JSC Georgia Capital and Subsidiaries
Consolidated Financial Statements

31 December 2021

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

EY LLC
Kote Abkhazi Street, 44
Tbilisi, 0105, Georgia
Tel: +995 (32) 215 8811
Fax: +995 (32) 215 8822
www.ey.com/ge

შპს იუაი
საქართველო, 0105 თბილისი
კოტე აფხაზის ქუჩა 44
ტელ: +995 (32) 215 8811
ფაქსი: +995 (32) 215 8822

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 2021, 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 2021 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.

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.

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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 2021. The majority of 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) and insurance businesses. 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, the estimation of future cash flows and the effects of COVID-19 and climate risk, 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 2021, 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 18 to the consolidated financial statements.	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 used 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. We applied sensitivities to certain assumptions informed by our own independent benchmarking of these assumptions. In determining those sensitivities, we considered, among other matters, the historical accuracy of management's forecasting. 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. We compared key inputs used in the valuation models, such as EBITDA, net assets 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 supporting evidence for the adjustments made.

Key audit matter	How our audit addressed the key audit matter
Valuation of private investments	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 of large portfolio investments the key assumptions applied to calculate future cash flows and terminal value and corroborated this to supporting evidence. In respect of the agreement to sell 80% of the Water Utility business, we inspected the terms and conditions of the respective sale and purchase agreement. We compared the transaction price per the executed sale and purchase agreement to the fair value of the Water Utility business recorded in the consolidated statement of financial position as at 31 December 2021. We evaluated, with involvement of our climate and valuation specialists, the COVID-19 and climate risk impact on the valuations. 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 commercial and hospitality 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 the management's 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
Valuation of private investments	We evaluated the experience and objectivity of management's independent valuation 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 specialists. We assessed the disclosures in the consolidated financial statements against the requirements of IFRS 13.

Other information included in the Group's 2021 Management Report

Other information consists of the information included in the Group's 2021 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

15 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Thousands of Georgian Lari)

	Notes	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	6	89,714	117,026
Amounts due from credit institutions	7	35,667	42,655
Marketable securities	8	79,716	13,416
Investment in redeemable securities	8	17,849	-
Accounts receivable		96	117
Prepayments		680	588
Loans issued	9	154,214	108,983
Property and equipment		410	449
Intangible assets		84	99
Other assets		7,205	6,023
Equity investments at fair value	10	3,616,231	2,907,688
Total assets		4,001,866	3,197,044
Liabilities			
Accounts payable		839	531
Debt securities issued	11	1,095,433	980,932
Other liabilities		24,221	2,291
Total liabilities		1,120,493	983,754
Equity			
Share capital	12	13,286	13,391
Additional paid-in capital		624,186	634,271
Treasury shares	12	(940)	(940)
Other reserves		(367)	(744)
Retained earnings		2,245,208	1,567,312
Total equity		2,881,373	2,213,290
Total liabilities and equity		4,001,866	3,197,044

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

Irakli Gilauri Chief Executive Officer

Giorgi Alpaidze Chief Financial Officer

15 March 2022

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Notes	*2021*	*2020*
Gains/(losses) on investments at fair value	10	682,074	451,233
Listed Equity Investments		*149,628*	*(261,524)*
Private Investments		*532,446*	*712,757*
Dividend income	10	74,362	29,870
Transaction costs	18	(19,058)	-
Other interest income		15,175	14,964
Interest income at effective interest rate method		6,979	5,004
Net losses from investment securities measured at FVPL		(1,611)	(553)
Net realised gains/(losses) from investment securities measured at FVOCI		91	(1,667)
Other income		56	412
Gross investment profit		**758,068**	**499,263**
Administrative expenses	13	(5,357)	(4,685)
Salaries and other employee benefits	13	(22,413)	(19,140)
Depreciation and amortisation		(567)	(548)
Interest expense		(76,406)	(61,521)
Profit before provisions, Foreign exchange and non-recurring items		**653,325**	**413,369**
Expected credit losses	14	(96)	(114)
Net foreign currency gain/(loss)		39,933	(89,943)
Non-recurring expense	15	(785)	(3,389)
Profit before income taxes		**692,377**	**319,923**
Income tax		-	-
Profit for the year		**692,377**	**319,923**

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Notes	*2021*	*2020*
Profit for the year		**692,377**	**319,923**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in the fair value of debt instruments at FVOCI		181	(2,217)
Realised (gain)/loss on financial assets measured at FVOCI reclassified to the consolidated income statement		(91)	1,667
Change in allowance for expected credit losses on investments in debt instruments measured at FVOCI		287	(194)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**377**	**(744)**
Other comprehensive income/(loss) for the year, net of tax		**377**	**(744)**
Total comprehensive income for the year		**692,754**	**319,179**

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Share capital	*Additional paid-in capital*	*Treasury Shares*	*Other reserves*	*Retained earnings*	*Total*
31 December 2020	**13,391**	**634,271**	**(940)**	**(744)**	**1,567,312**	**2,213,290**
Profit for the year	-	-	-	-	692,377	692,377
Other comprehensive income for the year	-	-	-	377	-	377
Total comprehensive income for the period	**-**	**-**	**-**	**377**	**692,377**	**692,754**
Increase in equity arising from share-based payment (Note 16)	-	18,452	-	-	-	18,452
Capital reduction (Note 12)*	(105)	(21,574)	-	-	-	(21,679)
Dividend paid to the shareholder**	-	-	-	-	(14,481)	(14,481)
Contributions under share-based payment plan (Note 12)	-	(6,963)	-	-	-	(6,963)
31 December 2021	**13,286**	**624,186**	**(940)**	**(367)**	**2,245,208**	**2,881,373**

	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 12)	1,290	136,975	-	-	-	138,265
Increase in equity arising from share-based payments (Note 16)	-	18,461	-	-	-	18,461
Capital reduction (Note 12)*	(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 12)	-	(4,201)	(5)	-	-	(4,206)
31 December 2020	**13,391**	**634,271**	**(940)**	**(744)**	**1,567,312**	**2,213,290**

** During 2021 the parent company, GCAP PLC, received GEL 21,679 (2020: GEL 22,346) in the form of capital redemption from JSC GCAP, of which GEL 21,679 (2020: GEL 21,180) was paid in cash*

*** During 2021 JSC Georgia Capital paid dividend of GEL 14,481 to its 100% shareholder, GCAP PLC (GEL 1.1633 per share).*

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(Thousands of Georgian Lari)

	Notes	*31 December 2021*	*31 December 2020*
Cash flows from operating activities			
Salaries and other employee benefits paid		(7,967)	(7,094)
General, administrative and operating expenses paid		(5,162)	(5,370)
Interest income received		13,627	11,590
Net change in operating assets and liabilities		(220)	(409)
Net cash flows from /(used in) operating activities before income tax		**278**	**(1,283)**
Income tax paid		-	-
Net Cash flow from /(used in) operating activities		**278**	**(1,283)**
Cash flows from investing activities			
Net withdrawal/(placement) of amounts due from credit institutions		1,135	(42,354)
Loans issued		(52,315)	(9,002)
Loans repaid		1,857	76,309
Increase of investments in subsidiaries	10	(18,296)	(57,148)
Purchase of marketable securities		(104,129)	(30,527)
Proceeds from sale and redemption of marketable securities		30,758	82,540
Investment in redeemable securities		(18,648)	-
Transaction costs incurred in relation to sale of share in existing subsidiary		(1,317)	-
Purchase of property and equipment		(131)	-
Dividends received	10	74,362	29,870
Other investing activities		(1,039)	(529)
Net cash flows (used in) / from investing activities		**(87,763)**	**49,159**
Cash flows from financing activities			
Dividend paid to the shareholder		(14,481)	-
Proceeds from debt securities issued	11	212,725	29,830
Redemption and buyback of debt securities issued	11	(41,575)	-
Share capital redemption	12	(21,679)	(21,180)
Interest paid		(64,842)	(53,012)
Contributions under share-based payment plan	12	(6,963)	(6,680)
Transaction costs incurred in relation to share issuance		-	(596)
Cash payments for principal portion of lease liability	11	(408)	(395)
Cash payments for interest portion of the lease liability	11	(52)	(35)
Net cash from / (used in) financing activities		**62,725**	**(52,068)**
Effect of exchange rates changes on cash and cash equivalents		(2,561)	4,012
Effect of change in expected credit losses for cash and cash equivalents		9	(9)
Net decrease in cash and cash equivalents		**(27,312)**	**(189)**
Cash and cash equivalents, beginning of the year	6	**117,026**	**117,215**
Cash and cash equivalents, end of the year	6	**89,714**	**117,026**

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

(Thousands of Georgian Lari)

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.

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 2021 and 31 December 2020, 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"), except per share amounts or 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.

Further details on financial impact of change in investment entity status and underlying significant judgments are provided in notes 3, 4 and 18 respectively.

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 2023. 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 2023. As a response to the COVID-19 uncertainties, during 2020, Georgia Capital was focused on limiting capital allocations, optimizing operating expenses and accumulating and preserving cash. In 2021, portfolio companies delivered strong operating performance, which was reflected in dividend receipts and interest inflows from the portfolio companies towards Georgia Capital. On 16 March 2021 the 100% JSC Georgia Capital, placed a USD 65 million (GEL 215.8 million) Eurobond tap issue, which was consolidated and forms a single series with the existing USD 300 million 6.125% senior notes due in March 2024 (note 11).

2. Bases of Preparation (continued)

Going concern (continued)

The liquidity needs of Georgia Capital during the Going Concern review period mainly consist of coupon payments on JSC GCAP Eurobonds and operating costs of running the holding company, capital allocations to its portfolio companies, buyback program and Loan commitment to Renewable energy business as part of the completion of Water utility sale transaction (described below). The liquidity outlook also assumes dividend income from the defensive businesses of the group (healthcare, pharmacy, renewable business and insurance) and Bank of Georgia Group PLC. Capital allocations are assumed in relation to investment stage companies (Renewable Energy and Education).

On 2 February 2022 the JSC GCAP completed first stage in the proposed two-stage transaction, disposal of controlling interest in Georgia Global Utilities JSC ("GGU") to FCC Aqualia for USD 180 million. Sale proceeds have been received on 2 February 2022. The Group has a policy to maintain USD 50 million liquid assets buffer at all times (note 17). USD 6.7 million transaction related costs will be paid out of the proceeds in first quarter 2022. At the second stage of the transaction, which is anticipated to occur in the third quarter of 2022, GCAP will be issuing USD 95.4 million loan to the Renewable energy business in order to fund the redemption of Green Eurobonds held by GGU. This funding amount represents the pro-rata share of the Green Eurobonds which the Group is required to fund in accordance with the requirements of the Sale and Purchase Agreement. Initially upon receipt, the USD 180 million (GEL 548 million) proceeds will be held as cash and liquid assets, and will be invested in high yielding deposits of Georgian Banks and in debt securities, pending a review by Board to determine the appropriate investment, deleveraging and capital return policies in the light of the prevailing economic outlook, the share price and discount to net asset value, and investment opportunities available at the time. However due to war in Ukraine and related political uncertainties, board review will be delayed until there is a clarity over the current situation and its impact on Georgian and regional economy.

War in Ukraine started on 24 February 2022, which lead to a severe sanction imposed to Russia and significant deterioration of Russian rubble. It is expected that the war may lead to a negative impact on the Georgian economic growth in 2022. As the war is still waging, it is impossible to reliably assess the impact this may have on the Company's business as there is uncertainty over the magnitude of the impact on the economy in general. None of the portfolio companies are materially exposed to Russian, Belorussian or Ukrainian markets, except for Wine business, however due to the size of the wine business it is not expected to be material overall for GCAP and its liquidity outlook. GCAP's exposure on liquid funds such as debt securities issued by affected countries, are not material.

A large part of Georgia Capital's portfolio is concentrated across defensive countercyclical sectors: healthcare, pharmacy distribution and insurance businesses. Georgia Capital has an adequate liquidity position as at 31 December 2021.
Management is also satisfied that Georgia Capital's liquidity forecast is comprehensive considering the continuing coronavirus risk. GCAP's liquidity levels remain robust, aided by a strong dividend income outlook from the private portfolio companies and also from Bank of Georgia Group PLC. As a result, in August 2021 the Board approved a USD10 million share buyback and cancellation programme. In January 2022, the Board approved an increase in the ongoing buyback and cancellation programme of an additional USD 5 million in January 2022 and USD 5 million in March 2022. Share buybacks are made on GCAP PLC level, the transactions are funded through capital remittances from JSC GCAP. The programme continues for the twelve month period beginning 10 August 2021, respective cash flows are incorporated in the going concern assessment of the Group.

The Group has been increasingly assessing climate related risk and opportunities that may be present to the Group. During the going concern period no significant risk has been associated to the Group that would materially impact its ability to generate sufficient cash and continue as going concern.

In addition to the base case scenario described above, a further downside assessment has been prepared, which demonstrates that, even in a stressed scenario which assumes no dividend inflows and only partial loan repayments from the portfolio businesses that have been most negatively affected by the COVID-19 whilst retaining forecast capital allocations, the existing cash and highly liquid debt investment securities, including USD 180 million (GEL 548 million) cash proceeds of GGU sale received on 2 February 2022 will be sufficient to cover the expected cash outflows of the holding companies (GCAP PLC and JSC GCAP) for the Going Concern review period. Further, to the loan commitment to Renewable energy business described above, Georgia Capital does not have any formal capital or debt commitments to its portfolio companies, with exception to an EUR 16 million (31 December 2020: EUR 18 million) financial guarantee issued to a portfolio company. Management has assessed the probability of this guarantee being exercised as remote and has excluded it in the overall assessment accordingly (note 20). Georgia Capital does not have a primary mandate to deploy funds or divest assets within a specific time frame.

Based on the considerations outlined above, management of Georgia Capital concluded that going concern basis of preparation remains appropriate for these financial statements.

(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 2021 and 31 December 2020 are as follows:

Subsidiaries	*Proportion of voting rights and ordinary share capital held* 31 December 2021	31 December 2020	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 Skyline, LLC*	100.00%	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	24/7/2015	–
⇒ 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	82 Shalva Nutsubidze Str., Tbilisi, Georgia	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 at Nutsubidze 2, LLC (formerly 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	–
⇒ m2 at Hippodrome, LLC	100.00%	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	6/7/2015	–
⇒ 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 Skyline, LLC*	100.00%	100.00%	Georgia	3 Maro Makashvili st., Tbilisi	Real estate	24/7/2015	–
⇒ 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	82 Shalva Nutsubidze Str., Tbilisi, Georgia	Real estate	21/5/2013	–
⇒ m2 at Chavchavadze, LLC*	100.00%	100.00%	Georgia	50 I. Chavchavadze Ave., Tbilisi	Real estate	5/9/2016	–
⇒ Optima, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	3/8/2016	–
⇒ BK Construction, LLC	-	50.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Construction	18/5/2017	2/6/2017
⇒ BK Production, LLC	-	50.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Construction	27/6/2019	–
⇒ m2 Maintenance, LLC	100.00%	-	Georgia	Kazbegi street 15, Tbilisi Georgia	Real estate	20/7/2021	–
⇒ m2 at Mtatsminda Park, LLC	100.00%	-	Georgia	10 Givi Kartozia st., Tbilisi	Real estate	31/12/2021	–
⇒ Georgia Real Estate Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Hospitality	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 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	–
⇒ m2 Mtatsminda, LLC	100.00%	100.00%	Georgia	22 Zaal Dumbadze st., Tbilisi	Hospitality	16/10/2014	26/12/2017
⇒ Georgia Property Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Commercial assets	4/10/2018	–
⇒ Vere Real Estate, LLC	100.00%	100.00%	Georgia	10 Givi Kartozia st., Tbilisi	Commercial assets	4/3/2010	6/8/2018
⇒ Caucasus Autohouse, LLC	100.00%	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Commercial assets	29/3/2011	–
⇒ Georgia Hotels Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Hospitality	16/12/2019	–
⇒ m2, LLC	100.00%	100.00%	Georgia	29 Ilia chavchavadze Ave., Tbilisi, 0105	Hospitality / Real estate	12/2/2014	–
⇒ m2 Kutaisi, LLC	100.00%	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Hospitality	17/5/2017	–
⇒ m2 at Melikishvili, LLC	100.00%	100.00%	Georgia	10 Melikishvili ave., Tbilisi	Hospitality	17/5/2017	–
⇒ Melikishvili Hotel Property, LLC	100.00%	-	Georgia	10 Melikishvili ave., Tbilisi	Hospitality	3/2/2021	–
⇒ m2 Zugdidi, LLC	100.00%	100.00%	Georgia	80 Aghmashenebeli ave., Tbilisi, 0102	Hospitality	7/11/2018	–
⇒ Georgia Commercial Assets, LLC	100.00%	100.00%	Georgia	Kazbegi street 15, Tbilisi Georgia	Commercial assets	23/12/2020	–
⇒ Georgia Hospitality Management Group, LLC	100.00%	100.00%	Georgia	Kazbegi street 3-5, Tbilisi Georgia	Hospitality	22/8/2018	–
⇒ Georgia Real Estate Management Group Gudauri, LLC	100.00%	100.00%	Georgia	Georgia, Dusheti region, village Seturebi	Hospitality	12/5/2019	–
⇒ JSC Georgian Renewable Power Company	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	15/9/2015	–
⇒ JSC Geohydro	-	85.00%	Georgia	79 D.Agmashenebeli Ave, Tbilisi, 0102	Renewable Energy	11/10/2013	–
⇒ JSC Zoti Hydro	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	20/8/2015	–
⇒ JSC Caucasus Wind Company (formerly JSC Caucasian Wind Company)	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	14/9/2016	–
⇒ JSC Caucasus Solar Company (formerly JSC Caucasian Solar Company)	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	27/10/2016	–
⇒ Bakhvi 2, LLC	-	95.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Renewable Energy	22/10/2015	8/23/2019
⇒ Racha Hydro, LLC	-	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	–

(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 2021	31 December 2020	*Country of incorporation*	*Address*	*Industry*	*Date of incorporation*	*Date of acquisition*
⇒ 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	66A, David Aghmashenebeli Alley, Tbilisi	Insurance	11/8/1998	–
⇒ JSC Insurance Company Tao	100.00%	100.00%	Georgia	66A, David Aghmashenebeli Alley, Tbilisi	Insurance	22/8/2007	1/5/2015
⇒ Aliance, LLC	100.00%	100.00%	Georgia	20, Chavchavadze ave., floor 2, Vake-Saburtalo, Tbilisi	Various	1/8/1998	30/4/2012
⇒ Auto Way LLC	100.00%	100.00%	Georgia	20, Chavchavadze ave., Vake, Tbilisi	Various	27/12/2010	30/4/2012
⇒ JSC Carfest	75.00%	75.00%	Georgia	20, Chavchavadze ave., Vake, 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
⇒ JSC GreenWash (formerly GreenWash, LLC)	75.00%	75.00%	Georgia	142, Akaki Beliashvili str, Tbilisi, Georgia	Car Wash	31/8/2018	–
⇒ Georgia Healthcare Group Limited (formerly GHG PLC)	100.00%	100.00%	United Kingdom	84 Brook Street, London, W1K 5EH	Healthcare	27/8/2015	28/8/2015
⇒ JSC Georgia Healthcare Group	100.00%	100.00%	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 Iverta	100.00%	-	Georgia	A. Beliashvili str. 142, Tbilisi, Georgia	Pharmacy and Distribution	17/2/2021	–
⇒ AKG AVELIN QAN DEGHATUN, LLC (Armenia)	100.00%	-	Armenia	26/1 Vazgen Sargsyan Street, /Office 412/ Yerevan 0010, Armenia	Pharmacy and Distribution	28/6/2019	–
⇒ JSC Georgian Logistics	100.00%	-	Georgia	A. Beliashvili str. 142, Tbilisi, Georgia	Other	8/10/2021	–
⇒ AZPHA LLC (Azerbaijan)	100.00%	-	Azerbaijan	Azerbaijan, Baku, Sabunchu District, Bakikhanovi area, 131, A. Ahgaievi Street, Apartment 43	Pharmacy and Distribution	17/9/2021	–
⇒ Euroline LLC	100.00%	-	Georgia	Stanislavski str. 5, Tbilisi, Georgia	Other	24/11/2021	14/12/2015
⇒ 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	11/6/2015
⇒ JSC Pediatry	100.00%	100.00%	Georgia	U. Chkeidze str. 10, Tbilisi, Georgia	Healthcare	5/9/2003	6/7/2016
⇒ JSC Kutaisi Regional Mother and Infant Treatment-Diagnostic Centre (formerly 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
⇒ West Georgia Medical Center, LLC(formerly LL Academician Z. Tskhakaia National Centre of Intervention Medicine of Western Georgia)	67.00%	67.00%	Georgia	A Djavakhishvili str. 83A, Kutaisi, Georgia	Healthcare	9/12/2011	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	#6 Building, #13/6 Lubliana str. Tbilisi, Georgia.	Healthcare	18/6/2013	8/5/2015
⇒ N(NL)E Blood Center	100.00%	-	Georgia	Javakhishvili str. N85/ Javakhishvili str. N83A, Kutaisi, Georgia	Healthcare	23/12/2021	–
⇒ 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	9/12/2011
⇒ LLC Aliance Med	100.00%	100.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	7/7/2015	20/7/2017
⇒ JSC Polyclinic Vere	98.35%	97.80%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	22/11/2015	25/12/2017
⇒ New Dent, LLC	75.00%	75.00%	Georgia	142, A. Beliashvili str, Tbilisi	Healthcare	24/12/2018	–
⇒ JSC Mega-Lab	92.00%	92.00%	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	6/6/2017	–
⇒ LLC Patgeo-Union of Pathologists (formerly JSC Patgeo)	100.00%	100.00%	Georgia	Mukhiani, II mcr. District, Building 22, 1a, Tbilisi	Healthcare	13/1/2010	27/9/2016
⇒ Scientific- Research Center - Mega-Lab N(N)LE	100.00%	-	Georgia	Petre Kavtaradze str. 23, Tbilisi	Healthcare	25/5/2021	–
⇒ JSC Vabaco	67.00%	67.00%	Georgia	Bochorishvili str. 37, Tbilisi, Georgia	Software Development	9/9/2013	28/9/2018
⇒ JSC Ekimo	67.00%	-	Georgia	A. Tsereteli ave. 123, Tbilisi, Georgia	Other	14/12/2021	
⇒ Dart, LLC	100.00%	-	Georgia	A. Beliashvili str. 142, Tbilisi, Georgia	Other	14/6/2021	–
⇒ JSC Georgian Global Utilities (formerly Georgian Global Utilities, LLC)	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	22/01/2020	31/12/2014
⇒ Georgian Water and Power, LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	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	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	20/12/1999	31/12/2014
⇒ Georgian Engineering and Management Company (GEMC), LLC	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	Utilities	20/03/2011	31/12/2014
⇒ JSC Saguramo Energy	100.00%	100.00%	Georgia	10 Medea (Mzia) Jugheli st, Tbilisi, 0179	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

(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 2021	31 December 2020	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
⇒ 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%	87.39%	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
⇒ Teliani Europe GmbH	100.00%	-	Germany	Kurfürstendamm 195 10707 Berlin	Distribution	15/6/2021	–
⇒ 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	–
⇒ Amboli, LLC	90.00%	90.00%	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
⇒ Redberry International, LLC	100.00%	-	Georgia	Mtskheta str, 13a, Tbilisi, Georgia	Digital Services	13/5/2021	–
⇒ Lunchoba, LLC	60.00%	60.00%	Georgia	22 Nutsubidze IV Micro-district, Tbilisi	Catering Services	8/10/2018	–
⇒ Shabatoba, LLC	100.00%	100.00%	Georgia	8 Zurab Sakandelidze st, Tbilisi, Georgia	Delivery Services	2/6/2020	–
⇒ JSC Carfest	25.00%	25.00%	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	–
⇒ 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	–
⇒ JSC Green School Real Estate	100.00%	-	Georgia	8a Petre Melikishvili Ave, Tbilisi, 0179	Education	5/1/2019	–
⇒ 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
⇒ Modern Schoool, LLC	90.00%	-	Georgia	N, Khudadovi str. 1b, Tbilisi, Georgia	Education	18/8/2021	–
⇒ Georgian-Austrian School Pesvebi, LLC	90.00%	-	Georgia	D. Tavdadebuli str. 6, Tbilisi, Georgia	Education	27/9/1995	20/8/2021
⇒ 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	–
⇒ British Georgian Academy - Okrokana, LLC	100.00%	-	Georgia	17, Leo Kvachadze str, Tbilisi	Education	16/9/2021	–
⇒ JSC Liberty Consumer	77.23%	77.23%	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%	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 2021	31 December 2020	Country of incorporation	Address	Industry	Date of incorporation	Date of acquisition
Ytong Capital, LLC	-	28.90%	Georgia	15, Kipshidze str, Tbilisi, Georgia	Production	6/3/2015	30/10/2019
JSC Isani Parki	-	6.00%	Georgia	Kakheti Highway, Isani, Tbilisi	Real estate	18/12/2017	–
Squadro, LLC	12.00%	-	Georgia	Kostava street #74, Tbilisi, Georgia	Software Service	2/3/2021	27/8/2021
N(NL)E Georgian Medical Tourism Council	28.60%	28.60%	Georgia	I-II floor, house N10, N 13, b. N1 almond Gardens Street, tskneti, Vake district, Tbilisi	Healthcare	16/5/2019	–
JSC Diflex	40.00%	-	Georgia	Shalikashvili str. 8, Tbilisi, Gegia	Software Development	11/12/2021	29/12/2016
NPO Healthcare Association	25.00%	25.00%	Georgia	Vazha-Pshavela Ave. 27b, Tbilisi, Georgia	Healthcare	25/3/2016	–
Complex-Med-Service, LLC	20.00%	-	Georgia	Tsinandali sts. 9, Tbilisi, Georgia	Healthcare	30/7/2021	18/11/2008
Insurance Informational Bureau, LLC	22.50%	22.50%	Georgia	Baratashvili bridge underground crossing, Mtkvari Left Bank, Old Tbilisi, Tbilisi	Insurance	23/7/2008	–

** As of 31 December 2021 subsidiary of m2 at Hippodrome, LLC (31 December 2020: subsidiary of m2 Development, LLC)*

(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:

Fair value measurement

The Group measures investments in subsidiaries and other financial instruments, such as debt securities owned, equity investments and derivatives, if any, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 18.

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.

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.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Initial recognition (continued)

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 under IFRS 9:
- 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.

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 marketable securities owned.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Investments in subsidiaries are classified at fair value through profit or loss. Derivatives and 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 investments in subsidiaries and associates.

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

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.

3. Summary of Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial liabilities

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

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

Financial liabilities

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

All financial liabilities, 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.

3. Summary of Significant Accounting Policies (continued)

Share-based payment transactions

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

Equity-settled transactions

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

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

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

Where the Group purchases Georgia Capital's shares, 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 2021 and 31 December 2020 were as follows:

	Lari to GBP	***Lari to USD***	***Lari to EUR***
31 December 2021	4.1737	3.0976	3.5040
31 December 2020	4.4529	3.2766	4.0233

(Thousands of Georgian Lari)

3. Summary of Significant Accounting Policies (continued)

Adoption of new or revised standards and interpretations

The following interpretations and amendments that became effective for the annual reporting period ending on 31 December 2021 did not have any impact on the financial statements of the Group:

Amendments IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 39: Interest Rate Benchmark Reform

Amendments to IFRS 16 Covid-19 Related Rent Concessions

Standards issued but not yet effective

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

Amendments to IFRS 3: Reference to the Conceptual Framework
Amendments to IAS 1: Classification of Liabilities as Current or Non-current
Amendments to IAS 1: Disclosure of Accounting Policies
Amendments to IAS 8: Definition of Accounting Estimates
Amendments to IAS 12: Deferred tax on leases and decommissioning obligations
Amendments to IAS 16: Proceeds before Intended Use
Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
IFRS 17: Insurance Contracts

Annual Improvements 2018-2020 Cycle (issued in May 2020)

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

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 Georgia Capital 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 2021, Georgia Capital 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 disposal of water utility and commercial businesses.

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 18. 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 18.

5. Segment Information

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.

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following table presents the net asst value (NAV) statement of the Group's operating segments at 31 December 2021 and the roll-forward from 31 December 2020:

	31 December 2020	*1. Value Creation*	*2a. Investments*	*2b. Buybacks*	*2c. Dividends*	*3. Operating Expenses*	*4. Liquidity Management/ FX / Other*	*31 December 2021*
Listed Portfolio Companies	**531,558**	**164,109**	**-**	**-**	**(14,481)**	**-**	**-**	**681,186**
BoG	531,558	164,109	-	-	(14,481)	-	-	681,186
Private Portfolio Companies	**2,376,130**	**592,327**	**18,296**	**-**	**(59,881)**	**-**	**8,173**	**2,935,045**
Large Portfolio Companies	**1,858,237**	**583,852**	**-**	**-**	**(39,881)**	**-**	**5,056**	**2,407,264**
Healthcare Services	571,656	171,708	-	-	(11,545)	-	-	731,819
Retail (Pharmacy)	552,745	169,100	-	-	(11,460)	-	-	710,385
Water Utility	471,148	221,179	-	-	-	-	4,633	696,960
Insurance (P&C and Medical)	262,688	21,865	-	-	(16,876)	-	423	268,100
Of which, P&C Insurance	*197,806*	*28,157*	-	-	*(14,881)*	-	*423*	*211,505*
Of which, Health Insurance	*64,882*	*(6,292)*	-	-	*(1,995)*	-	-	*56,595*
Investment Stage Portfolio Companies	**302,964**	**1,632**	**17,415**	**-**	**(20,000)**	**-**	**1,125**	**303,136**
Renewable energy	209,902	(21,463)	3,724	-	(20,000)	-	1,125	173,288
Education	93,062	23,095	13,691	-	-	-	-	129,848
Other Portfolio Companies	**214,929**	**6,843**	**881**	**-**	**-**	**-**	**1,992**	**224,645**
Total Portfolio Value	**2,907,688**	**756,436**	**18,296**	**-**	**(74,362)**	**-**	**8,173**	**3,616,231**
Net Debt	**(694,398)**	**-**	**(18,296)**	**(3,004)**	**74,362**	**(28,337)**	**(65,185)**	**(734,858)**
Net Asset Value	**2,213,290**	**756,436**	**-**	**(3,004)**	**-**	**(28,337)**	**(57,012)**	**2,881,373**

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following table presents the NAV statement of the Group's operating segments at 31 December 2020 and the roll forward from 31 December 2019:

	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 in 2020, which was further contributed to the equity of JSC GCAP. Refer to note 12.; 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 in 2020; 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 financial statements:

	31 December 2021		
	JSC Georgia Capital	***Reclassifications****	***NAV Statement***
Cash and cash equivalents	89,714	(89,714)	-
Amounts due from credit institutions	35,667	(35,667)	-
Marketable securities	79,716	(79,716)	-
Investment in redeemable securities	17,849	(17,849)	
Accounts receivable	96	(96)	-
Prepayments	680	(680)	-
Loans issued	154,214	(154,214)	-
Property and equipment	410	(410)	-
Intangible assets	84	(84)	-
Other assets, net	7,205	(7,205)	-
Equity investments at fair value	3,616,231	-	3,616,231
Total assets	**4,001,866**	**(385,635)**	**3,616,231**
Accounts payable	839	(839)	-
Debt securities issued	1,095,433	(1,095,433)	-
Other liabilities	24,221	(24,221)	-
Total liabilities	**1,120,493**	**(1,120,493)**	**-**
Net Debt	-	(734,858)	(734,858)
Total equity/NAV	**2,881,373**	**-**	**2,881,373**

	31 December 2020		
	JSC Georgia Capital	***Reclassifications****	***NAV Statement***
Cash and cash equivalents	117,026	(117,026)	-
Amounts due from credit institutions	42,655	(42,655)	-
Marketable securities	13,416	(13,416)	-
Accounts receivable	117	(117)	-
Prepayments	588	(588)	-
Loans issued	108,983	(108,983)	-
Property and equipment	449	(449)	-
Intangible assets	99	(99)	-
Other assets, net	6,023	(6,023)	-
Equity investments at fair value	2,907,688	-	2,907,688
Total assets	**3,197,044**	**(289,356)**	**2,907,688**
Accounts payable	531	(531)	-
Debt securities issued	980,932	(980,932)	-
Other liabilities	2,291	(2,291)	-
Total liabilities	**983,754**	**(983,754)**	**-**
Net Debt	-	(694,398)	(694,398)
Total equity/NAV	**2,213,290**	**-**	**2,213,290**

** Reclassifications to aggregated balances to arrive at NAV specific presentation, such as aggregating GCAP net debt*

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following table presents income statement information of the Group's operating segments for the year ended 31 December 2021:

		Private Portfolio Companies				
	Listed Portfolio Companies	***Large***	***Investment Stage***	***Other***	***Corporate Center***	***Total***
Gains/(losses) on investments at fair value	149,628	543,971	(18,368)	6,843	-	682,074
Listed Equity Investments	*149,628*	-	-	-	-	*149,628*
Private Investments	-	*543,971*	*(18,368)*	*6,843*		*532,446*
Dividend income	*14,481*	39,881	20,000	-	-	74,362
Transaction costs	-	-	-	-	(19,058)	(19,058)
Interest income	-	-	-	-	22,154	22,154
Net losses from investment securities measured at FVPL	-	-	-	-	(1,611)	(1,611)
Net realised gains from investment securities measured at FVOCI	-	-	-	-	91	91
Other income	-	-	-	-	56	56
Gross investment profit	**164,109**	**583,852**	**1,632**	**6,843**	**1,632**	**758,068**
Administrative expenses	-	-	-	-	(5,357)	(5,357)
Salaries and other employee benefits	-	-	-	-	(22,413)	(22,413)
Depreciation and amortisation	-	-	-	-	(567)	(567)
Interest expense	-	-	-	-	(76,406)	(76,406)
Profit/(loss) before provisions, foreign exchange and non-recurring items	**164,109**	**583,852**	**1,632**	**6,843**	**(103,111)**	**653,325**
Expected credit loss	-	-	-	-	(96)	(96)
Net foreign currency gain	-	-	-	-	39,933	39,933
Non-recurring expense	-	-	-	-	(785)	(785)
Profit/(loss) before income taxes	**164,109**	**583,852**	**1,632**	**6,843**	**(64,059)**	**692,377**
Income tax	-	-	-	-	-	-
Profit/(loss) for the year	**164,109**	**583,852**	**1,632**	**6,843**	**(64,059)**	**692,377**

(Thousands of Georgian Lari)

5. Segment Information (continued)

The following table presents income statement information of the Group's operating segments 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**
Expected credit loss reversal	-	-	-	-	(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 year	**(261,524)**	**859,545**	**98,730**	**(217,266)**	**(161,180)**	**1,618**	**319,923**

(Thousands of Georgian Lari)

6. Cash and Cash Equivalents

	31 December 2021	*31 December 2020*
Current accounts with financial institutions	52,542	105,185
Time deposits with financial institutions with maturities of up to 90 days	37,173	11,851
Cash and cash equivalents	**89,715**	**117,036**
Allowance (Note 14)	(1)	(10)
Cash and cash equivalents, Net	**89,714**	**117,026**

7. Amounts Due from Credit Institutions

	31 December 2021	*31 December 2020*
Time deposits with maturities of more than 90 days	35,818	42,989
Amounts due from credit institutions, Gross	**35,818**	**42,989**
Allowance (Note 14)	(151)	(334)
Amounts due from credit institutions, Net	**35,667**	**42,655**

8. Marketable Securities and Investment in Redeemable Shares

	31 December 2021	*31 December 2020*
Internationally listed marketable securities (FVPL)	37,747	12,649
Internationally listed marketable securities (FVOCI)	39,447	112
Locally listed marketable securities (FVPL)	-	655
Locally listed marketable securities (FVOCI)	2,522	-
Marketable Securities	**79,716**	**13,416**

Investment in redeemable shares

In August 2021 a 100% owned portfolio company of Georgia Capital, JSC Insurance Company Aldagi (P&C Insurance), issued 6 million preference shares. 100% of preference shares were subscribed by Georgia Capital at the price of USD 6 million (GEL 18.6 million). The proceeds from preference shares are invested by JSC Insurance Company Aldagi in a fund that invest in fixed income securities. Preference shares are mandatorily redeemable by JSC Insurance Company Aldagi upon redemption of the underlying fund shares. Redemption amount for preferred shares is equal to proceeds from underlying fund shares subject to certain adjustments. As at 31 December 2021 the fair value of the investment was GEL 17,849 presented as investment in redeemable shares in the consolidated statement of financial position.

9. Loans Issued

	31 December 2021	*31 December 2020*
Loans to subsidiaries (FVPL)	154,214	108,983
Loans issued, Net	**154,214**	**108,983**

As at 31 December 2021 and Loans to subsidiaries are denominated in GEL, USD and EUR (2020: GEL and USD), carry interest rates from 5.5% to 16% (2020: 9% to 16%), with average remaining terms of maturity of 1.9 years (2020: 2 years).

(Thousands of Georgian Lari)

10. Equity Investments at Fair Value

	31 December 2020	*Value Change*	*Dividends*	*Total gains / (Losses) on investments at fair value*	*Investments**	*Other***	*31 December 2021*
Listed Portfolio Companies	**531,558**	**164,109**	**(14,481)**	**149,628**	**-**	**-**	**681,186**
BoG	*531,558*	*164,109*	*(14,481)*	*149,628*	*-*	*-*	*681,186*
Private Portfolio Companies	**2,376,130**	**592,327**	**(59,881)**	**532,446**	**18,296**	**8,173**	**2,935,045**
Large Portfolio Companies	**1,858,237**	**583,852**	**(39,881)**	**543,971**	**-**	**5,056**	**2,407,264**
Healthcare Services	*571,656*	*171,708*	*(11,545)*	*160,163*	*-*	*-*	*731,819*
Retail (Pharmacy)	*552,745*	*169,100*	*(11,460)*	*157,640*	*-*	*-*	*710,385*
Water utility	*471,148*	*221,179*	*-*	*221,179*	*-*	*4,633*	*696,960*
Insurance (P&C and Medical)	*262,688*	*21,865*	*(16,876)*	*4,989*	*-*	*423*	*268,100*
Of which, P&C Insurance	*197,806*	*28,157*	*(14,881)*	*13,276*	*-*	*423*	*211,505*
Of which, Health Insurance	*64,882*	*(6,292)*	*(1,995)*	*(8,287)*	*-*	*-*	*56,595*
Investment Stage Portfolio Companies	**302,964**	**1,632**	**(20,000)**	**(18,368)**	**17,415**	**1,125**	**303,136**
Renewable Energy	*209,902*	*(21,463)*	*(20,000)*	*(41,463)*	*3,724*	*1,125*	*173,288*
Education	*93,062*	*23,095*	*-*	*23,095*	*13,691*	*-*	*129,848*
Other Portfolio Companies	**214,929**	**6,843**	**-**	**6,843**	**881**	**1,992**	**224,645**
Equity investments at fair value	**2,907,688**	**756,436**	**(74,362)**	**682,074**	**18,296**	**8,173**	**3,616,231**

	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 18,296 for the year ended 2021, GEL 57,148 for the year ended 2020), with the exception of investment in GHG PLC made by GCAP PLC in 2020, which was further contributed to the equity of JSC GCAP (note 12).

** Other investments in portfolio companies

(Thousands of Georgian Lari)

11. Debt Securities Issued

Debt securities issued comprise:

	31 December 2021	*31 December 2020*
USD denominated Eurobonds	1,095,433	980,932
Debt securities issued	**1,095,433**	**980,932**

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.

On 16 March 2021, Georgia Capital placed USD 65,000 (GEL 215,826) tap issue, which was consolidated and forms a single series with the Notes. From the tap issue, notes with par value of USD 4,154 (GEL 13,809) were repurchased by Georgia Capital at the issue date. Cash proceeds from the tap issue, net of fees paid, was GEL 212,725.

During 2021, Georgia Capital reissued the notes held in treasury for total consideration of GEL nil (2020: GEL 4,483) and repurchased own Eurobonds Issued for total consideration of GEL 41,575.

Changes in liabilities arising from financing activities

	Debt securities	Lease liabilities
Carrying amount at 31 December 2019	**825,952**	**630**
Cash proceeds	29,830	-
Cash repayments	-	(430)
Foreign currency translation	116,736	71
Other*	8,414	2
Carrying amount at 31 December 2020	**980,932**	**273**
Cash proceeds	212,725	-
Additions	-	1,100
Redemption and buyback / Cash repayments	(41,575)	(460)
Foreign currency translation	(68,170)	(64)
Other*	11,521	(26)
Carrying amount at 31 December 2021	**1,095,433**	**823**

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

12. Equity

Share capital

As at 31 December 2021 issued share capital comprised 13,285,616 authorised common shares (2020: 13,390,989), of which 13,285,616 were fully paid (2020: 13,390,989). 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 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**
Capital Reduction	(105,373)	(105)
31 December 2021	**13,285,616**	**13,286**

(Thousands of Georgian Lari)

12. Equity (continued)

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 2021 JSC GCAP bought back from its Parent 105,373 (2020: 298,917) own shares for total consideration of GEL 21,679 (2020: GEL 22,346) (of which cash consideration amounted to GEL 21,679 (2020: GEL 21,180)). All of the repurchased ordinary shares were cancelled. GEL 21,574 (2020: GEL 22,047) difference between GEL 105 (2020: 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 (2020: 837) JSC Georgia Capital shares and GEL 103 (2020: 103) shares of Georgia Capital PLC (shareholder) repurchased as a result of management compensation scheme, which are considered as treasury shares for the Group.

In 2021, the Group acquired treasury shares in connection to its share-based compensation plans for total consideration of GEL 6,963 (2020: GEL 4,206).

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

	2021	*2020*
Equity compensation plan costs	(14,040)	(12,035)
Salaries and bonuses	(8,373)	(7,105)
Salaries and other employee benefits	**(22,413)**	**(19,140)**

General and administrative expenses	*2021*	*2020*
Legal and other professional services	(2,432)	(2,290)
Insurance	(1,286)	(933)
Operating taxes	(346)	(282)
Repair and maintenance	(131)	(114)
Office supplies	(118)	(82)
Corporate hospitality and entertainment	(100)	(116)
Personnel training and recruitment	(96)	(88)
Communication	(73)	(77)
Occupancy and rent	(46)	(17)
Security	(30)	(29)
Travel expenses	(29)	(123)
Banking services	(12)	(13)
Other	(658)	(521)
General and administrative expenses	**(5,357)**	**(4,685)**

(Thousands of Georgian Lari)

14. 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 2021	*Amounts due from credit institutions 2021*	*Marketable Securities 2021*	*Total 2021*
At 1 January	**10**	**334**	**-**	**344**
(Reversal) Charge	(9)	(183)	288	96
At 31 December	**1**	**151**	**288**	**440**

	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**
Charge(Reversal)	9	334	(195)	(34)	114
At 31 December	**10**	**334**	**-**	**-**	**344**

For 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.

15. Net Non-recurring Items

As at 31 December 2021 non-recurring expenses consist of various one-off costs in the amount of GEL 785.

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

	2020
Key management personnel termination benefits (note 20)	(3,389)
Net non-recurring items	**(3,389)**

16. 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.

(Thousands of Georgian Lari)

16. Share-based Payments (continued)

In 2018 the Group set up Executive Equity Compensation Trustee – Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Group's Executives' Equity Compensation Plan ("EECP"). In 2021 the Trustee has repurchased 119,162 (2020: 173,076) shares. Trustee is considered as an extension of the Company rather than as a separate entity.

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, 2021 and 2020 information includes management's compensation at only Georgia Capital JSC.

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:

	2021	*2020*
Shares outstanding at 1 January	**1,799,035**	**1,951,400**
Granted during the year	348,434	224,200
Forfeited during the year	-	(110,429)
Vested during the year	(206,681)	(266,136)
Shares outstanding at 31 December	**1,940,788**	**1,799,035**

In addition to Executives' Equity Compensation Plan, the Group grants shares of the parent to the employees of the Group. Number of shares granted and vested during 2021 amounted to 162,417 (2020: 106,731) and 57,944 (2020: 22,367) respectively.

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2021 was 2.1 years (2020: 3 years).

The weighted average fair value of shares granted during the year was GEL 24 (2020: GEL 29.6). The weighted average fair value of shares forfeited and vested was GEL 24 (2020: 23.2).

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:

	2021	*2020*
Increase in equity arising from equity-settled share-based payments	18,452	18,461
Expense arising from equity-settled transactions	14,548	15,000

17. 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.

17. Risk Management (continued)

Introduction (continued)

Risk management structure

Audit and Valuation Committee

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

Investment Committee

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

Management Board

The Management Board of Georgia Capital has overall responsibility for the Group's asset, liability and risk management activities, policies and procedures. 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 may use 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.

(Thousands of Georgian Lari)

17. Risk Management (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Credit terms by debtors, for various portfolio companies are managed and monitored separately, given industry specifics in which respective entities operate.

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 2021			*31 December 2020*		
	BB+ to BB-	***B+ to B-***	***Not graded***	***BB+ to BB-***	***B+ to B-***	***Not graded***
Cash and cash equivalents	75,622	14,092	-	111,983	5,043	-
Amounts due from credit institutions	-	35,667	-	9,997	32,658	-
Marketable securities	28,571	48,623	2,522	3,964	8,797	655
Investment in redeemable securities	-	-	17,849	-	-	-
Loans issued	-	-	154,214	-	-	108,983
Other assets*	-	-	6,268	-	-	5,769
Total	**104,193**	**98,382**	**180,853**	**125,944**	**46,498**	**115,407**

* Non graded Other assets represents fee receivable from guarantee issued to a portfolio company, with nominal amount of GEL 55,297 as at 31 December 2020 (2020: GEL 74,431), refer to note 20.

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 2021 and 2020.

No significant increase in credit risk since initial recognition occurred in respect of the Group's financial assets as at 31 December 2021 and 2020.

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)

17. 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 2021	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Total***
Debt securities issued	33,379	33,379	1,190,061	1,256,819
Accounts payable	839			839
Financial guarantees	55,297	-	-	55,297
Other financial liabilities	17,814	5,980	488	24,282
Total undiscounted financial liabilities	**107,329**	**39,359**	**1,190,549**	**1,337,237**

Financial liabilities 31 December 2020	***Less than 3 months***	***3 to 12 months***	***1 to 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**

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 2021 and 31 December 2020 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***
	2021		***2020***	
EUR	+8.6%	3,532	+15.1%	1,706
USD	+6.4%	(53,050)	+13.0%	(94,540)

17. 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.

Georgia has elaborated climate change strategy. Georgia's 2030 Climate Change Strategy and Action Plan (Climate Change Strategy and Action Plan – CSAP, Climate Action Plan – CAP) are a planning and implementation mechanism for coordinated effort and planning towards meeting the nationally determined targets for climate change mitigation.

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 2021 in the amount of GEL 2,881,373 (2020: GEL 2,213,290). 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)

18. 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 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Marketable securities	30,420	49,296	-	79,716
Investment in redeemable securities	-	-	17,849	17,849
Equity investments at fair value	681,186	696,960	2,238,085	3,616,231
Loans issued	-	-	154,214	154,214
Assets for which fair values are disclosed				
Cash and cash equivalents	-	89,714	-	89,714
Amounts due from credit institutions	-	35,667	-	35,667
Accounts receivable	-	-	96	96
Liabilities for which fair values are disclosed				
Debt securities issued	-	-	1,129,354	1,129,354
Lease liabilities	-	747	-	747

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

During 2021 movements from Level 2 to Level 1 of the fair value hierarchy for marketable securities amounted to GEL 2,892, as the market for the transferred instruments became more liquid.

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. Quoted prices on inactive markets are also observed for bonds and marketable securities. 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.

(Thousands of Georgian Lari)

18. 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 31 December 2020. The independent valuation company has extensive relevant industry and emerging markets experience. Valuation is performed by applying several valuation methods including an income approach based mainly on discounted cash flow and a market approach based mainly on listed peer multiples (the DCF and listed peer multiples approaches applied are substantially identical to those described below for the investment stage and other portfolio companies). The different valuation approaches are weighted to derive a fair value range, with the income approach being more heavily weighted than the market approach. Management selects what is considered to be the 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.

18. 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 (such as real estate) 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.

Exit price

Fair value of a private portfolio company in a sales process, where the price has been agreed but the transaction has not yet settled, is measured at the best estimate of expected proceeds from the transaction, adjusted pro-rata to the proportion of shareholding sold.

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.
- 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.

(Thousands of Georgian Lari)

18. Fair Value Measurement (continued)

Valuation techniques (continued)

Equity Investments in Private Portfolio Companies (continued)

Validation (continued)

- In line with our strategy, from time to time, we may receive offers from interested buyers for our private portfolio companies, which would be considered in the overall valuation assessment, where appropriate.

Valuation process for Level 3 valuations

As noted above, fair values of investments in private companies are assessed externally by an independent third-party valuation firm for large private portfolio companies at the reporting date starting from 31 December 2020 and internally in accordance with Georgia Capital's valuation methodology by the Valuation Workgroup for investment stage and other portfolio companies.
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.

Description of significant unobservable inputs to level 3 valuations

The approach to valuations as of 31 December 2021 was consistent with the Group's valuation process and policy. Management continues to monitor the impact that the COVID-19 pandemic has on the valuation of portfolio companies. In addition, management analyses the impact of climate change on the valuations, such as by incorporation of known effects of climate risks to the future cash flow forecasts or through adjusting peer multiples the known differences in the climate risk exposure as compared to the investment being fair valued. As at 31 December 2021, the management concluded that the effects of the climate risks are reflected in the peer multiples and discount rates used in the valuations as well as in the disclosed fair valuation sensitivities to changes in peer multiples and discount rates and that no specific adjustments are required in relation of the Group's investment portfolio measurement and respective fair value sensitivity disclosures.
The following tables show descriptions of significant unobservable inputs to level 3 valuations of investments in subsidiaries:

31 December 2021

Description	*Valuation technique*	*Unobservable input*	*Range [selected input]*	*Fair value*
Loans Issued	DCF	Discount rate	5.5%-16%	*154,214*
Equity investments at fair value				
Large portfolio				*2,407,264*
Healthcare services	*DCF, EV/EBITDA*	EV/EBITDA multiple	6.9x-22.6x [10.3x]	*731,819*
Retail (Pharmacy)	*DCF, EV/EBITDA*	EV/EBITDA multiple	6.8x-19.9x [9.3x]	*710,385*
Water utility	Exit price	N/A	N/A	*696,960*
P&C insurance	*DCF, P/E*	P/E multiple	8.0x-28.7x [12.0x]	*211,505*
Medical insurance	*DCF, P/E*	P/E multiple	9.7x-16.6x [15.0x]	*56,595*
Investment stage				*303,136*
Renewable energy	Sum of the parts	EV/EBITDA multiple	10.1x-19.6x [9.2x-12.5x]	*173,288*
Education	EV/EBITDA	EV/EBITDA multiple	7.3x-21.7x [12.5x]	*129,848*
Other	Sum of the parts	EV/EBITDA multiples EV/Sales multiple Cashflow probability NAV multiple	1.1x-17.1x [4.8x-9.8x] 1.1x-2.7x [1.9x] [90%-100%] [0.9x]	*224,645*

(Thousands of Georgian Lari)

18. Fair Value Measurement (continued)

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

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-10.0] 1.2x-4.7x [2.4x] [90%-100%] [0.9x]	*214,929*

Georgia Capital hired third-party valuation professionals to assess fair value of the large private portfolio companies as at 31 December 2020 and 31 December 2021 including Water Utility, P&C insurance, Healthcare Services, Retail (Pharmacy) and Medical Insurance. The valuation is performed by applying several valuation methods that are weighted to derive fair value range, with the income approach being more heavily weighted than market approach. Management selects most appropriate point in the provided fair value range at the reporting date. On 31 December 2021, Georgia Capital signed SPA to dispose 80% interest in Water Utility business. Costs related to the transaction were GEL 19,058. At 31 December 2021 Georgia Capital measures its 100% of Water Utility business at the transaction exit price, adjusted for shareholding percentage (2020: measured at a combination of income and market approach by the third party valuation professional). Further details on the transaction are provided in note 21.

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

In order to determine reasonably possible alternative assumptions the Group adjusted key unobservable model inputs. The Group adjusted the inputs used in valuation by increasing and decreasing them 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 2021 decreased by 20% (2020: 20%), the amount of loans issued would have increased by GEL 3,174 or 2.1% (2020: decreased by GEL 1,494 or 1.4%). If the interest rates increased by 20% then loans issued would have decreased by GEL 2,938 or 1.9% (2020: increased by GEL 1,502 or 1.4%).

If the listed peer multiples used in the market approach to value unquoted investments as at 31 December 2021 decreased by 10% (2020: 10%), value of equity investments at fair value would decrease by GEL 110 million or 3% (2020: GEL 117 million or 4%). If the multiple increased by 10% (2020: 10%) then the equity investments at fair value would increase by GEL 121 million or 3% (2020: GEL 117 million or 4%).

(Thousands of Georgian Lari)

18. Fair Value Measurement (continued)

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

If the discount rates used in the income approach to value unquoted investments decreased by 50 basis points (2020: 50 basis points), the value of equity investments at fair value would increase by GEL 90 million or 2% (2020: GEL 91 million or 3%). If the discount rates increased by 50 basis points (2020: 50 basis points) then the equity investments at fair value would decrease by GEL 80 million or 2% (2020: GEL 87 million or 3%). If the discount rate decreased by 100 basis points, the value of equity investments at fair value would increase by GEL 189 million or 5% (31 December 2020: 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 156 million or 4% (31 December 2020: GEL 166 million or 6%).

If the multiple used to value unquoted investments valued on NAV and recent transaction price basis as at 31 December 2021 decreased by 10% (2020: 10%), value of equity investments at fair value would decrease by GEL 7 million or 0.2% (2020: GEL 12 million or 0.4%). If the multiple increased by 10% then the equity investments at fair value would increase by GEL 7 million or 0.2% (2020: GEL 12 million or 0.4%).

As set out in the description of significant unobservable inputs to level 3 valuations the valuations have been prepared on the basis that climate change risks are reflected in the peer multiples and discount rates. Therefore, the sensitivities noted above in respect of peer multiples and discount rates include the risk arising from climate change.

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 statement of financial position. 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 2021	*Fair value 31 December 2021*	*Unrecognised gain (loss) 31 December 2021*	*Carrying value 31 December 2020*	*Fair value 31 December 2020*	*Unrecognised gain (loss) 31 December 2020*
Financial assets						
Cash and cash equivalents	89,714	89,714	-	117,026	117,026	-
Amounts due from credit institutions	35,667	35,667	-	42,655	42,655	-
Financial liabilities						
Lease liabilities	823	747	76	273	264	9
Debt securities issued	1,095,433	1,129,354	(33,921)	980,932	1,001,956	(21,024)
Total unrecognised change in unrealised fair value			**(33,845)**			**(21,015)**

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 2020	*PL movement* realized*	*PL movement* unrealized*	*Investments*	*Other changes***	*Loans issued*	*Loans repaid*	*At 31 December 2021*
Level 3 financial assets								
Loans issued	108,983	5,057	(5,227)	-	(5,057)	52,315	(1,857)	154,214
Equity investments at fair value	2,376,130	59,881	532,446	18,296	(748,668)	-	-	2,238,085

	At 31 December 2019	*PL movement* realized*	*PL movement* unrealized*	*Investments*	*Other changes***	*Derecognition*	*Loans issued*	*Loans repaid*	*At 31 December 2020*
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

(Thousands of Georgian Lari)

** 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). Investment in Water Utility business with fair value of GEL 696,960 as at 31 December 2021 was transferred from Level 3 to Level 2 of fair value hierarchy as it's valuation at that date is based on an observable input being the exit price as per the SPA executed on 31 December 2021. This transfer between levels is also included in other changes column in the table above.*

19. 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 2021			*31 December 2020*		
	Less than 1 Year	***More than 1 Year***	***Total***	***Less than 1 Year***	***More than 1 Year***	***Total***
Cash and cash equivalents	89,714	-	89,714	117,026	-	117,026
Amounts due from credit institutions	35,667	-	35,667	42,655	-	42,655
Marketable securities*	79,716	-	79,716	13,416	-	13,416
Investment in redeemable securities	17,849	-	17,849	-	-	-
Accounts receivable	96	-	96	117	-	117
Prepayments	680	-	680	588	-	588
Loans issued	16,933	137,281	154,214	2,457	106,526	108,983
Property and equipment	-	410	410	-	449	449
Intangible assets	-	84	84	-	99	99
Other assets	104	7,101	7,205	86	5,937	6,023
Equity investments at fair value	557,568	3,058,663	3,616,231	-	2,907,688	2,907,688
Total assets	**798,327**	**3,203,539**	**4,001,866**	**176,345**	**3,020,699**	**3,197,044**
Accounts Payable	839	-	839	531	-	531
Debt securities issued	20,839	1,074,594	1,095,433	18,769	962,163	980,932
Other liabilities	23,421	800	24,221	2,155	136	2,291
Total liabilities	**45,099**	**1,075,394**	**1,120,493**	**21,455**	**962,299**	**983,754**
Net	**753,228**	**2,128,145**	**2,881,373**	**154,890**	**2,058,400**	**2,213,290**

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

(Thousands of Georgian Lari)

20. 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 2021		*31 December 2020*	
	*Management**	*Subsidiaries***	*Management**	*Subsidiaries***
Assets				
Marketable securities	-	18,499	-	1,343
Investment in redeemable securities (note 8)	-	17,849	-	-
Prepayments	-	563	-	457
Loans issued	-	154,214	-	108,983
Other assets	-	6,268	-	5,769
	-	**197,393**	**-**	**116,552**
Liabilities				
Debt securities issued	5,272	-	4,915	-
Financial guarantees provided (notional value)	-	55,297	-	74,431
Other liabilities	-	699	-	88
	5,272	**55,996**	**4,915**	**74,519**

	31 December 2021		*31 December 2020*	
	*Management**	*Subsidiaries***	*Management**	*Subsidiaries***
Income and expenses				
Dividend income	-	74,362	-	29,870
Administrative expenses	-	(1,286)	-	(933)
Interest income	-	12,956	-	11,504
Other interest income	-	1,356	-	1,369
Interest expense	(336)	(43)	(296)	(19)
	(336)	**87,345**	**(296)**	**41,791**

** Management of JSC Georgia Capital consist of 4 executives and 6 members of supervisory board (2020: 3 executives and 6 members of supervisory board).*
*** Subsidiaries comprise of investees of JSC Georgia Capital.*

Compensation of key management personnel comprised the following:

	31 December 2021	**31 December 2020**
Salaries and other benefits	(2,566)	(2,618)
Share-based payments compensation	(11,115)	(10,242)
Non-recurring expense*	-	(3,389)
Total key management compensation	**(13,681)**	**(16,249)**

*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 2021 was 10 (2020: 9).

21. Events after Reporting Period

Completion of first stage of disposal of Water Utility business

On 2 February 2022 JSC Georgia Capital completed first stage in the proposed two-stage transaction, disposal of controlling interest in Georgia Global Utilities JSC ("GGU") to FCC Aqualia for USD 180 million (GEL 548 million). The full sale proceeds have been received on 2 February 2022.

This first stage represents the initial disposal of a 65% equity interest in GGU to Aqualia for USD 180 million (GEL 548 million), representing an 80% economic interest in the water utility business. JSC GCAP now holds a 35% equity interest in GGU, representing a 20% economic interest in the water utility business and a 100% economic interest in the renewable energy business. The completion of this stage follows (a) the approval obtained from the shareholders of GCAP PLC at the general meeting on 31 January 2022, (b) entry into the shareholders' agreement between FCC Aqualia, JSC GCAP and GGU to regulate their respective rights and obligations as joint owners of GGU and (c) the satisfaction of the other conditions precedent to First Completion, as outlined in the circular to GCAP PLC shareholders published on 6 January 2022.

The second stage of the transaction, the Demerger of Renewable Energy business, is expected to occur in July/August 2022 and will be conditional on receiving antitrust clearance and the redemption of GGU's existing Eurobond. Upon completion of this second stage of the transaction, JSC GCAP will own 100% of GGU's renewable energy assets and a 20% interest in GGU.

War in Ukraine

As a result of the war in Ukraine, which started on 24 February 2022, many leading countries and economic unions have announced severe economic sanctions on Russia, including Russian banks, Russian entities and Russian individuals. Since the start of the war, there has been a significant depreciation of the Russian Ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. The situation is still unfolding, but it has already resulted in a humanitarian crisis and material economic losses for Ukraine, Russia and the rest of the world. Ukraine and Russia are important trade partners of Georgia. It is expected that the war may lead to a negative impact on the Georgian economic growth in 2022, which might affect the future valuations of the private portfolio companies. As at 14 March 2022, fair value of listed investment in Bank of Georgia Group plc declined by 30%. As the war is still waging, it is impossible to reliably assess the impact this may have on the Company's business and value of its equity investment in JSC Georgia Capital as there is uncertainty over the magnitude of the impact on the economy in general. None of our private portfolio companies are materially exposed to Russian, Belorussian or Ukrainian markets, except for Wine business. The magnitude of the impact cannot be reliably measured at this stage, however due to the size of the wine business it is not expected to be material overall for GCAP. The value of the wine business represented less than 2% of the total portfolio value as at 31 December 2021. GCAP's exposure on liquid funds such as debt securities issued by affected countries, are not material. The Company's management is closely monitoring the economic situation in the current environment. The Company considers the war in Ukraine, and related movements in the fair value of its equity investment in JSC Georgia Capital to be a non-adjusting post balance sheet event.

Capital Redemption

As of 14 March 2022, the Parent resolved to decrease share capital of JSC GCAP by cancelling 234,678 ordinary shares in exchange for cash consideration of GEL 51,997.