JSC Georgia Capital and Subsidiaries
Consolidated Financial Statements

31 December 2020

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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 Supervisory Board of JSC Georgia Capital

Opinion

We have audited the consolidated financial statements of JSC Georgia Capital (hereinafter, the "Company") and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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' (IESBA) International 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.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed 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 this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of private investments Under the 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 2020. Majority those equity investments are private, without observable prices from an active market available as at the reporting date. Management engaged independent specialists to assist in valuation of private investments in healthcare services, retail (pharmacy), insurance, water utility, hospitality and commercial real estate businesses.	We involved our valuation specialists to assist us in performing our audit procedures. We obtained an understanding of management's processes and controls for determining the fair valuation of private investments. We compared the Company's valuation methodology to IFRS 13, *Fair Value Measurement*, (IFRS 13) requirements. We sought explanations from management where there were judgments applied in its application of the IFRS 13 requirements. We formed a range for the key assumptions used in the valuation of private investments, including the discount rates, valuation multiples and the long-term growth rates, with reference to the relevant industry and market valuation considerations. 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 management.

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Key audit matter	How our audit addressed the key audit matter
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 2020, and the gains or losses on investments at fair value 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, 10 and 20 to the consolidated financial statements.	We compared key inputs used in the valuation models, such as EBITDA, net asset and net debt, to the underlying accounting records provided by the investee companies. We assessed the selection of the comparable companies used in the calculation of the earnings multiples. We analysed the adjustments made to earnings, if any, and/or multiples and assessed the rationale and supporting evidence for the adjustments made. We evaluated the selection of weighting applied to earnings multiples of the comparable companies by independently estimating our own range of multiples. We assessed the discount rates applied in valuations performed using income method by performing corroborative calculations. We discussed with the management the key assumptions applied to calculate future cash flows and terminal value and corroborated this to supporting evidence. We performed procedures to evaluate mathematical accuracy of the valuation models. We engaged our real estate valuation specialists to assist us in our analysis of the valuation of the real estate assets in the hospitality and commercial real estate business which form the basis of the net asset value at which this particular business is valued. We assessed the property valuation report which covered a sample of properties, prepared by external property appraiser and discussed it with the management and the appraiser to understand the key assumptions underpinning the valuation and changes in the Georgian real estate market, including COVID-19 implications.

Key audit matter	How our audit addressed the key audit matter
	We evaluated competence, capabilities and objectivity of management's specialists. We obtained an understanding of the work of management's specialists. We analysed the key assumptions and methodologies applied in the valuation of the investments valued with the involvement of management's experts. We assessed the disclosures in the consolidated financial statements against the requirements of IFRS 13.

Other information included in the Group's 2020 Management Report

Other information consists of the information included in the Group's 2020 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Management 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.

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.

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- 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, actions taken to eliminate threats or safeguards applied.

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 Alexey Loza.

Alexey Loza

On behalf of EY LLC

Tbilisi, Georgia

3 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Thousands of Georgian Lari)

	Notes	*31 December 2020*	*31 December 2019*
Assets			
Cash and cash equivalents	6	117,026	117,215
Amounts due from credit institutions	7	42,655	-
Marketable securities	8	13,416	62,493
Accounts receivable		117	1,176
Prepayments		588	384
Loans issued	9	108,983	151,884
Property and equipment		449	580
Intangible assets		99	122
Other assets		6,023	6,520
Equity investments at fair value	10	2,907,688	2,251,465
Total assets		**3,197,044**	**2,591,839**
Liabilities			
Accounts payable		531	1,284
Debt securities issued	12	980,932	825,952
Other liabilities		2,291	6,406
Total liabilities		**983,754**	**833,642**
Equity	13		
Share capital		13,391	12,400
Additional paid-in capital		634,271	499,369
Treasury shares		(940)	(961)
Other reserves		(744)	-
Retained earnings		1,567,312	1,247,389
Total equity		**2,213,290**	**1,758,197**
Total liabilities and equity		**3,197,044**	**2,591,839**

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

Irakli Gilauri — Chief Executive Officer

Giorgi Alpaidze — Chief Financial Officer

3 March 2021

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	*2020*
Gains/(losses) on investments at fair value	10	451,233
Listed Equity Investments		*(261,524)*
Private Investments		*712,757*
Dividend income	10	29,870
Other interest income		14,964
Interest income at effective interest rate method		5,004
Net losses from investment securities measured at fair value through profit or loss		(553)
Net realised losses from investment securities measured at fair value through other comprehensive income		(1,667)
Other income		412
Gross investment profit		**499,263**
Administrative expenses	15	(4,685)
Salaries and other employee benefits	15	(19,140)
Depreciation and amortisation		(548)
Interest expense		(61,521)
Profit before provisions, Foreign exchange and non-recurring items		**413,369**
Expected credit losses	16	(114)
Net foreign currency loss		(89,943)
Non-recurring expense	17	(3,389)
Profit before income taxes		**319,923**
Income tax		-
Profit for the year		**319,923**

The accompanying notes on pages 9 to 60 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*
Revenue		1,473,437
Cost of sales		(883,024)
Gross profit	14	**590,413**
Salaries and other employee benefits	15	(174,762)
Administrative expenses	15	(112,669)
Other operating expenses		(11,457)
Expected credit loss / impairment charge on financial assets	16	(11,474)
Impairment charge on insurance premium receivables, other assets and provisions	16	(1,078)
		(311,440)
EBITDA		**278,973**
Share in profit of associates		357
Dividend income	10	24,953
Depreciation and amortisation		(110,075)
Net foreign currency loss		(41,792)
Net gains from investment securities measured at fair value through profit or loss		1,654
Net realised gains from investment securities measured at fair value through other comprehensive income		1,187
Interest income at effective interest rate method		30,658
Interest expense		(150,370)
Net operating income before non-recurring items		**35,545**
Net non-recurring items	17	(8,235)
Gain from change in investment entity status	2	588,828
Profit before income tax expense		**616,138**
Income tax expense	11	(4,633)
Profit for the year		**611,505**
Total profit attributable to:		
– the shareholder of JSC Georgia Capital		576,501
– non-controlling interests		35,004
		611,505

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	*2020*	*2019*
Profit for the year		**319,923**	**611,505**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Income from currency translation differences		-	9,962
Changes in the fair value of debt instruments at FVOCI		(2,217)	2,694
Realised loss / (gain) on financial assets measured at FVOCI reclassified to the consolidated income statement		1,667	(1,187)
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI		(194)	(172)
Reclassification of other reserves to PL due to Change in investment entity status		-	(26,864)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(744)**	**(15,567)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of property and equipment		-	3,474
Changes in fair value of equity instruments designated at FVOCI		-	140,441
Reclassification of other reserves to retained earnings due to Change in investment entity status		-	108,265
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-**	**252,180**
Other comprehensive (loss) / income for the year, net of tax		**(744)**	**236,613**
Total comprehensive income for the year		**319,179**	**848,118**
Total comprehensive income attributable to:			
– the shareholder of JSC Georgia Capital		319,179	811,275
– non-controlling interests		-	36,843
		319,179	**848,118**

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Attributable to the shareholder of Georgia Capital							
	Share capital	***Additional paid-in capital***	***Treasury Shares***	***Other reserves***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total Equity***
31 December 2018	**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 13)**	1,253	138,503	-	-	-	139,756	-	139,756
Increase in equity arising from share-based payments (Note 18)	-	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	-	-	-	-	-	-	6,976	6,976
Dividends paid by subsidiaries*	-	-	-	-	(89)	(89)	(11,170)	(11,259)
Capital reduction (Note 13)	(379)	(79,705)	(305)	-	-	(80,389)	-	(80,389)
Purchase of treasury shares	-	(82,826)	(72)	-	-	(82,898)	-	(82,898)
Change in investment entity status	-	-	-	(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**

** 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.*

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*
31 December 2019	**12,400**	**499,369**	**(961)**	**-**	**1,247,389**	**1,758,197**
Profit for the year	-	-	-	-	319,923	319,923
Other comprehensive loss for the year	-	-	-	(744)	-	(744)
Total comprehensive profit for the year	**-**	**-**	**-**	**(744)**	**319,923**	**319,179**
Issue of share capital (Note 13)	1,290	136,975	-	-	-	138,265
Increase in equity arising from share-based payments (Note 18)	-	18,461	-	-	-	18,461
Capital reduction (Note 13)	(299)	(22,047)	-	-	-	(22,346)
Transaction costs recognized directly in equity	-	(596)	-	-	-	(596)
Sale of treasury shares	-	6,310	26	-	-	6,336
Contributions under share-based payment plan (Note 13)	-	(4,201)	(5)	-	-	(4,206)
31 December 2020	**13,391**	**634,271**	**(940)**	**(744)**	**1,567,312**	**2,213,290**

** During 2020 the parent company, GCAP PLC, received GEL 22,346 in the form of capital redemption from JSC GCAP, of which 21,180 was paid in cash.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	*31 December 2020*	*31 December 2019*
Cash flows from operating activities			
Revenue received		-	1,386,928
Cost of goods sold paid		-	(896,818)
Net other income received		-	7,207
Salaries and other employee benefits paid		(7,094)	(148,790)
General, administrative and operating expenses paid		(5,370)	(106,769)
Interest income received		11,590	23,349
Net change in operating assets and liabilities		(409)	(93)
Net cash flows (used in)/from operating activities before income tax		**(1,283)**	**265,014**
Income tax paid		-	(4,082)
Net Cash flow (used in)/from operating activities		**(1,283)**	**260,932**
Cash flows used in investing activities			
Net placement of amounts due from credit institutions		(42,354)	(16,240)
Loans issued		(9,002)	(95,108)
Loans repaid		76,309	209,762
Acquisition of subsidiaries, net of cash acquired		-	(160,348)
Increase of investments in subsidiaries	10	(57,148)	-
Repayment of remaining holdback amounts from previous year acquisitions		-	(5,876)
Purchase of marketable securities		(30,527)	(81,970)
Proceeds from sale and redemption of marketable securities		82,540	125,534
Purchase of investments in associates	2	-	(10,822)
Proceeds from sale of investment properties		-	860
Purchase and construction of investment properties		-	(13,430)
Proceeds from sale of property and equipment and intangible assets		-	11,162
Purchase of property and equipment		-	(283,402)
Purchase of intangible assets		-	(28,740)
Dividends received	10	29,870	24,953
Other investing activities		(529)	-
Change in investment entity status		-	(131,520)
Net cash flows from/(used in) investing activities		**49,159**	**(455,185)**

The accompanying notes on pages 9 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

(Thousands of Georgian Lari)

	Notes	31 December 2020	31 December 2019
Cash flows from financing activities			
Proceeds from borrowings	12	-	660,400
Repayment of borrowings	12	-	(416,682)
Proceeds from debt securities issued	12	29,830	247,053
Redemption and buyback of debt securities issued	12	-	(106,713)
Other purchases of treasury shares	13	(21,180)	(80,389)
Dividends paid		-	(11,405)
Interest paid		(53,012)	(148,790)
Contributions under share-based payment plan		(6,680)	(59,180)
Increase in share capital of subsidiaries		-	6,216
Purchase of additional interest in existing subsidiaries		-	(1,615)
Transaction costs incurred in relation to share issuance		(596)	-
Cash payments for principal portion of lease liability		(395)	(21,087)
Cash payments for interest portion of the lease liability		(35)	(6,665)
Net cash (used in)/from financing activities		**(52,068)**	**61,143**
Effect of exchange rates changes on cash and cash equivalents		4,012	(3,024)
Effect of change in expected credit losses for cash and cash equivalents		(9)	-
Net decrease in cash and cash equivalents		**(189)**	**(136,134)**
Cash and cash equivalents, beginning of the year	6	**117,215**	**253,349**
Cash and cash equivalents, end of the year	6	**117,026**	**117,215**

The accompanying notes on pages 9 to 60 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 buying, building and developing businesses in Georgia. The Group currently has six large and investment stage private businesses (i) a healthcare services business; (ii) a water utility business; (iii) a retail (pharmacy) business, (iv) an insurance business (P&C and medical insurance); (v) a renewable energy business and (vi) an education business; Georgia Capital also holds other small private businesses across different industries in Georgia, including housing development, hospitality and commercial property construction and development, wine and beer production, digital, auto service businesses through privately held subsidiaries and a 19.9% equity stake in LSE premium-listed Bank of Georgia Group PLC ("BoG"), a leading universal bank in Georgia. On 19 May 2020 Georgia Capital PLC offered to acquire all remaining outstanding shares in Georgia Healthcare Group PLC, a holding company for healthcare, retail (pharmacy) and medical insurance businesses. On 8 July 2020 GCAP PLC applied to delist Georgia Healthcare Group from the London Stock Exchange premium listing. Delisting was finalised on 5 August 2020.

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 2020 and 31 December 2019, 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.

Financial impact of the change in investment entity status, gain of GEL 588,828, was recorded in 2019. Further details on financial impact of change in investment entity status and underlying significant judgments are provided in notes 3, 4 and 20, respectively.

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 consolidated financial statements, i.e. the period ending 31 March 2022. 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.

The Directors have made an assessment of the appropriateness of the going concern basis of preparation and reviewed Georgia Capital liquidity outlook for the period ending 31 March 2022, taking into account the impact of the COVID-19 pandemic and considered any potential concerns with respect to the liquidity and recoverability of the Group's assets as set out in the financial statements. As a response to the COVID-19 uncertainties, Georgia Capital continues to remain focused on limiting capital allocations, optimizing operating expenses and cash accumulation and preservation.

Liquidity needs of Georgia Capital during the Going Concern review period mainly comprises of coupon payments on JSC GCAP Eurobonds and operating costs of running the holding company. The liquidity outlook also assumes dividend income from the defensive businesses of the group (healthcare, pharmacy, renewable business, water utility and insurance) and small capital allocations in Investment stage companies (Renewable Energy and Education). Management have performed a further assessment which demonstrates that, even in a stressed scenario which assumes no dividend inflows and postponement of the loan repayments from the portfolio businesses that have been most significantly negatively affected by the COVID-19 whilst retaining forecast capital allocations, the existing cash and highly liquid debt and equity investment securities will be sufficient to cover the expected cash outflows of JSC GCAP for the Going Concern review period. Further, Georgia Capital does not have any formal capital or debt commitments to its portfolio companies, with exception to an 18 million euro financial guarantee issued to a portfolio company, where the management has assessed the probability of guarantee exercise as remote and has included it in the overall assessment accordingly(note 22). Finally, Georgia Capital does not have a primary mandate to deploy funds or divest assets within a specific time frame.

Georgia has, so far, managed to effectively deal with the COVID-19 pandemic. The Georgian Government has taken significant actions at the early stage of COVID-19 outbreak. A large part of Georgia Capital's portfolio is concentrated across defensive countercyclical sectors: the water utility and healthcare and pharmacy distribution businesses. Georgia Capital has adequate liquidity position as at 31 December 2020. On 30 July 2020, GGU (the holding company of water utility and renewable energy businesses) issued USD 250 million 7.75% 5-year green notes, improving the financial flexibility of GGU, allowing this business to repay its loans to Georgia Capital and significantly enhancing liquidity profile of the group.

The management is also satisfied that Georgia Capital's liquidity forecast is comprehensive considering the novel coronavirus risk. Due to COVID-19 related uncertainties, which may affect portfolio businesses ability to distribute cash to Georgia Capital (either in the form of dividend distribution or repayment of loans from JSC GCAP), management of Georgia Capital is focused on minimizing capital allocations, applying operating expense optimization plans and preserving cash, all of which are incorporated into the forecasts, which represents the basis for going concern conclusion.

(Thousands of Georgian Lari)

2. Basis of Preparation (continued)

Subsidiaries and associates

The direct and indirect subsidiaries and associates of JSC Georgia Capital as at 31 December 2020 and 31 December 2019 are as follows:

	Proportion of voting rights and ordinary share capital held						
Subsidiaries	*31 December 2020*	*31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*
⇒ JSC Georgia Real Estate	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	27/9/2006	–
⇒ m2 Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
⇒ m2 Development, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	12/12/2019	–
⇒ Optima ISANI, LLC	100.00%	100.00%	Georgia	14 a Moscow ave., Tbilisi	Real estate	25/7/2014	–
⇒ Tamarashvili 13, LLC	100.00%	100.00%	Georgia	13 Tamarashvili Str., Tbilisi, 0179	Real estate	3/11/2011	–
⇒ m2 at Hippodrome, LLC	100.00%	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
⇒ m2 Skyline, LLC	100.00%	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	23/7/2015	–
⇒ m2 at Kazbegi, LLC	100.00%	100.00%	Georgia	25 Kazbegi Ave., Tbilisi, 0160	Real estate	21/5/2013	–
⇒ m2 at Tamarashvili, LLC	100.00%	100.00%	Georgia	6 Tamarashvili Str., Tbilisi, 0177	Real estate	21/5/2013	–
⇒ m2 at Nutsubidze, LLC	100.00%	100.00%	Georgia	71 Vaja Pshavela Ave., 0186	Real estate	21/5/2013	–
⇒ M Square Park, LLC	100.00%	100.00%	Georgia	1 Marshal Gelovani ave., Tbilisi	Real estate	15/9/2015	–
⇒ Optima Saburtalo, LLC	100.00%	100.00%	Georgia	2 Mikheil Shavishvili st, Tbilisi	Real estate	15/9/2015	–
⇒ m2 at Chavchavadze, LLC	100.00%	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
⇒ Land, LLC	100.00%	100.00%	Georgia	Between university and Kavtaradze st.,Tbilisi	Real estate	3/10/2014	–
⇒ m2 New District, LLC	100.00%	-	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	24/1/2020	–
⇒ JSC New Development	100.00%	-	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	27/1/2020	–
⇒ Optima, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	3/8/2016	–
⇒ BK Construction, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	18/5/2017	2/6/2017
⇒ BK Production, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	27/6/2019	–
⇒ Georgia Real Estate Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	17/8/2015	–
⇒ Amber Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Hospitality	10/12/2019	–
⇒ Kakheti Wine and Spa, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	23/04/2018	–
⇒ Gudauri Lodge, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	24/04/2018	–
⇒ m2 Mtatsminda, LLC	100.00%	100.00%	Georgia	22 Zaal Dumbadze st., Tbilisi	Hospitality	16/10/2014	26/12/2017
⇒ m2 Svaneti, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	14/11/2018	–
⇒ m2 Hatsvali, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	17/4/2019	–
⇒ m2 Resort,LLC	100.00%	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	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Property management	4/10/2018	–
⇒ Vere Real Estate, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	4/3/2010	6/8/2018
⇒ Caucasus Autohouse, LLC	100.00%	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	29/3/2011	–
⇒ Georgia Hotels Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	16/12/2019	–
⇒ m2, LLC	100.00%	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Real estate	12/2/2014	–
⇒ m2 Kutaisi, LLC	100.00%	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 at Melikishvili, LLC	100.00%	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Real estate	17/5/2017	–
⇒ m2 Zugdidi, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Real estate	7/11/2018	–
⇒ Georgia Commercial Assets, LLC	100.00%	-	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	23/12/2020	–
⇒ Georgia Hospitality Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Real estate	22/8/2018	–
⇒ Georgia Real Estate Management Group Gudauri, LLC	100.00%	100.00%	Georgia	Georgia, Dusheti region, village Seturebi	Real estate	12/5/2019	–
⇒ JSC Georgian Renewable Power Company	100.00%	65.59%	Georgia	79 David Agmashenebeli Ave, 0102, Tbilisi	Renewable Energy	15/9/2015	–
⇒ JSC Geohydro	85.00%	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
⇒ JSC Zoti Hydro	100.00%	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	20/8/2015	–
⇒ JSC Caucasian Wind Company	100.00%	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	14/9/2016	–
⇒ JSC Caucasian Solar Company	100.00%	100.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	27/10/2016	–
⇒ Bakhvi 2, LLC	95.00%	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	22/10/2015	8/23/2019
⇒ Racha Hydro, LLC	95.00%	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	31/10/2019	–
⇒ Hydro S, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/1/2019	10/28/2019
⇒ Georgia Geothermal Company, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	16/12/2019	–
⇒ JSC A Group	100.00%	100.00%	Georgia	1, Berbuki str., Saburatlo, Tbilisi	Various	20/9/2018	–
⇒ JSC Insurance Company Aldagi	100.00%	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	31/7/2014	–
⇒ JSC Insurance Company Tao	100.00%	100.00%	Georgia	Old Tbilisi, Pushkini str #3, Tbilisi	Insurance	22/8/2007	21/1/2015
⇒ Aliance, LLC	100.00%	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	3/1/2000	30/4/2012
⇒ Auto Way LLC	100.00%	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	9/8/2004	30/4/2012
⇒ Insurance Informational Bureau, LLC	22.50%	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2007	–
⇒ JSC Carfest	75.00%	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
⇒ JSC Greenway Georgia	100.00%	100.00%	Georgia	6, University str., Vake, Tbilisi	Vehicle Inspection	9/7/2010	1/5/2012
⇒ GreenWash, LLC	75.00%	75.00%	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 2020*	*31 December 2019*	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*
⇒ Georgia Healthcare Group Limited (formerly GHG PLC)**	100.00%	70.63%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
⇒ JSC Georgia Healthcare Group**	100.00%	70.63%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	29/4/2015	–
⇒ JSC Insurance Company Imedi L	100.00%	100.00%	Georgia	9, Anna Politkovskaias Str. Vake-Saburtalo District, Tbilisi	Insurance	22/6/2007	–
⇒ JSC GEPHA	67.00%	67.00%	Georgia	142, A. Beliashvili str, Tbilisi	Pharmacy and Distribution	19/10/1995	4/5/2016
⇒ JSC ABC Pharamcia (Armenia)	100.00%	100.00%	Armenia	Kievyan Str. 2/8, Erevan, Armenia	Pharmacy and Distribution	28/12/2013	6/1/2017
⇒ ABC Pharmalogistics, LLC	100.00%	100.00%	Georgia	Peikrebi str. 14a, Tbilisi, Georgia	Pharmacy and Distribution	24/2/2004	6/1/2017
⇒ JSC Evex Hospitals	100.00%	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/8/2014	1/8/2014
⇒ EVEX-Logistics, LLC	100.00%	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	13/2/2015	–
⇒ New Clinic, LLC	100.00%	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	3/1/2017	20/7/2017
⇒ Caucasus Medical Center, LLC	99.80%	99.80%	Georgia	23, P. Kavtaradze Str., Tbilisi	Healthcare	12/1/2012	30/6/2015
⇒ JSC Pediatry	100.00%	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%	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%	67.00%	Georgia	A Djavakhishvili str. 83A, Kutaisi, Georgia	Healthcare	15/10/2004	29/11/2011
⇒ NCLE Evex Learning Centre	100.00%	100.00%	Georgia	#83A, Javakhishvili street, Tbilisi	Other	20/12/2013	20/12/2013
⇒ Emergency Service, LLC	85.00%	85.00%	Georgia	U. Chkeidze str. 10, Tbilisi, Georgia	Healthcare	18/6/2013	3/1/2015
⇒ GNCo	10.00%	50.00%	Georgia	Chavchavadze ave. N 16, Tbilisi	Healthcare	4/6/2001	5/8/2015
⇒ High Technology Medical Center, LLC	10.00%	100.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	16/4/1999	5/8/2015
⇒ LLC Nefrology Development Clinic Centre	8.00%	80.00%	Georgia	Tsinandali str. N 9, Tbilisi	Healthcare	28/9/2010	5/8/2015
⇒ JSC Evex Clinics	100.00%	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	1/4/2019	–
⇒ Tskaltubo Regional Hospital, LLC	67.00%	67.00%	Georgia	16 Eristavi street, Tskhaltubo	Healthcare	29/9/1999	29/11/2011
⇒ LLC Aliance Med	100.00%	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	7/7/2015	20/7/2017
⇒ JSC Polyclinic Vere	97.80%	97.80%	Georgia	18-20 Kiacheli str.,Tbilisi	Healthcare	22/11/2013	25/12/2017
⇒ New Dent, LLC	75.00%	75.00%	Georgia	Vazha Pshavela ave. #40, Tbilisi	Healthcare	24/12/2018	–
⇒ JSC Mega-Lab	92.00%	92.00%	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	6/6/2017	–
⇒ JSC Patgeo	100.00%	100.00%	Georgia	Mukhiani, II mcr. District, Building 22, 1a, Tbilisi	Healthcare	13/1/2010	1/8/2016
⇒ JSC Vabaco	67.00%	67.00%	Georgia	Bochorishvili str. 37, Tbilisi, Georgia	Software Development	9/9/2013	28/9/2018
⇒ JSC Georgian Global Utilities (formerly Georgian Global Utilities, LLC)	100.00%	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%	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	25/06/1997	31/12/2014
⇒ Rustavi Water, LLC	100.00%	100.00%	Georgia	5, St. Nino St., Rustavi	Utilities	31/08/1999	31/12/2014
⇒ Gardabani Sewage Treatment, LLC	100.00%	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/12/1999	31/12/2014
⇒ Mtskheta Water, LLC (merged with GWP LLC)	-	100.00%	Georgia	Aghmashenebeli St., Mtskheta	Utilities	1/9/1999	31/12/2014
⇒ Georgian Engineering and Management Company (GEMC), LLC	100.00%	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	20/03/2011	31/12/2014
⇒ JSC Saguramo Energy	100.00%	100.00%	Georgia	33, Kostava st. 1st Lane, Tbilisi	Utilities	11/12/2008	31/12/2014
⇒ JSC Svaneti Hydro	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/12/2013	–
⇒ Qartli Wind Farm, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	10/9/2012	30/12/2019
⇒ Georgian Energy Trading Company (GETC), LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy Sales	23/4/2019	–
⇒ Hydrolea, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	6/7/2012	28/10/2019
⇒ Geoenergy, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	26/1/2012	28/10/2019
⇒ Hydro Georgia, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	8/5/2012	28/10/2019
⇒ Darchi, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
⇒ Kasleti 2, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	18/11/2013	28/10/2019
⇒ JSC Georgian Beverages	100.00%	100.00%	Georgia	75 Chavchavadze Ave., Tbilisi	Beer Production and Distribution	14/11/2016	7/2/2018
⇒ JSC Georgian Beverages Holding	87.39%	86.81%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Investment	17/12/2019	–
⇒ JSC Teliani Valley	100.00%	100.00%	Georgia	3 Tbilisi highway, Telavi.	Winery	30/6/2000	28/2/2007
⇒ Teliani Trading (Ukraine), LLC	100.00%	100.00%	Ukraine	18/14 Khvoiki St. Kiev	Distribution	3/10/2006	31/12/2007
⇒ Georgia Logistics and Distribution, LLC	100.00%	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Distribution	10/1/2006	27/3/2007
⇒ Le Caucase, LLC	100.00%	100.00%	Georgia	2 Marshal Gelovani St, Tbilisi	Cognac Production	23/9/2006	20/3/2007
⇒ Kupa, LLC	70.00%	70.00%	Georgia	3 Tbilisi highway, Telavi	Oak Barrel Production	12/10/2006	20/3/2007
⇒ Global Beer Georgia, LLC	100.00%	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Production and distribution of alcohol and non-alcohol beverages	24/12/2014	–
⇒ Kindzmarauli Marani, LLC	100.00%	100.00%	Georgia	56 A. Tsereteli Ave., Tbilisi	Winery	18/12/2001	25/4/2018
⇒ Alaverdi, LLC	100.00%	100.00%	Georgia	Chumlaki, Gurjaani Region, Georgia	Winery	8/4/2008	19/8/2019
⇒ Global Coffee Georgia, LLC	100.00%	100.00%	Georgia	29a Gagarini street, Tbilisi	Coffee Distribution	26/12/2016	–
⇒ New Coffee Company, LLC	100.00%	100.00%	Georgia	Tskneti Highway, №16/18, app. 36	Coffee Distribution	23/9/2009	15/2/2017
⇒ Genuine Brewing Company, LLC	100.00%	100.00%	Georgia	7 Kotetishvili st, Tbilisi, 0108	Beer Production and Distribution	7/6/2011	7/2/2018
⇒ Craf and Draft, LLC	100.00%	100.00%	Georgia	Tsilkani, Mtskheta Region, Georgia	Beer Production	20/2/2019	–
⇒ JSC Artisan Wine and Drinks	100.00%	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 2020	31 December 2019	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ Amboli, LLC	90.00%	80.00%	Georgia	24, Leonidze st, Rustavi, Georgia	Car Services	13/8/2004	25/6/2019
⇒ Redberry, LLC	60.00%	60.00%	Georgia	9, Tashkenti st, Tbilisi, Georgia	Digital Services	29/8/2014	1/5/2019
⇒ Lunchoba, LLC	60.00%	60.00%	Georgia	22 Nutsubidze IV Micro-district, Tbilisi	Catering Services	8/10/2018	–
⇒ Shabatoba, LLC	100.00%	-	Georgia	8 Zurab Sakandelidze st, Tbilisi, Georgia	Delivery Services	2/6/2020	–
⇒ JSC Carfest	25.00%	100.00%	Georgia	3, Pushkini str., Krtsanisi, Tbilisi	Leasing	17/11/2017	–
⇒ GCMF, LLC	100.00%	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Excess liquidity management company	2/5/2019	–
⇒ Georgian Wind Company, LLC (merged with JSC GGU)	-	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	18/6/2019	–
⇒ Georgia Energy Holding, LLC (merged with JSC GGU)	-	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Renewable Energy	26/9/2019	–
⇒ Georgia Education Group, LLC	100.00%	100.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	16/7/2019	–
⇒ Green School, LLC	90.00%	90.00%	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	21/10/2019	–
⇒ Tbilisi Green School, LLC	80.00%	80.00%	Georgia	Didube-Chughureti / Dighomi massive IV, Building 5A, Apartment 35	Education	7/6/2011	22/8/2019
⇒ Buckswood International School - Tbilisi, LLC	80.00%	80.00%	Georgia	2, Dolidze str, Tbilisi	Education	24/8/2005	29/7/2019
⇒ Sakhli Tsknetshi, LLC	100.00%	100.00%	Georgia	Tskneti, Vake region, Tbilis	Education	1/5/2005	–
⇒ British Georgian Academy, LLC	70.00%	70.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2006	23/7/2019
⇒ NNLE British International School of Tbilisi	100.00%	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	3/2/2015	–
⇒ British International School of Tbilisi LLC	100.00%	100.00%	Georgia	17, Leo Kvachadze str, Tbilisi	Education	5/9/2019	–
⇒ JSC Liberty Consumer	77.23%	75.10%	Georgia	74a Chavchavadze Ave, Tbilisi, 0162	Investments	24/5/2006	–
⇒ JSC Intertour	99.94%	99.94%	Georgia	49a, Chavchavadze Ave, Tbilisi, 0162	Travel agency	29/3/1996	25/4/2006
⇒ JSC Oncloud	100.00%	-	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Digital Services	28/2/2020	–

Associates	Proportion of voting rights and ordinary share capital held: 31 December 2020	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%	28.90%	Georgia	15, Kipshidze str, Tbilisi, Georgia	Production	6/3/2015	30/10/2019
JSC Isani Parki	6.00%	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 10,822.*

*** As at 31 December 2020 the Group holds 100% investment in GHG directly through an entity based in Georgia – JSC Georgia Healthcare Group. As at 31 December 2019 the Group's 70.63% investment in GHG was owned through a UK based entity – Georgia Healthcare Group PLC.*

(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, with the difference of GEL 588,828 recognized in profit or loss for the period.

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 20.

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.

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 (cash and cash equivalents, amounts due from credit institutions)
- 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 (currently Group does not have instruments classified under this category)
- Financial assets at fair value through profit or loss (investment in subsidiaries)

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 and 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 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 measures unconsolidated subsidiaries (including loans to subsidiaries) at FVPL.

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.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

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

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).

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

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.

3. Summary of Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities (continued)

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

Liability under guarantee is measured at the higher of 1) The amount of loss allowance determined in accordance with the impairment requirements of IFRS 9; and 2) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with IFRS 15.The premium received is recognized in the income statement on a straight-line basis over the life of the guarantee.

Debt securities issued

Debt securities issued are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, 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.

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.

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.

3. Summary of Significant Accounting Policies (continued)

Share-based payment transactions (continued)

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.

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.

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.

Dividend income

Dividend revenue is recognised when the Group's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' 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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

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 and banks. 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.

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 2020 and 31 December 2019 were as follows:

	Lari to GBP	*Lari to USD*	*Lari to EUR*
31 December 2020	4.4529	3.2766	4.0233
31 December 2019	3.7593	2.8677	3.2095

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019

Basis of consolidation

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling 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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Business combinations and goodwill (continued)

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

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

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.

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Investments in associates and joint ventures (continued)

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.

Non-current assets held for sale and discontinued operations

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

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.

Insurance and reinsurance receivables

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

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

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

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Investment properties (continued)

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.

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

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

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

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.

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

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

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.

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

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

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Intangible assets

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

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

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.

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:

Insurance income and expense

- 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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Income and expense recognition (continued)

Insurance income and expense (continued)

- 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.

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.

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Income and expense recognition (continued)

Utility and energy revenue

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.

Real estate revenue

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

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.

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Policies applied up to 31 December 2019 (continued)

Income and expense recognition (continued)

Revenue from customer loyalty program

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

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.

Education revenue

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

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.

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations

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

Amendments to IFRS 3: Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8 Definition of Material
Amendments to IFRS 16 Covid-19 Related Rent Concessions

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 IAS 1: Classification of Liabilities as Current or Non-current
Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS 3 Reference to the Conceptual Framework

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 1 First-time adoption of International Financial Reporting Standards
- IFRS 9 Financial instruments
- IFRS 16 Leases
- IAS 41 Agriculture

The 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; and
- 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 its private portfolio companies, obtains dividend inflows from its mature investments and once the businesses are developed, exits the investment ideally at a higher multiple (vs entry multiple) to monetise on capital appreciation gains. The Group reports to its investors on a fair value basis. All investments are reported at fair value in the Group's annual reports.

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.

Georgia Capital met the investment entity definition on 31 December 2019. As of 31 December 2020, the Group continues to meet the definition of investment entity. In making this assessment, the Group considered each criteria and characteristic described above as well as developments during the year, such as delisting and acquisition of non-controlling interest in Georgia Healthcare Group plc and concluded that all such developments are consistent with the purpose of an investment entity.

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.

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 20. 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. The detailed valuation process is disclosed in note 20

5. Segment Information

During the year ended 31 December 2020 segments were restructured as reportable segments as disclosed below.

For management purposes, the Group is organised into the following operating segments as follows:
listed portfolio companies, private large portfolio companies, private investment stage portfolio companies, private other portfolio companies, and corporate centre.

Listed portfolio companies segment

BOG - the Group has a significant investment in London Stock Exchange premium listed Bank of Georgia Group PLC.

Private portfolio companies segment

Large portfolio companies segment:

Large portfolio companies segment includes investments into healthcare, pharmacy and distribution, water utility and insurance businesses.

Healthcare services business owned through GHG, is the largest healthcare market participant in Georgia. Healthcare services business comprises three sub-segments: Hospitals providing secondary and tertiary level healthcare services; Clinics providing outpatient and basic inpatient services and polyclinics providing outpatient diagnostic and treatment services; Diagnostics operating the largest laboratory in the entire Caucasus region.
Pharmacy and distribution business owned through GHG consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies.
Water Utility business is a regulated monopoly in Tbilisi and the surrounding area, where it provides water and wastewater services. Water Utility also operates hydro power plants.
Insurance business comprises a property and casualty insurance business owned through Aldagi and medical insurance business owned through GHG. Principally providing wide-scale property and casualty and medical insurance services to corporate and retail clients.

Investment stage portfolio companies segment:

Large portfolio companies segment includes investments into renewable energy and education businesses.

Renewable Energy business principally operates three wholly-owned commissioned renewable assets. In addition, a pipeline of renewable energy projects is under advanced stage of development
Education business combines majority stakes in four leading private schools in Tbilisi. Principally providing education for learners from preschool to 12th grade (K-12);

Other portfolio companies segment:

Other portfolio companies segment includes Housing Development, Hospitality and Commercial Real Estate, Beverages, Auto Service and Digital Services businesses.

Corporate Centre comprising of JSC Georgia Capital.

Management monitors the fair values 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.

As at 31 December 2019 and for the periods following the change in investment entity status (refer to note 3) the management of Georgia Capital no longer monitors and uses consolidated financial information and solely focuses 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 2020 and 2019, as outlined in the tables below. Due to the reasons above, management decided it was impracticable to disclose the similar comparative segment information for the year ended 31 December 2019.

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present NAV statement roll-forward decomposed by the Group's operating segments as at and for the year ended 31 December 2020:

	31 December 2019	*1. Value Creation*	*2a. Investments*	*2b. Buybacks*	*2c. Dividends*	*2d. GHG Delisting*	*3. Operating Expenses*	*4. Liquidity Management/ FX / Other*	*31 December 2020*
Listed Portfolio Companies	**1,027,814**	**(261,524)**	**138,265**	**-**	**-**	**(372,997)**	**-**	**-**	**531,558**
GHG	430,079	(195,347)	138,265	-	-	(372,997)	-	-	-
BoG	597,735	(66,177)	-	-	-	-	-	-	531,558
Private Portfolio Companies	**1,225,269**	**741,009**	**56,400**	**-**	**(29,870)**	**372,997**	**-**	**10,325**	**2,376,130**
Large Portfolio Companies	**648,893**	**859,545**	**-**	**-**	**(24,943)**	**372,997**	**-**	**1,745**	**1,858,237**
Healthcare Services	-	393,797	-	-	-	177,859	-	-	571,656
Retail (Pharmacy)	-	374,322	-	-	-	178,423	-	-	552,745
Water Utility	483,970	433	-	-	(15,000)	-	-	1,745	471,148
Insurance (P&C and Medical)	164,923	90,993	-	-	(9,943)	16,715	-	-	262,688
Of which, P&C Insurance	*164,923*	*42,826*	-	-	*(9,943)*	-	-	-	*197,806*
Of which, Health Insurance	-	*48,167*	-	-	-	*16,715*	-	-	*64,882*
Investment Stage Portfolio Companies	**163,150**	**98,730**	**44,501**	**-**	**(4,927)**	**-**	**-**	**1,510**	**302,964**
Renewable energy	106,800	62,169	44,350	-	(4,927)	-	-	1,510	209,902
Education	56,350	36,561	151	-	-	-	-	-	93,062
Other Portfolio Companies	**413,226**	**(217,266)**	**11,899**	**-**	**-**	**-**	**-**	**7,070**	**214,929**
Total Portfolio Value	**2,253,083**	**479,485**	**194,665**	**-**	**(29,870)**	**-**	**-**	**10,325**	**2,907,688**
Net Debt	**(493,039)**	**-**	**(57,684)**	**(5,716)**	**29,870**	**-**	**(24,373)**	**(143,456)**	**(694,398)**
Net Asset Value	**1,760,044**	**479,485**	**136,981**	**(5,716)**	**-**	**-**	**(24,373)**	**(133,131)**	**2,213,290**

1.Value Creation – measures annual shareholder return on each portfolio company for Georgia Capital. It is the aggregation of a) change in beginning and ending fair values, b) dividend income during the period. The net result is then adjusted to remove capital injections (if any) to arrive at the total value creation/investment return.; 2a.Investments – represents capital injections in portfolio companies made by JSC GCAP, with the exception of investment in GHG PLC made by GCAP PLC, which was further contributed to the equity of JSC GCAP. Refer to note 13.; 2b. Buybacks – represent buybacks made in order to satisfy share compensation of executives; 2c.Dividends – represent dividends received from portfolio companies by JSC GCAP; 2d. GHG Delisting – delisting and transfer of GHG to private portfolio sub-segment; 3.Operating Expenses – holding company operating expenses; 4.Liquidity Management/FX/Other – holding company movements related to liquidity management, foreign exchange movement, non-recurring and other.

(Thousands of Georgian Lari)

5. Segment Information (continued)

Reconciliation to IFRS FS:

	31 December 2020			31 December 2019		
	JSC Georgia Capital	***Reclassifications/adjustments****	***NAV Statement***	***JSC Georgia Capital***	***Reclassifications/adjustments****	***NAV Statement***
Cash and cash equivalents	117,026	(117,026)	-	117,215	(117,215)	-
Amounts due from credit institutions	42,655	(42,655)	-	-	-	-
Marketable securities	13,416	(13,416)	-	62,493	(62,493)	-
Accounts receivable	117	(117)	-	1,176	(1,176)	-
Prepayments	588	(588)	-	384	(384)	-
Loans issued	108,983	(108,983)	-	151,884	(151,884)	-
Property and equipment	449	(449)	-	580	(580)	-
Intangible assets	99	(99)	-	122	(122)	-
Other assets, net	6,023	(6,023)	-	6,520	(6,520)	-
Equity investments at fair value	2,907,688	-	2,907,688	2,251,465	1,618	2,253,083
Total assets	**3,197,044**	**(289,356)**	**2,907,688**	**2,591,839**	**(338,756)**	**2,253,083**
Accounts payable	531	(531)	-	1,284	(1,284)	-
Debt securities issued	980,932	(980,932)	-	825,952	(825,952)	-
Other liabilities	2,291	(2,291)	-	6,406	(6,406)	-
Total liabilities	**983,754**	**(983,754)**	**-**	**833,642**	**(833,642)**	**-**
Net Debt	-	(694,398)	(694,398)	-	(493,039)	(493,039)
Total equity/NAV	**2,213,290**	**-**	**2,213,290**	**1,758,197**	**1,847**	**1,760,044**

*** Reclassification and adjustments to aggregated balances to arrive at NAV specific presentation, such as aggregating GCAP net debt; capitalization of project development related expenses.*

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following tables present income statement information regarding the Group's operating segments as at and for the year ended 31 December 2020:

		Private Portfolio Companies					
	Listed Portfolio Companies	***Large***	***Investment Stage***	***Other***	***Corporate Center***	***Adjustments****	***Total***
(Losses)/gains on investments at fair value	(261,524)	834,602	93,803	(217,266)	-	1,618	451,233
Listed Equity Investments	*(261,524)*	-	-	-	-	-	*(261,524)*
Private Investments	-	*834,602*	*93,803*	*(217,266)*	-	*1,618*	*712,757*
Dividend income	-	24,943	4,927	-	-	-	29,870
Interest income	-	-	-	-	19,968	-	19,968
Net losses from investment securities measured at FVPL	-	-	-	-	(553)	-	(553)
Net realised losses from investment securities measured at FVOCI	-	-	-	-	(1,667)	-	(1,667)
Other income	-	-	-	-	412	-	412
Gross investment (loss) / profit	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**18,160**	**1,618**	**499,263**
Administrative expenses	-	-	-	-	(4,685)	-	(4,685)
Salaries and other employee benefits	-	-	-	-	(19,140)	-	(19,140)
Depreciation and amortisation	-	-	-	-	(548)	-	(548)
Interest expense	-	-	-	-	(61,521)	-	(61,521)
(Loss)/profit before provisions, foreign exchange and non-recurring items	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(67,734)**	**1,618**	**413,369**
Provision	-	-	-	-	(114)	-	(114)
Net foreign currency loss	-	-	-	-	(89,943)	-	(89,943)
Non-recurring expense	-	-	-	-	(3,389)	-	(3,389)
(Loss)/profit before income taxes	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(161,180)**	**1,618**	**319,923**
Income tax	-	-	-	-	-	-	-
(Loss)/profit for the period	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(161,180)**	**1,618**	**319,923**

** Write-off of capitalized project development related expenses.*

(Thousands of Georgian Lari)

6. Cash and Cash Equivalents

	31 December 2020	***31 December 2019***
Current accounts with financial institutions	105,185	114,698
Time deposits with financial institutions with maturities of up to 90 days	11,851	2,518
Cash and cash equivalents	**117,036**	**117,216**
Allowance (Note 16)	(10)	(1)
Cash and cash equivalents, Net	**117,026**	**117,215**

7. Amounts Due from Credit Institutions

	31 December 2020	***31 December 2019***
Time deposits with maturities of more than 90 days	42,989	-
Amounts due from credit institutions, Gross	**42,989**	**-**
Allowance (Note 16)	(334)	-
Amounts due from credit institutions, Net	**42,655**	**-**

8. Marketable Securities

	31 December 2020	***31 December 2019***
Internationally listed marketable securities (FVPL)	12,649	25,657
Internationally listed marketable securities (FVOCI)	112	13,118
Locally listed marketable securities (FVPL)	655	1,324
Locally listed marketable securities (FVOCI)	-	22,394
Equity Investments at Fair Value	**13,416**	**62,493**

As at 31 December 2020 Marketable securities consist of internationally and locally listed debt financial instruments GEL 13,416 (31 December 2019: GEL 58,339) and equity financial instruments of GEL nil (31 December 2019: 4,154).

9. Loans Issued

	31 December 2020	***31 December 2019***
Loans to subsidiaries (FVPL)	108,983	117,506
3rd party loans (amortized cost)	-	34,412
Loans issued	**108,983**	**151,918**
Allowance (Note 16)	-	(34)
Loans issued, Net	**108,983**	**151,884**

As at 31 December 2020 and Loans to subsidiaries are denominated in GEL and USD (2019: GEL and USD), carry interest rates from 9% to 16% (2019: 9% to 12%), with average remaining terms of maturity of 2 years (2019: 2 years).

As at 31 December 2019, 3rd party loans are denominated USD, carry interest rate of 9%, with average remaining terms of maturity of 3 months.

(Thousands of Georgian Lari)

10. Equity Investments at Fair Value

	31 December 2019	Value Change	Dividends	Total gains / (Losses) on investments at fair value	GHG Delisting	Investments*	Other**	31 December 2020
Listed Portfolio Companies	**1,027,814**	**(261,524)**	**-**	**(261,524)**	**(372,997)**	**138,265**	**-**	**531,558**
GHG	*430,079*	*(195,347)*	-	*(195,347)*	*(372,997)*	*138,265*	-	-
BoG	*597,735*	*(66,177)*	-	*(66,177)*	-	-	-	*531,558*
Private Portfolio Companies	**1,223,651**	**742,627**	**(29,870)**	**712,757**	**372,997**	**56,400**	**10,325**	**2,376,130**
Large Portfolio Companies	**648,893**	**859,545**	**(24,943)**	**834,602**	**372,997**	**-**	**1,745**	**1,858,237**
Healthcare Services	-	*393,797*	-	*393,797*	*177,859*	-	-	*571,656*
Retail (Pharmacy)	-	*374,322*	-	*374,322*	*178,423*	-	-	*552,745*
Water utility	*483,970*	*433*	*(15,000)*	*(14,567)*	-	-	*1,745*	*471,148*
Insurance (P&C and Medical)	*164,923*	*90,993*	*(9,943)*	*81,050*	*16,715*	-	-	*262,688*
Of which, P&C Insurance	*164,923*	*42,826*	*(9,943)*	*32,883*	-	-	-	*197,806*
Of which, Health Insurance	-	*48,167*	-	*48,167*	*16,715*	-	-	*64,882*
Investment Stage Portfolio Companies	**163,116**	**98,764**	**(4,927)**	**93,837**	**-**	**44,501**	**1,510**	**302,964**
Renewable Energy	*106,800*	*62,169*	*(4,927)*	*57,242*	-	*44,350*	*1,510*	*209,902*
Education	*56,316*	*36,595*	-	*36,595*	-	*151*	-	*93,062*
Other Portfolio Companies	**411,642**	**(215,682)**	**-**	**(215,682)**	**-**	**11,899**	**7,070**	**214,929**
Equity investments at fair value	**2,251,465**	**481,103**	**(29,870)**	**451,233**	**-**	**194,665**	**10,325**	**2,907,688**

* Capital injections in portfolio companies made by JSC GCAP (cash contribution of GEL 57,148), with the exception of investment in GHG PLC made by GCAP PLC, which was further contributed to the equity of JSC GCAP (note 13).
** Other investments in portfolio companies

Investment in Banking business, Bank of Georgia Group PLC, has been designated at fair value through OCI in the Group's annual consolidated financial statements for the year ended 31 December 2019. In the first half of 2020, the Group signed total return swap agreement with its 100% owned subsidiary, resulting in a derecognition of the investment in Bank of Georgia Group PLC. Later in the period, the total return swap agreement was terminated by the parties. As the result of the termination, investment in Bank of Georgia Group PLC was newly recognized in the consolidated statement of financial position and classified as financial asset at fair value through profit or loss at initial recognition.

11. Taxation

The corporate income tax (expense) credit for the year ended 31 December 2019 comprises:

	2019
Current income tax benefit (expense)	(4,548)
Deferred income tax (expense)/credit	(85)
Income tax (expense)	**(4,633)**
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%).

Corporate income tax is charged on the dividend distributions (note 3). In 2020, the Group did not distribute any dividends and thus no income tax was recognized for the year ended 31 December 2020.

(Thousands of Georgian Lari)

11. Taxation (continued)

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

	2019
Profit before income tax expense	**616,138**
Average tax rate	15%
Theoretical income tax expense at average tax rate	**(92,421)**
Non-taxable income	88,225
Correction of prior year declarations	(376)
Unrecognised deferred tax asset	(61)
Income tax (expense) benefit	**(4,633)**

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.

12. Debt Securities Issued

Debt securities issued comprise:

	31 December 2020	*31 December 2019*
USD denominated Eurobonds	980,932	825,952
Debt securities issued	**980,932**	**825,952**

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.

During 2020 JSC Georgia Capital reissued own Eurobonds held in treasury for total consideration of GEL 29,830.

Changes in liabilities arising from financing activities

	Borrowings	**Debt securities**	**Lease liabilities**
Carrying amount at 1 January 2019	**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	125,353	-	1,595
Other	(7,483)	(144)*	34,989
Change in investment entity status	(1,163,094)	(287,294)	(103,069)
Carrying amount at 31 December 2019	**-**	**825,952**	**630**
Foreign currency translation	-	116,736	71
Cash proceeds	-	29,830	-
Cash repayments	-	-	(430)
Other	-	8,414*	2
Carrying amount at 31 December 2020	**-**	**980,932**	**273**

** Other movement for debt securities represents change in accrued interest*

(Thousands of Georgian Lari)

13. Equity

Share capital

As at 31 December 2020 issued share capital comprised 13,390,989 authorised common shares (2019: 12,399,944), of which 13,390,989 were fully paid (2019: 12,399,944). Each share has a nominal value of one Georgian Lari. Shares issued and outstanding as at 31 December 2020 are described below:

	Number of shares Ordinary	*Amount*
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	1,289,962	1,290
Capital Reduction	(298,917)	(299)
31 December 2020	**13,390,989**	**13,391**

Issue of Share Capital

On 8 July 2020, 22 July 2020 and 2 September 2020 JSC GCAP issued 1,039,084, 147,220 and 103,658 shares respectively (in aggregate 1,289,962 shares), with aggregate par value of GEL 1,290, in exchange for contribution of 38,670,406 shares in GHG with total fair value of GEL 138,265, made by the Parent. As the result of transaction, JSC GCAP interest in GHG increased to 100%, the Group's equity increased by GEL 138,265 and equity investment in GHG increased by same amount (note 10). The difference of GEL 136,975 between the par value of ordinary shares issued in connection with that transaction and the fair value of GHG shares acquired was recognized as additional paid-in capital.

Capital Reduction

During 2020 JSC GCAP bought back from its Parent 298,917 own shares for total consideration of GEL 22,346 (of which cash consideration amounted to GEL 21,180). All of the repurchased ordinary shares were cancelled. GEL 22,047 difference between GEL 299 par value of the acquired shares and the consideration transferred was recognized as deduction from additional paid-in capital.

Treasury Shares

Treasury shares consist of GEL 837 (2019: 837) JSC Georgia Capital shares and GEL 103 (2019: 124) shares of Georgia Capital PLC (shareholder) repurchased as a result of management compensation scheme, which are considered as treasury shares for the Group.

In 2020, the Group acquired treasury shares in connection to its share-based compensation plans for total consideration of GEL 4,206.

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 2020 and 31 December 2019 are presented in the statements of other comprehensive income.

(Thousands of Georgian Lari)

14. Gross Profit

	2019
Pharma revenue	570,836
Healthcare revenue	315,042
Utility and energy revenue	162,962
Net insurance premiums earned	131,882
Beverage revenue	124,705
Real estate revenue	97,780
Auto service revenue	19,540
Education revenue	12,083
Digital services revenue	2,324
Other income	36,283
Revenue	**1,473,437**
Cost of pharma services	(424,814)
Cost of healthcare	(176,753)
Cost of utility and energy	(41,121)
Net insurance claims incurred	(76,992)
Cost of beverage	(80,283)
Cost of real estate	(70,441)
Cost of auto service	(9,799)
Cost of education	(679)
Cost of digital services	(2,142)
Cost of sales	**(883,024)**
Gross profit	**590,413**

(Thousands of Georgian Lari)

14. Gross Profit (continued)

Gross Healthcare and Pharma Profit

	2019
Revenue from government programmes	221,397
Revenue from free flow (non-insured retail individuals)	84,299
Revenue from insurance companies	9,346
Healthcare revenue	**315,042**
Retail	430,312
Wholesale	140,524
Pharma revenue	**570,836**
Healthcare and pharma revenue	**885,878**
Direct salary expenses	(112,321)
Healthcare direct materials	(48,189)
Expenses on medical service providers	(3,280)
Other direct expenses	(12,963)
Cost of healthcare	**(176,753)**
Retail	(309,213)
Wholesale	(115,601)
Cost of pharma services	**(424,814)**
Cost of healthcare and pharma services	**(601,567)**
Gross healthcare and pharma profit	**284,311**

Gross Utility and Energy Profit

	2019
Revenue from water supply	131,608
Revenue from electric power sales	31,354
Utility and energy revenue	**162,962**
Cost of water supply	(33,102)
Cost of electric power sales	(8,019)
Cost of utility and energy	**(41,121)**
Gross utility and energy profit	**121,841**

Gross Insurance Profit

	2019
Gross health insurance premiums earned	73,981
Gross P&C insurance premiums earned	82,693
Total gross premiums earned on insurance contracts	156,674
Reinsurers’ share of gross earned premiums on health insurance contracts	(2,552)
Reinsurers’ share of gross earned premiums on P&C insurance contracts	(22,240)
Reinsurers’ share of gross earned premiums on insurance contracts	(24,792)
Net insurance premiums earned	**131,882**
Gross health insurance claims incurred	(47,697)
Gross P&C insurance claims incurred	(37,521)
Gross insurance claims incurred	(85,218)
Reinsurers’ share of gross health insurance claims incurred	558
Reinsurers’ share of gross P&C insurance claims incurred	7,668
Reinsurers’ share of gross insurance claims incurred	8,226
Net insurance claims incurred	**(76,992)**
Gross insurance profit	**54,890**

14. Gross Profit (continued)

Gross Beverage Profit

	2019
Revenue from beer sales	49,668
Revenue from wine sales	42,216
Revenue from distribution of imported goods	19,569
Change in net realizable value of agricultural produce after harvest	2,899
Other beverage revenue	10,353
Beverage revenue	**124,705**
Cost of beer	(32,803)
Cost of wine	(23,553)
Cost of distribution	(15,894)
Cost of other beverage revenue	(8,033)
Cost of beverage	**(80,283)**
Gross beverage profit	**44,422**

Gross Real Estate Profit

	2019
Revenue from apartment sale	52,022
Revenue from construction services	21,835
Income from operating leases	9,416
Revaluation of m^2 investment property	7,498
Revenue from hospitality services	7,009
Real estate revenue	**97,780**
Cost of apartments sold	(43,513)
Cost of construction services	(19,412)
Cost of operating leases	(2,445)
Cost of hospitality services	(5,071)
Cost of real estate	**(70,441)**
Gross real estate profit	**27,339**

(Thousands of Georgian Lari)

14. 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
Real estate revenue:	
Net gain from revaluation of investment property	7,498
Income from operating leases	9,416
	16,914
Beverage revenue:	
Change in net realizable value of agricultural produce after harvest	2,899
	2,899
Net insurance premiums earned	**131,882**
Other income	
Revenue from BI insurance*	9,933
Gain from call option	6,619
Payables derecognised	1,021
Loss from sale of PPE and IP	589
Net gains (losses) from revaluation of investment property	767
	170,624

** 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. Inventory recognised as an expense during the period comprised GEL 55,307.

Contract assets and liabilities

The Group recognised GEL 29,239 revenue in financial year ended at 31 December 2019 that relates to carried-forward contract liabilities and is included in the deferred income.

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

	2020	*2019*
Equity compensation plan costs	(12,035)	(23,687)
Salaries and bonuses	(7,105)	(147,891)
Pension costs	-	(3,184)
Salaries and other employee benefits	**(19,140)**	**(174,762)**

(Thousands of Georgian Lari)

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

General and administrative expenses	***2020***	***2019***
Marketing and advertising	-	(21,800)
Legal and other professional services	(2,290)	(17,433)
Insurance	(933)	(701)
Operating taxes	(282)	(10,951)
Travel expenses	(123)	(3,258)
Corporate hospitality and entertainment	(116)	(3,566)
Repair and maintenance	(114)	(5,783)
Personnel training and recruitment	(88)	(740)
Office supplies	(82)	(11,636)
Communication	(77)	(3,445)
Security	(29)	(1,702)
Occupancy and rent	(17)	(4,972)
Banking services	(13)	(3,189)
Utility expenses	-	(6,547)
Customer service fee	-	(1,697)
Other	(521)	(15,249)
General and administrative expenses	**(4,685)**	**(112,669)**

16. Impairment of accounts receivable, other assets and provisions

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

	Cash and cash equivalents 2020	***Amounts due from credit institutions 2020***	***Marketable Securities 2020***	***Loans issued 2020***	***Total 2020***
At 1 January	**1**	**-**	**195**	**34**	**230**
(Reversal) Charge	9	334	(195)	(34)	114
At 31 December	**10**	**334**	**-**	**-**	**344**

	Cash and cash equivalents 2019	***Marketable Securities 2019***	***Accounts receivable 2019***	***Loans issued 2019***	***Total 2019***
At 1 January	**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**

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 is mainly attributable to the increased gross balance of receivables of healthcare and utility businesses.

The Group recognized expected credit loss on insurance premium receivables and provisions in the amount of GEL 1,078 in 2019.

(Thousands of Georgian Lari)

17. Net Non-recurring Items

Net non-recurring expense for the year ended 31 December 2020 comprised:

	2020
Key management personnel termination benefits (note 22)	(3,389)
Net non-recurring items	**(3,389)**

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)**

18. Share-based Payments

Executives' Equity Compensation Plan

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.

After Georgia Capital met the definition of investment entity on 31 December 2019, only JSC Georgia Capital's management share-based compensation is in scope of IFRS 2 in its financial statements. In the tables below, 2020 information includes management's compensation at Georgia Capital JSC and 2019 information includes Group's executives' compensation.

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:

	2020	*2019*
Shares outstanding at 1 January	**1,951,400**	**2,294,556**
Granted during the year	224,200	343,638
Forfeited during the year	(110,429)	(239,000)
Vested during the year	(266,136)	(111,000)
Change in investment entity status	-	(336,794)
Shares outstanding at 31 December	**1,799,035**	**1,951,400**

(Thousands of Georgian Lari)

18. Share-based Payments (continued)

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2020 was 3 years (2019: 4 years).

The weighted average fair value of shares granted during the year was GEL 29.6 (2019: GEL 38.2). The weighted average fair value of shares forfeited and vested was GEL 23.2 (2019: 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:

	2020	*2019*
Increase in equity arising from equity-settled share-based payments	18,461	31,201
Expense arising from equity-settled transactions	15,000	26,549

Expense arising from equity-settled transactions in the amount of GEL 2,965 (2019: GEL 2,862) was recognised in net non-recurring expenses related to termination of employment agreement of the executive.

19. 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.

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.

19. Risk Management (continued)

Introduction (continued)

Risk management structure (continued)

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. The Management Board comprises of senior manager of GCAP PLC and JSC GCAP. In order to effectively implement the risk management system, the Board of Directors delegate individual risk management functions to the Management Board, which in turn assigns specific functions to the various decision-making and execution bodies within the portfolio entities of JSC Georgia Capital.

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. Risks at portfolio company level are mitigated by instruments applicable to specific industries they operate in.

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. Credit terms by debtors, for various portfolio companies are managed and monitored separately, given industry specifics in which respective entities operate.

(Thousands of Georgian Lari)

19. Risk Management (continued)

Credit risk (continued)

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

	31 December 2020			*31 December 2019*		
	BB+ to BB-	*B+ to B-*	*Not graded*	*BB+ to BB-*	*B+ to B-*	*Not graded*
Cash and cash equivalents	111,983	5,043	-	99,589	9,842	7,784
Amounts due from credit institutions	9,997	32,658	-	-	-	-
Marketable securities	3,964	8,797	655	29,713	22,589	6,037
Loans issued	-	-	108,983	34,378	-	117,506
Other assets	-	-	5,769	-	-	3,395
Total	**125,944**	**46,498**	**115,407**	**163,680**	**32,431**	**134,721**

* Non graded Other assets represents receivable from guarantee issued to a portfolio company, with nominal amount of GEL 74,431 as at 31 December 2020 (2019: GEL 59,376), refer to note 22.

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. None of the Group's financial assets are past due as at 31 December 2020 and 2019.

No significant increase in credit risk since initial recognition occurred in respect of the Group's financial assets as at 31 December 2020 and 2019.

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. Maturities of JSC Georgia Capital and each portfolio entities are managed separately 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)

19. 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 2020**	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Debt securities issued	30,064	30,064	1,131,987	-	1,192,115
Accounts payable	531	-	-	-	531
Financial guarantees	74,431	-	-	-	74,431
Other financial liabilities	81	2,127	106	-	2,314
Total undiscounted financial liabilities	**105,107**	**32,191**	**1,132,093**	**-**	**1,269,391**

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**	**1,008,487**	**-**	**1,122,910**

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 2020 and 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***
	2020		***2019***	
EUR	+ 15.1%	1,706	+ 7.9%	(2,293)
GBP	+ 16.1%	-	+ 10.2%	706
USD	+ 13.0%	(94,540)	+ 6.4%	(35,413)

19. 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 portfolio investments 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.

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 2020 in the amount of GEL 2,213,290 (2019: GEL 1,758,197). 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.

(Thousands of Georgian Lari)

20. 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 2020	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Marketable securities	4,986	8,430	-	13,416
Equity investments at fair value	531,558	-	2,376,130	2,907,688
Loans issued	-	-	108,983	108,983
Assets for which fair values are disclosed				
Cash and cash equivalents	-	117,026	-	117,026
Amounts due from credit institutions	-	42,655	-	42,655
Accounts receivable	-	-	117	117
Liabilities for which fair values are disclosed				
Debt securities issued	-	1,001,956	-	1,001,956
Lease liabilities	-	264	-	264

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
Loans issued	-	-	35,020	35,020
Liabilities for which fair values are disclosed				
Debt securities issued	-	829,726	-	829,726
Lease liabilities	-	634	-	634

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.

20. Fair Value Measurement (continued)

Valuation techniques (continued)

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

Large portfolio companies – An independent third-party valuation firm is engaged to assess fair value ranges of large private portfolio companies at the reporting date starting from 2020 (fair value assessment was performed internally as at 31 December 2019). The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods that are weighted to derive fair value range, with income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date.

Investment stage and other portfolio companies – fair value assessment is performed internally as described below.

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. 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 investments is determined using one of the valuation methods described below:

Listed Peer Group Multiples

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 and for which the Company 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 (higher growth rate) and risk profiles. Some peer-group companies' multiples may be more heavily weighted during valuation if their characteristics are closer to those of the company being valued than others.
As a rule of thumb, last 12-month earnings will be used for the purposes of valuation as a generally accepted method. Earnings are adjusted where appropriate for exceptional, one-off 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 recurring/adjusted sales revenue of the business (LTM sales) to estimate enterprise value.

20. Fair Value Measurement (continued)

Valuation techniques (continued)

Equity Investments in Private Portfolio Companies (continued)

Listed Peer Group Multiples (continued)

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 (assuming 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 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 allocated between Georgia Capital and other shareholders of the portfolio company, if any. 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 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. Under the discounted cash flow analysis unobservable inputs are used, such as estimates of probable future cash flows and an internally-developed discounting rate of return.

Net Asset Value

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

Price of recent investment

The price of a recent investment, 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 is given to the current facts and circumstances to assess at each measurement date whether changes or events subsequent to the relevant transaction imply a change in the investment's fair value.

Validation

Fair value of investments estimated using one of the valuation methods described above is cross-checked 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 depending on the industry of the company. The Company develops fair value range based on these techniques and analyse whether fair value estimated above falls within this range.

(Thousands of Georgian Lari)

20. Fair Value Measurement (continued)

Valuation techniques (continued)

Equity Investments in Private Portfolio Companies (continued)

Validation (continued)

- Discounted cash flow (DCF) – The discounted cash flow valuation method is used to determine fair value of equity investment. Based on DCF, the Company 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 externally by independent third-party valuation firm for large private portfolio companies at the reporting date starting from 2020 (fair value assessment was performed internally as at 31 December 2019) and internally in accordance with Georgia Capital's valuation methodology by the Valuation Workgroup for investment stage and other portfolio companies.

Description of significant unobservable inputs to level 3 valuations

The approach to valuations as of 31 December 2020 was consistent with the Group's valuation process and policy. Key focus of the valuations at 31 December 2020 was an assessment of the impact of the COVID-19 pandemic on each portfolio company. Management continues to monitor the impact that the COVID-19 pandemic has on the valuation of portfolio companies.
The following tables show descriptions of significant unobservable inputs to level 3 valuations of investments in subsidiaries:

31 December 2020

Description	*Valuation technique*	*Unobservable input*	*Range [selected input]*	*Fair value*
Loans Issued	DCF	Discount rate	9%-16%	*108,983*
Equity investments at fair value				
Large portfolio				*1,858,237*
Healthcare services	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.4x-65.8x [13.2x]	*571,656*
Retail (Pharmacy)	*DCF, EV/EBITDA*	EV/EBITDA multiple	7.2x-18.4x [9.1x]	*552,745*
Water utility	*DCF, EV/EBITDA*	EV/EBITDA multiple	8.8x-12.4x [9.4x]	*471,148*
P&C insurance	*DCF, P/E*	P/E multiple	7.1x-18.1x [11.6x]	*197,806*
Medical insurance	*DCF, P/E*	P/E multiple	9.6x-15.6x [10.1x]	*64,882*
Investment stage				*302,964*
Renewable energy	Sum of the parts	EV/EBITDA multiple	11.3x-21.3x [9.0x-10.5x]	*209,902*
Education	EV/EBITDA	EV/EBITDA multiple	7.2x-21.8x [12.5x]	*93,062*
Other	Sum of the parts	EV/EBITDA multiples EV/Sales multiple Cashflow probability NAV multiple	5.1x-19.9x [5.0x-10.0x] 1.2x-4.7x [2.4x] [90%-100%] [0.9x]	*214,929*

(Thousands of Georgian Lari)

20. Fair Value Measurement (continued)

Description of significant unobservable inputs to level 3 valuations (continued)

31 December 2019

Description	*Valuation technique*	*Unobservable input*	*Range [selected input]*	*Fair value*
Loans Issued	DCF	Discount rate	9%-12%	*117,506*
Equity investments at fair value				
Large portfolio				*648,893*
Water utility	EV/EBITDA	EV/EBITDA multiple	7.9x-11.0x [8.8x]	*483,970*
P&C insurance	P/E	P/E multiple	6.6x-12.3x [9.0x]	*164,923*
Investment stage				*163,116*
Renewable energy	Recent transaction price	Recent transaction price	n/a	*106,800*
Education	Recent transaction price	Recent transaction price	n/a	*56,316*
Other	Sum of the parts	EV/EBITDA multiples	6.6x-15.4x [10.0x-10.4x]	*411,642*
		EV/Sales multiple	1.3x-3.9x [2.2x]	
		Cashflow probability	[70%-100%]	
		NAV multiple	[1x]	

Georgia Capital hired third-party valuation professionals to assess fair value of the large private portfolio companies as at 31 December 2020, including Water Utility, P&C insurance and the three businesses (Healthcare Services, Retail (Pharmacy) and Medical Insurance) that constituted GHG PLC and were transferred to the private portfolio and are valued as private companies after Georgia Healthcare Group PLC's delisting from London Stock Exchange in August 2020. Valuation is performed by applying several valuation methods that are weighted to derive fair value range, with income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date.

The Education and Renewable businesses were valued at recent transaction price as at 31 December 2019. Changes in the valuation methodology relating to the Education business and certain components of the Renewable business have been applied in this reporting period. These changes reflect IPEV valuation guidelines, the passage of time since the transaction and the impact of changes made post investment. Consequently, as of 31 December 2020, the Education business is valued using an EV/EBITDA multiple, whilst the Renewables business is valued on the basis of sum of the parts (recent transaction price and EV/EBITDA multiple).

Fair value of investment property held by Hospitality and Commercial business (presented within "other" in equity investments) is estimated by independent third party valuers. Due to COVID-19 impact on real estate markets, investment property valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Fair value of the business as at 31 December 2020 is GEL 43,036.

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 within a range , which is considered by the Group to be reasonable.

If the interest rate for each individual loan issued to subsidiaries as at 31 December 2020 decreased by 20% (2019: 20%), the amount of loans issued would have decreased by GEL 1,494 or 1.4% (2019: GEL 609 or 0,5%). If the interest rates increased by 20% then loans issued would have increased by GEL 1,502 or 1.4% (2019: GEL 617 or 0.5%).

If the listed peer multiples used in the market approach to value unquoted investments as at 31 December 2020 decreased by 10% (2019: 5%), value of equity investments at fair value would decrease by GEL 117 million or 4% (2019: GEL 62 million or 8%). If the multiple increased by 10% (2019: 5%) then the equity investments at fair value would increase by GEL 117 million or 4% (2019: GEL 62 million or 8%).

(Thousands of Georgian Lari)

20. Fair Value Measurement (continued)

Description of significant unobservable inputs to level 3 valuations (continued)

If the discount rates used in the income approach to value unquoted investments decreased by 50 basis points (2019: 59 basis points), the value of equity investments at fair value would increase by GEL 91 million or 3% (2019: GEL 2 million or 4%). If the discount rates increased by 50 basis points (2019: 59 basis points) then the equity investments at fair value would decrease by GEL 87 million or 3% (GEL 2 million or 4%). If the discount rate decreased by 100 basis points, the value of equity investments at fair value would increase by GEL 192 million or 7%. If the discount rate increased by 100 basis points then the equity investments at fair value would decrease by GEL 166 million or 6%.

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis (except for Hospitality and Commercial business) as at 31 December 2020 decreased by 10% (2019: 5%), value of equity investments at fair value would decrease by GEL 12 million or 0.4% (2019: GEL 21 million or 5%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 12 million or 0.4% (2019: GEL 21 million or 5%).

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 31 December 2020	*Fair value 31 December 2020*	*Unrecognised gain (loss) 31 December 2020*	*Carrying value 31 December 2019*	*Fair value 31 December 2019*	*Unrecognised gain (loss) 31 December 2019*
Financial assets						
Cash and cash equivalents	117,026	117,026	-	117,215	117,215	-
Amounts due from credit institutions	42,655	42,655	-	-	-	-
Loans Issued	-	-	-	34,378	35,020	642
Financial liabilities						
Lease liabilities	273	264	9	630	634	(4)
Debt securities issued	980,932	1,001,956	(21,024)	825,952	829,726	(3,774)
Total unrecognised change in unrealised fair value			**(21,015)**			**(3,136)**

Movements in level 3 financial instruments measured at fair value

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

	At 31 December 2019	*PL movement**		*Investments*	*Other changes***	*Derecognition*	*Loans issued*	*Loans repaid*	*At 31 December 2020*
		realized	*unrealized*						
Level 3 financial assets									
Call option	469	-	120	-	-	(589)	-	-	-
Loans issued	117,506	5,366	20,615	-	(5,366)	-	9,002	(38,140)	108,983
Equity investments at fair value	1,223,651	29,870	1,085,754	56,400	(19,545)	-	-	-	2,376,130

** PL movement represents gain on revaluation of call option, interest income and foreign exchange gain on loans issued and fair value loss and dividend income on investments at fair value.*
*** Other changes for loans issued represent interest repayment and for equity investments at fair value – dividends and other investments (note 10).*

(Thousands of Georgian Lari)

21. 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 2020			*31 December 2019*		
	Less than 1 Year	***More than 1 Year***	***Total***	***Less than 1 Year***	***More than 1 Year***	***Total***
Cash and cash equivalents	117,026	-	117,026	117,215	-	117,215
Amounts due from credit institutions	42,655	-	42,655	-	-	-
Marketable securities*	13,416	-	13,416	62,493	-	62,493
Accounts receivable	117	-	117	1,176	-	1,176
Prepayments	588	-	588	384	-	384
Loans issued	2,457	106,526	108,983	75,363	76,521	151,884
Property and equipment	-	449	449	-	580	580
Intangible assets	-	99	99	-	122	122
Other assets	86	5,937	6,023	2,076	4,444	6,520
Equity investments at fair value	-	2,907,688	2,907,688	-	2,251,465	2,251,465
Total assets	**176,345**	**3,020,699**	**3,197,044**	**258,707**	**2,333,132**	**2,591,839**
Accounts Payable	531	-	531	1,284	-	1,284
Debt securities issued	18,769	962,163	980,932	15,860	810,092	825,952
Other liabilities	2,155	136	2,291	5,485	921	6,406
Total liabilities	**21,455**	**962,299**	**983,754**	**22,629**	**811,013**	**833,642**
Net	**154,890**	**2,058,400**	**2,213,290**	**236,078**	**1,522,119**	**1,758,197**

**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)

22. 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 year end, and related expenses and income for the period are as follows:

	31 December 2020		*31 December 2019*	
	*Management**	*Subsidiaries***	*Management**	*Subsidiaries***
Assets				
Marketable securities	-	1,343	-	22,393
Prepayments	-	457	-	103
Loans issued	-	108,983	-	117,506
Other assets	-	5,769	-	5,313
	-	**116,552**	**-**	**145,315**
Liabilities				
Accounts Payable	-	-	-	125
Debt securities issued	4,915	-	6,051	-
Financial guarantees provided (notional value)	-	74,431	-	59,376
Other liabilities	-	88	-	2,474
	4,915	**74,519**	**6,051**	**61,975**

	31 December 2020		*31 December 2019*	
	*Management**	*Subsidiaries***	*Management**	*Joint Ventures and Associates****
Income and expenses				
Dividend income	-	29,870	-	-
Administrative expenses	-	(933)	-	-
Net foreign currency (loss)	-	(1,919)	-	-
Interest income	-	12,873	-	199
Interest expense	(296)	(19)	(390)	-
	(296)	**39,872**	**(390)**	**199**

** Management of JSC Georgia Capital consist of 3 executives and 6 members of supervisory board (2019: 4 executives and 6 members of supervisory board).*
*** Subsidiaries comprise of investees of JSC Georgia Capital.*
**** 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.*

Compensation of key management personnel comprised the following:

	31 December 2020	**31 December 2020**
Salaries and other benefits	(2,618)	(1,275)
Share-based payments compensation	(10,242)	(6,134)
Non-recurring expense*	(3,389)	-
Total key management compensation	**(16,249)**	**(7,409)**

*The amount represents termination benefit of one of the Company's key management personnel.

Key management personnel do not receive cash settled compensation, except for fixed salaries. The major part of the total compensation is share-based. The number of key management personnel at 31 December 2020 was 9 (2019: 10).