition losses	(1,325)
Demerger fees	(1,080)
Charity expenses	(783)
Other	(1,503)
	(29,486)

31. Share-based Payments

Executives' Equity Compensation Plan

Prior to demerger, senior executives of BGEO Group, providing services to Georgia Capital, were compensated with shares of BGEO. Upon demerger, old service contracts with BGEO were terminated and new contracts were signed with Georgia Capital. Any share-based payment expense related to BGEO's share plan was accelerated and recognized in income statement as of the termination date of service agreements as non-recurring expense, for more details refer to note 30.

In 2018, Georgia Capital introduced Group's Executives' Equity Compensation Plan ("EECP"). Under the EECP, shares of the parent are granted to senior executives of the parent and subsidiaries. In July 2018, the executives signed new five-year fixed contingent share-based compensation agreements with a total of 1,650,000 ordinary shares of Georgia Capital PLC. The total amount of shares fixed to each executive will be awarded in five equal instalments during the five consecutive years starting January 2019, of which each award will be subject to a six-year vesting period subject to continued employment within the Group during such vesting period. The fair value of the shares is determined at the grant date using available market quotations.

In 2018 the Group set up Executive Equity Compensation Trustee – Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Group's Executives' Equity Compensation Plan ("EECP"). In 2019 the Trustee has repurchased 2,087,337 (2018: 1,191,127) shares.

(Thousands of Georgian Lari)

31. Share-based Payments (continued)

There were no cancellations or modifications to the awards in 2019 or 2018 except for BGEO share awards described above.

In addition to Executives' Equity Compensation Plan, the Group grants shares of the parent to the employees of the Group.

The following table illustrates the number and weighted average prices of, and movements in, shares awards granted to the senior executives of the Group during the year:

	2019	*2018*
Shares outstanding at 1 January	**2,294,556**	**-**
Granted during the year	343,638	2,294,556
Forfeited during the year	(239,000)	-
Vested during the year	(111,000)	-
Shares outstanding at 31 December	**2,288,194**	**2,294,556**

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2019 was 4 years (2018: 5.4 years).
The weighted average fair value of shares granted during the year was GEL 38.2 (2018: GEL 33.4). The weighted average fair value of shares forfeited and vested was GEL 37.7.

Expense recognition:

The expense recognised for employee services received during the year and the respective increase in equity arising from equity-settled share-based payments is shown in the following table:

	2019	*2018*
Increase in equity arising from equity-settled share-based payments	31,201	38,344
Expense arising from equity-settled transactions	26,549	34,644

Expense arising from equity-settled transactions in the amount of GEL 2,862 (2018: GEL 20,303, related to demerger of Group) was recognised in net non-recurring expenses related to termination of employment agreement of the executive in 2019.

32. Risk Management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to investment risk, credit risk, liquidity risk and market risk. It is also subject to operational risks and insurance risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

All non-executive Board members of Georgia Capital PLC are also members of Supervisory Board of JSC Georgia Capital. JSC Georgia Capital established Audit and Valuation, Investment and Remuneration Committees with the same terms of reference and the same members as those of Georgia Capital PLC. As such, all relevant decisions of Audit and Valuation, Investment and Remuneration Committees of Georgia Capital PLC apply to the Group.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Risk management structure

Audit and Valuation Committee

The Audit and Valuation Committee of Georgia Capital assists the Management Board of the Group in relation to the oversight of the Group's financial and reporting processes. It monitors the integrity of the financial statements and is responsible for governance around both the internal audit function and external auditor, reporting back to the Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among other operational risks, compliance, IT and IS (including cyber-security) and assessed the effectiveness of the risk management and internal control framework.
It is responsible for reviewing and approving half-yearly and annual valuations of the Company's portfolio investments prepared and presented to it by the Management Board. The Committee will ensure that the Valuation Policy complies with the obligations within any agreements in place, legislation, regulations, guidance and other policies of the Company.

Investment Committee

The Investment Committee ensures a centralised process-led approach to investment; and the over-riding priority is to protect the Group's long-term viability and reputation and produce sustainable, medium to long-term cash-to-cash returns. It oversights each step of the investment lifecycle, approves all investment, divestment and material portfolio decisions and ensures that investments are in line with Group's investment policy and risk appetite.

Management Board

The Management Board of Georgia Capital has overall responsibility for the Group's asset, liability and risk management activities, policies and procedures. In order to effectively implement the risk management system, the Board of Directors delegate individual risk management functions to each of the various decision-making and execution bodies within the Group.

Internal Audit

The Internal Audit Department of Georgia Capital is responsible for the annual audit of the Group's risk management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Group's internal control systems and detecting any infringements or errors on the part of the Group's departments and divisions. It examines both the adequacy of and the Group's compliance with those procedures. The Group's Internal Audit Department discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Valuation Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on different forecasting models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries and countries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Also the Group establishes and regularly monitors credit terms by types of debtors, which is a proactive tool for managing the credit risk.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular analysis of debt service and ageing of receivables. Counterparty limits are established by the use of a credit terms. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type, etc). The calculation reflects reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in different geographical areas and industries.

Liquid financial instruments

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group invests only on quoted debt securities with low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds. The Group recognised reversal of provision for expected credit losses on its debt instruments at fair value through OCI in the amount of GEL 172 in 2019 (2018: charge of GEL 117).

The table below demonstrates the Group's financial assets credit risk profile by external rating grades:

	31 December 2019			***31 December 2018***		
	BB+ to BB-	***B+ to B-***	***Not graded***	***BB+ to BB-***	***B+ to B-***	***Not graded***
Cash and cash equivalents	99,589	9,842	7,784	226,261	23,940	3,148
Amounts due from credit institutions	-	-	-	24,776	15,354	169
Marketable securities	29,713	22,589	6,037	70,668	1,156	-
Loans issued	34,378	-	117,506	133,416	-	16,884
Other assets*	-	-	3,395	-	-	-
Total	**163,680**	**32,431**	**134,721**	**455,121**	**40,450**	**20,201**

*Non graded Other assets represents receivable from guarantee issued to one of the Group's subsidiaries Global Beer Georgia LLC (subsidiary owned through Beverage segment), with nominal amount of GEL 59,376 as at 31 December 2019.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is also managed by the Group based on the number of overdue days. The table below shows the credit quality by class of asset in the statement of financial position.

31 December 2019	Notes	Neither past due nor impaired	Past due or impaired	Total
Loans issued	10	151,884	-	151,884
Accounts receivable	12	1,176	-	1,176
Marketable securities	9	62,493	-	62,493
Other derivative financial assets	18	1,918	-	1,918
Total		**217,471**	**-**	**217,471**

31 December 2018	Notes	Neither past due nor impaired	Past due or impaired	Total
Amounts due from credit institutions	8	40,299	-	40,299
Loans issued	10	150,300	-	150,300
Accounts receivable	12	127,682	42,546	170,228
Insurance premiums receivable		56,955	846	57,801
Marketable securities	9	71,824	-	71,824
Other derivative financial assets	18	661	-	661
Total		**447,721**	**43,392**	**491,113**

No significant increase in credit risk since initial recognition occurred in respect of the Group's financial assets as at 31 December 2019 and 2018.
Included in past due but not impaired category are the receivables and financial assets that are overdue for not more than 30 days or are overdue more than 30 days but have not been impaired due to objective reasons. Otherwise those receivables and financial assets that are overdue for more than 30 days are considered as impaired.

The Group does not have a grading system to evaluate credit quality of neither past due nor impaired assets. Maximum exposure to credit risk is limited to carrying value of respective financial assets and to notional amount of guarantees issued.

Liquidity risk

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. To limit this risk, management has arranged diversified funding sources in addition to its capital, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates daily monitoring of expected cash flows and liquidity needs.

In addition, Group at all times holds US$ 50 million liquid asset buffer at Georgian parent company level, where liquid assets are defined as marketable debt securities, cash at bank and short-term and long-term deposits with financial institutions.

The Group manages the maturities of its assets and liabilities for better matching, which helps the Group additionally mitigate the liquidity risk. The major liquidity risks confronting the Group are the daily calls on its available cash resources in respect of supplier contracts, claims arising from insurance contracts and the maturity of borrowings.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

Financial liabilities **31 December 2019**	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Debt securities issued	25,404	25,404	1,007,330	-	1,058,138
Accounts payable	1,284	-	-	-	1,284
Financial guarantees	59,376	-	-	-	59,376
Other financial liabilities	80	2,875	1,157	-	4,112
Total undiscounted financial liabilities	**86,144**	**28,279**	**1,008,4875**	**-**	**1,122,910**

Financial liabilities **31 December 2018**	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Borrowings	54,945	149,118	519,690	274,900	998,653
Debt securities issued	5,358	122,556	333,500	757,335	1,218,749
Accounts payable	129,028	3,734	10,351	-	143,113
Other financial liabilities	66,788	17,756	94,384	-	178,928
Total undiscounted financial liabilities	**256,119**	**293,164**	**957,925**	**1,032,235**	**2,539,443**

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group has exposure to market risks. The Group structures the levels of market risk it accepts through a Group market risk policy that determines what constitutes market risk for the Group.

Currency risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's principal transactions are carried out in Georgian Lari and its exposure to foreign exchange risk arises primarily with respect to Dollar.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2019 on its monetary assets and liabilities. The analysis 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 (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The reasonably possible movement of the currency rate against the Georgian Lari is calculated as a standard deviation of daily changes in exchange rates over the twelve months. 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 %***	***Effect on profit before tax***	***Change in currency rate in %***	***Effect on profit before tax***
	2019		***2018***	
EUR	7.9%	(2,293)	9.9%	(23,283)
GBP	10.2%	706	10.8%	69
USD	6.4%	(35,413)	7.1%	(23,594)

(Thousands of Georgian Lari)

32. Risk Management (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Operating environment

Most of the Group's business is concentrated in Georgia. As an emerging market, Georgia does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Operations in Georgia may involve risks that are not typically associated with those in developed markets (including the risk that the Georgian Lari is not freely convertible outside the country, and undeveloped debt and equity markets). However, over the last few years the Georgian government has made a number of developments that positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. This includes the adoption of a new body of legislation (including new Tax Code and procedural laws). In the view of the Board, these steps contribute to mitigate the risks of doing business in Georgia.

The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Insurance risk (policy applied up to 31 December 2019)

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid that are greater than originally estimated and subsequent development of long term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The Group establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

The Group primarily uses its loss ratio and its combined ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. Combined ratio is sum of loss ratio and expense ratio. Expense ratio is defined as insurance related operating expenses excluding interest expense divided by net insurance revenue. The Group's loss ratios and combined ratios were as follows:

	P&C Insurance	*Health Insurance*
	2018, %	*2018, %*
Loss ratio	38%	77%
Combined ratio	75%	94%

The Group's concentration of general technical provisions by type of contract as of 31 December 2018 is as follows: healthcare GEL 19,154, motor GEL 17,417, property GEL 5,830, liability GEL 2,625, cargo GEL 1,142, life GEL 1,625 and other GEL 2,174.

(Thousands of Georgian Lari)

32. Risk Management (continued)

Capital Management

Management monitors the Group's capital on a regular basis based on statement of Net Asset Value (NAV) prepared on fair value bases, same as equity attributable to the shareholder of JSC Georgia Capital as at 31 December 2019 in the amount of GEL 1,758,195. Net Asset Value (NAV) statement, which breaks down NAV into its components, including fair values for the private businesses and follows changes therein, providing management with a snapshot of the Group's financial position at any given time. NAV statement provides a value of Georgia Capital that management uses as a tool for measuring its investment performance. Management closely monitors NAV in connection with capital allocation decisions.

The capital management objectives are as follows:

- to maintain the required level of stability of the Group thereby providing a degree of security to the shareholders;
- to manage capital needs such that Group does not depend on potentially premature liquidation of it's listed investments;
- to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders; and
- to maintain financial strength to support new business growth and to satisfy the shareholder's requirements.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants if any. To maintain or adjust the capital structure, the Group may adjust the amount of outstanding equity.

Some operations of the Group are subject to local regulatory requirements within the jurisdiction where it operates, currently Georgia only. Such regulations prescribe approval and monitoring of certain activities. They also impose certain restrictive provisions for the insurance arm, such as insurance capital adequacy and the minimal insurance liquidity requirement, to minimize the risk of default and insolvency and to meet unforeseen liabilities as they arise. During the year ended 31 December 2019 the Group complied with all of regulatory requirements as well as insurance capital and insurance liquidity regulations, in full.

(Thousands of Georgian Lari)

33. Fair Value Measurements

Fair value hierarchy

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. The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

31 December 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Marketable securities	10,376	52,117	-	62,493
Equity investments at fair value	1,027,814	-	1,223,651	2,251,465
Loans issued	-	-	117,506	117,506
Other assets	-	1,918	469	2,387
Other derivative financial assets	-	*1,918*	-	1,918
Call option	-	-	*469*	*469*
Assets for which fair values are disclosed				
Cash and cash equivalents	-	117,215	-	117,215
Accounts receivable	-	-	1,176	1,176
Assets for which fair values are disclosed				
Loans issued	-	-	35,020	35,020
Liabilities for which fair values are disclosed				
Debt securities issued	-	829,726	-	829,726
Lease liabilities	-	634	-	634

31 December 2018 (restated)*	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Total investment properties	-	-	151,232	151,232
Land	-	-	*49,128*	*49,128*
Residential properties	-	-	*14,196*	*14,196*
Non-residential properties	-	-	*87,908*	*87,908*
Marketable securities	27,010	44,814	-	71,824
Equity investments at fair value	457,495	-	-	457,495
Loans issued	-	-	1,038	1,038
Other assets	-	-	17,630	17,630
Other derivative financial assets	-	-	*661*	*661*
Call option	-	-	*16,969*	*16,969*
Assets for which fair values are disclosed				
Cash and cash equivalents	-	253,349	-	253,349
Amounts due from credit institutions	-	40,299	-	40,299
Accounts receivable	-	-	170,228	170,228
Loans issued	-	-	162,862	162,862
Liabilities measured at fair value				
Other liabilities	-	-	715	715
Derivative financial liabilities	-	-	*715*	*715*
Liabilities for which fair values are disclosed				
Borrowings	-	506,711	254,056	760,767
Debt securities issued	-	678,973	184,551	863,524

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Valuation techniques

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have 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, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

Equity Investments in Listed Portfolio Companies

Equity instruments listed on an active market are valued at the price within the bid/ask spread, that is most representative of fair value at the reporting date, which usually represents the closing bid price. The instruments are included within Level 1 of the hierarchy.

Equity Investments in Private Portfolio Companies

Equity investments in private portfolio companies are valued by applying an appropriate valuation method, which makes maximum use of market-based public information, is consistent with valuation methods generally used by market participants and is applied consistently from period to period, unless a change in valuation technique would result in more reliable estimation of fair value.

The value of an unquoted equity investment is generally crystallised through the sale or flotation of the entire business, rather than the sale of an individual instrument. Therefore, the estimation of fair value is based on the assumed realisation of the entire enterprise at the reporting date. Recognition is given to the uncertainties inherent in estimating the fair value of unquoted companies and appropriate caution is applied in exercising judgments and in making the necessary estimates.

Fair value of equity investment in private portfolio companies is usually determined using one of the valuation methods described below:

Listed Peer Group Multiples

The preferred method for valuing equity investments in private portfolio companies is comparison with the multiples of comparable listed companies. This methodology involves the application of a listed peer group earnings multiple to the earnings of the business and is appropriate for investments in established businesses which are profitable and for which we can determine a group of listed companies with similar characteristics.

The earnings multiple used in valuation is determined by reference to listed peer group multiples appropriate for the period of earnings calculation for the investment being valued. The Group identifies peer group for each equity investment taking into consideration points of similarity with the investment such as industry, business model, size of the company, economic and regulatory factors, growth prospects and risk profiles. Certain peer-group companies can be more heavily weighted if their characteristics are closer to those of the company being valued than are those of the other companies in peer group.

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Valuation techniques (continued)

Listed Peer Group Multiples (continued)

Generally, last 12-month earnings will be used for the purposes of valuation. Earnings can be adjusted for extraordinary or non-recurring items.

a. Valuation based on enterprise value

Fair value of equity investments in private companies can be determined as their enterprise value less net financial debt (gross face value of debt less cash) appearing in the most recent Financial Statements.

Enterprise value is obtained by multiplying measures of a company's earnings by listed peer group multiple (EV/EBITDA) for the appropriate period. The measures of earnings generally used in the calculation is recurring EBITDA for the last 12 months (LTM EBITDA). In exceptional cases, where EBITDA is negative, peer EV/Sales (enterprise value to sales) multiple can be applied to last 12-month sales revenue of the business (LTM sales) to estimate enterprise value.

Once the enterprise value is estimated, the following steps are taken:

- Net financial debt appearing in the most recent financial statements is subtracted from the enterprise value. If net debt exceeds enterprise value, the value of shareholders' equity remains at zero if the debt is without recourse to Georgia Capital.
- The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the Company being valued, if applicable.

Valuation based on enterprise value using peer multiples is used for profitable businesses within non-financial industries.

b. Equity fair value valuation

Fair value of equity investment in companies can determined as using price to earnings (P/E) multiple of similar listed companies.

The measure of earnings used in the calculation is recurring adjusted net income (net income adjusted for non-recurring items and forex gains/ losses) for the last 12 months (LTM net income). The resulting fair value of equity is apportioned between Georgia Capital and other shareholders of the company being valued.Fair valuation of equity using peer multiples can be used for businesses within financial sector (e.g. insurance companies).

Discounted cash flow

Under the Discounted Cash Flow ("DCF") valuation method, fair value is estimated by deriving the present value of the business using reasonable assumptions of expected future cash flows and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the business. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the business or market sector. DCF is mostly used to estimate fair value of project-based cash-flow driven businesses.

Net Asset Value

The net assets methodology (NAV) involves estimating fair value of equity investment in private portfolio company as its book value at reporting date. This method is appropriate for businesses whose value derives mainly from the underlying value of its assets and the assets are already carried at their fair value (usually fair valuation of assets is performed by professional third-party valuers) on the balance sheet.

Price of recent investment

The price of a recent investment, if resulting from an orderly transaction, generally represents fair value as of the transaction date. At subsequent measurement dates, the price of a recent investment may be an appropriate starting point for estimating fair value. However, adequate consideration must be given to the current facts and circumstances, including, but not limited to, changes in the market or changes in the performance of the investee company. The valuer should assess at each measurement date whether changes or events subsequent to the relevant transaction would imply a change in the investment's fair value.

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Valuation techniques (continued)

Validation

Fair value of investment estimated using one of the valuation methods described above is triangulated using several other valuation methods as follows:

- Listed peer group multiples – peer multiples such as P/E, P/B (price to book) and dividend yield are applied to respective metrics of the investment being valued. We develop fair value range based on these techniques and analyse whether fair value estimated above falls within this range.
- Discounted cash flow (DCF) – Discounted cash flow valuation method is used to determine fair value of equity investment. Under discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and internally-developed discounting rate of return. Based on DCF, we might make upward or downward adjustment to the value of valuation target as derived from primary valuation method. If fair value estimated using discounted cash flow analysis significantly differs from the fair value estimate derived using primary valuation method, the difference is examined thoroughly, and judgement is applied in estimating fair value at the measurement date.

Valuation process for Level 3 valuations

Georgia Capital's Management Board proposes fair value to be placed at each reporting date to the Audit and Valuation Committee. Audit and Valuation Committee is responsible for the review and approval of fair values of investments at the end of each reporting period.

Fair values of investments in private companies is assessed internally in accordance with Georgia Capital's valuation methodology by Valuation Workgroup.

Description of significant unobservable inputs to level 3 valuations

The following tables show descriptions of significant unobservable inputs to level 3 valuations of investments in subsidiaries:

Description	***Valuation technique***	***Unobservable input***	***Range [weighted average]***	***Fair value***
Loans Issued	DCF	Discount rate	9%-12%	*117,506*
Call Option	Binomial option valuation method	EBITDA growth rate	1%-7% [5%]	*469*
Equity investments at fair value				
Late stage				*692,746*
Water utility	EV/EBITDA	EV/EBITDA multiple of peers	7.9x-11.0x [8.8x]*	*483,970*
Housing Development	DCF	Cashflow probability Revenue per sq.meter Cost per sq.meter	70%-100% 1,832 - 4,511 1,333 - 3,563	*43,853*
P&C insurance	P/E	P/E multiple of peers	6.6x-12.3x [9.0x]*	*164,923*
Early stage				*439,478*
Renewable energy	Recent transaction price	Recent transaction price	n/a	*106,800*
Hospitality & Commercial RE	NAV	Multiple	1x	*245,558*
Beverages	EV/EBITDA / EV/Sales	EV/EBITDA / EV/Sales multiple of peers	8.6x-13.8x [10.0x]* 1.3x-3.9x [2.2x]*	*87,120*
Pipeline				*91,427*
Education	*Recent transaction price*	*Recent transaction price*	*n/a*	*56,316*
Auto service	EV/EBITDA	EV/EBITDA multiple of peers	6.6x-15.4x [10.4x]*	*25,757*
Digital services	*Recent transaction price*	*Recent transaction price*	*n/a*	*8,790*
Other	*Recent transaction price*	*Recent transaction price*	*n/a*	*564*

**amounts in [brackets] are the weighted multiples used in valuation*

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

In order to determine reasonably possible alternative assumptions the Group adjusted key unobservable model inputs. The Group adjusted the inputs used in valuation by increasing and decreasing them by 5%, which is considered by the Group to be within a range of reasonably possible alternatives based on the earnings multiples used across peers.

If the interest rate for each individual loan issued to subsidiaries as at 31 December 2019 decreased by 20%, the amount of loans issued would have decreased by GEL 609 or 0.5%. If the interest rates increased by 20% then loans issued would have increased by GEL 617 or 0.5%.

If the peer multiple used to value each unquoted investment valued on an earnings multiple basis as at 31 December 2019 decreased by 5%, value of equity investments at fair value would decrease by 62 million or 8%. If the multiple increased by 5% then the equity investments at fair value would increase by GEL 62 million or 8%.

If WACC used to value each unquoted investment valued using DCF decreased by 5%, the value of equity investments at fair value would increase by GEL 2 million or 4%. If the WACC increased by 5% then the equity investments at fair value would decrease by GEL 2 million or 4%.

If the multiple used to value each unquoted investment valued on NAV and recent transaction price basis as at 31 December 2019 decreased by 5%, value of equity investments at fair value would decrease by GEL 21 million or 5%. If the multiple increased by 5% then the equity investments at fair value would increase by GEL 21 million or 5%.

Methodology applied before 31 December 2019

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The Group applies the binomial model for option valuation.

Derivative financial instruments include call option representing an option on acquisition of remaining 33% equity interest in JSC GEPHA from non-controlling interests in 2022 based on pre-determined EBITDA multiple (6.0 times EBITDA) of JSC Gepha. The Group has applied binomial model for option valuation. Major unobservable input for call option valuation represents volatility of price of the underlying 33% minority share of equity, which was estimated based on actual volatility of parent company's market capitalisation from 1 January 2013 till 31 December 2017 period, which equalled 34.7%. If in 2018 the volatility was 10% higher, fair value of call option would increase by GEL 2,533, if volatility was 10% lower call option value would decrease by GEL 2,770. The Group recognised GEL 6,619 (2018: GEL 6,863) unrealised gains on the call option during the year ended 31 December 2018 within other income, included in revenue in consolidated income statement.

Investment securities

Fair value of quoted debt and equity investments measured at fair value through other comprehensive income is derived from quoted market prices in active markets at the reporting date. The fair value of unquoted instruments is estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities.

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Fair value hierarchy

Movements in level 3 financial instruments measured at fair value (applied before 31 December 2019)

The following tables show a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value:

	At 1 January 2018	*Reclassification of securities*	*Transfer from AHS*	*Gain on revaluation*	*Origination*	*At 31 December 2018*	*Gain on revaluation*	*Interest income*	*Investment entity classification*	*At 31 December 2019*
Level 3 financial assets										
Equity securities at FVOCI	1,153	(1,153)	-	-	-	-	-	-	-	-
Call option	-	-	10,106	6,863	-	16,969	7,088	-	(23,588)	469
Loans issued	-	-	-	-	1,038	1,038	-	183	116,285	117,506
Equity investments at fair value	-	-	-	-	-	-	-	-	1,223,651	1,223,651

All investment properties are level 3. Reconciliations of their opening and closing amounts are provided in Notes 14 and 15 respectively.

Description of significant unobservable inputs to valuations of non-financial assets

The following tables show descriptions of significant unobservable inputs to level 3 valuations of investment properties and revalued properties and equipment:

	2018	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Investment property	**151,232**			
Land	49,128	Market approach	Price per square metre	14 - 3,127 (1,162)
Residential properties	14,196	Market approach	Price per square metre	1,496 - 6,077 (4,413)
Non-residential properties	**87,908**			
	32,461	Market approach	Price per square metre	165 - 27,883 (5,089)
	55,447	Income approach	Capitalization rate	8% - 10% (9%)
			Occupancy rate	80% - 90% (85%)

(Thousands of Georgian Lari)

33. Fair Value Measurement (continued)

Fair value hierarchy (continued)

Description of significant unobservable inputs to valuations of non-financial assets (continued)

All other parameters held constant, increase (decrease) in the rent rate per square meter, price per square meter and occupancy rate or decrease (increase) in the capitalization rate would result in increase (decrease) in fair value.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated historical financial information. The table does not include the fair values of non-financial assets and non-financial liabilities, or fair values of other smaller financials assets and financial liabilities, fair values of which are materially close to their carrying values.

	Carrying value 2019	*Fair value 2019*	*Unrecognised gain (loss) 2019*	*Carrying value 2018*	*Fair value 2018*	*Unrecognised gain (loss) 2018*
Financial assets						
Cash and cash equivalents	117,215	117,215	-	253,349	253,349	-
Amounts due from credit institutions	-	-	-	40,299	40,299	-
Loans issued	34,378	35,020	642	150,300	163,900	13,600
Financial liabilities						
Lease liabilities	630	634	(4)	8,746	8,767	(21)
Borrowings	-	-	-	764,355	760,767	3,588
Debt securities issued	825,952	829,726	(3,774)	916,401	863,524	52,877
Total unrecognised change in unrealised fair value			**(3,136)**			**70,044**

(Thousands of Georgian Lari)

34. Maturity Analysis

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	31 December 2019			*31 December 2018 (restated)**		
	Less than 1 Year	*More than 1 Year*	*Total*	*Less than 1 Year*	*More than 1 Year*	*Total*
Cash and cash equivalents	117,215	-	117,215	253,349	-	253,349
Amounts due from credit institutions	-	-	-	29,884	10,415	40,299
Marketable securities*	62,493	-	62,493	71,824	-	71,824
Equity investments at fair value*	-	2,251,465	2,251,465	457,495	-	457,495
Accounts receivable	1,176	-	1,176	153,106	17,122	170,228
Insurance premiums receivable	-	-	-	57,801	-	57,801
Inventories	-	-	-	211,868	64,362	276,230
Investment properties	-	-	-	-	151,232	151,232
Prepayments	384	-	384	62,333	55,485	117,818
Income tax assets	-	-	-	1,021	1,384	2,405
Property and equipment	-	580	580	-	1,573,624	1,573,624
Loans issued	75,363	76,521	151,884	9,438	140,862	150,300
Goodwill	-	-	-	-	142,095	142,095
Intangible assets	-	122	122	-	51,471	51,471
Other assets	5,471	1,049	6,520	71,069	30,093	101,162
Total assets	**262,102**	**2,329,737**	**2,591,839**	**1,379,188**	**2,238,145**	**3,617,333**
Accounts payable	1,284	-	1,284	135,826	7,288	143,114
Insurance contracts liabilities	-	-	-	60,555	7,652	68,207
Income tax liabilities	-	-	-	1,119	-	1,119
Deferred income	-	-	-	35,163	27,182	62,345
Borrowings	-	-	-	157,629	606,726	764,355
Debt securities issued	15,860	810,092	825,952	86,089	830,312	916,401
Other liabilities	5,485	921	6,406	128,044	107,136	235,180
Total liabilities	**22,629**	**811,013**	**833,642**	**604,425**	**1,586,296**	**2,190,721**
Net	**239,473**	**1,518,724**	**1,758,197**	**774,763**	**651,849**	**1,426,612**

**Internationally and locally listed debt and equity investments are allocated to "less than 1 year" rather than based on contractual maturity.*

(Thousands of Georgian Lari)

35. 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.

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

	31 December 2019			31 December 2018		
	Management ***	Joint Ventures and Associates	Subsidiaries ****	Management ***	Entities under common control**	Joint Ventures and Associates
Assets						
Marketable securities	-	-	22,393	-	-	-
Prepayments	-	-	103	-	-	-
Loans issued*	-	-	117,506	-	-	1,038
Other assets	-	-	5,313	-	-	-
	-	**-**	**145,315**	**-**	**-**	**1,038**
Liabilities						
Accounts Payable	-	-	125	-	-	-
Debt securities issued	6,051	-	-	2,596	-	-
Financial guarantees provided (notional value)	-	-	59,376			
Other liabilities	-	-	2,474	-	-	-
	6,051	**-**	**61,975**	**2,596**	**-**	**-**

	2019			2018		
	Management ***	Joint Ventures and Associates	Subsidiaries ****	Management ***	Entities under common control**	Joint Ventures and Associates
Income and expenses						
Gross profit	-	-	-	-	1,998	-
Salaries and other employee benefits	-	-	-	-	(428)	-
Administrative expenses	-	-	-	-	(527)	-
Net foreign currency (loss)	-	-	-	-	(675)	-
Interest income	-	199	-	-	4,482	73
Interest expense	(390)	-	-	-	(5,038)	-
	(390)	**199**	**-**	**-**	**(188)**	**73**

** During the year ended 31 December 2018 and prior to demerger, JSC Georgia Capital issued a loan to the former parent JSC BGEO Group in the amount of GEL133,830. Since as at 31 December 2018 (post demerger) JSC BGEO Group does not represent a related party, this loan is not disclosed in the above table. As at 31 December 2019, one of the Group's subsidiaries, JSC Georgia Real Estate (formerly JSC m2 Real Estate) has loans issued to a joint venture and associate. Interest income on loan issued is GEL 199 (2018: GEL 73).*
***Entities under common control comprise of BGEO Group PLC's Banking Business subsidiaries.*
**** Management of JSC Georgia Capital consist of 5 executives and 6 members of supervisory board.*
*****Comprise of subsidiaries of JSC Georgia Capital. Refer to note 2.*

(Thousands of Georgian Lari)

35. Related Party Disclosures (continued)

Compensation of key management personnel comprised the following:

	2019	2018
Salaries and other benefits	2,034	1,731
Share-based payments compensation	12,401	17,854
Total key management compensation	**14,435**	**19,585**

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based (Note 31). The number of key management personnel at 31 December 2019 was 10 (31 December 2018: 11).

36. Events after the Reporting Period

Buyout of the minority shareholder in Renewable Energy

On February 25, 2020 the Group bought out 34.4% stake minority shareholder, RP Global, in Georgian Renewable Power Company LLC. As part of the buyout, Georgia Capital will pay a fixed cash consideration of GEL 39 million. An additional deferred adjustable consideration of up to GEL 12.6 million may be payable if actual market electricity sales prices are higher during 2023-2025 than the Group's current internal forecasts.

Change in fair value of listed quoted and unquoted investments

As at 8 April 2020, fair value of listed equity investments has declined by 29.8% (or GEL 306,438) compared to 31 December 2019 in light of COVID-19 pandemic impact on stock markets. The fair value of our unquoted portfolio investments may have increased or decreased since 31 December 2019. The valuations depend on market multiples and outlook and the direct exposure to the impact of COVID-19 of each particular portfolio investment.