WISSOL PETROLEUM GEORGIA GROUP

Consolidated Financial Statements, Management Report and Independent Auditor's Report
For the Year Ended 31 December 2020

WISSOL PETROLEUM GEORGIA GROUP

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WISSOL PETROLEUM GEORGIA GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC Wissol Petroleum Georgia and its subsidiaries (the "Group") as of 31 December 2020, and the consolidated results of its operations, changes in equity and cash flows for the year then ended, in compliance with International Financial Reporting Standards ("IFRS"). Management is also responsible for the preparation of the consolidated management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing.

In preparing the consolidated financial statements and consolidated management report, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.
- Disclosing the information in the consolidated management report as required by the Law of Georgia on Accounting, Reporting and Auditing;
- Preparation of the consolidated management report in consistent with the consolidated financial statements.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements and consolidated management report of the Group for the year ended 31 December 2020 were approved by management on 17 August 2021.

On behalf of the Management Board:

General Director
Vasil Khorava

17 August 2021

Financial Director
Giorgi Tsimakuridze

17 August 2021

WISSOL PETROLEUM GEORGIA GROUP

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- Making an assessment of the Group's ability to continue as a going concern.
- Disclosing the information in the consolidated management report as required by the Law of Georgia on Accounting, Reporting and Auditing;
- Preparation of the consolidated management report in consistent with the consolidated financial statements.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
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On behalf of the Management Board:

General Director	**Financial Director**
Vasil Khorava	**Giorgi Tsimakuridze**
17 August 2021	17 August 2021

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King David Business Center
12 Merab Aleksidze Street
Tbilisi, 0171, Georgia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of JSC Wissol Petroleum Georgia:

Opinion

We have audited the consolidated financial statements of JSC Wissol Petroleum Georgia (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "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.

Other Information

Management is responsible for the other information. The other information comprises the consolidated Management Report prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

Our opinion on the consolidated financial statements does not cover the consolidated management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Deloitte.

Responsibilities of Management and Those Charged with Governance 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.

Those charged with governance are 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.

We communicate with those charged with governance 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.

Deloitte.

Report on Other Legal and Regulatory Requirements

Management is responsible for the preparation of the consolidated management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing ("the Law"), and for such internal control as management determines is necessary to enable the preparation of the consolidated management report that is free from material misstatement, whether due to fraud or error.

We performed procedures with respect to whether the consolidated management report is prepared in accordance with the requirements of the Law and includes the information required by the Law.

We have selected and performed procedures based on our judgment, including but not limited to inquiries, analysis and review of documentation, comparison of the Group's policies, procedures, methodologies and reported information with the requirements of the Law, as well as recalculations, comparisons and reconciliations of numeric values and other information.

In our opinion:

- The consolidated management report for the year ended 31 December 2020 is prepared in accordance with the requirements of Law of Georgia on Accounting, Reporting and Auditing;
- The consolidated management report for the year ended 31 December 2020 includes the information required by the Law of Georgia on Accounting, Reporting and Auditing;
- The information provided in the consolidated management report is consistent, in all material respects, with the consolidated financial statements for the year ended 31 December 2020.

Srbuhi Hakobyan
On behalf of Deloitte and Touche LLC
Deloitte & Touche

17 August 2021
Tbilisi, Georgia

WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020
(In thousands of Georgian Lari unless otherwise indicated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Continuing operations			
Revenue	6	353,322	467,323
Cost of sales	7	(305,179)	(412,241)
Gross profit		48,143	55,082
Selling and distribution costs	8	(25,274)	(26,971)
General and administrative expenses	9	(26,773)	(15,031)
Other income/(expenses)		184	(986)
Other income	10	34,426	39,055
Finance cost		(11,403)	(13,622)
Finance income		12	53
Foreign exchange loss, net		(16,297)	(11,325)
Profit before income tax		3,018	26,255
Income tax expense	11	(55)	(54)
TOTAL PROFIT FOR THE YEAR		**2,963**	**26,201**
Other comprehensive income		-	10,033
Total comprehensive income		**2,963**	**36,234**
Total profit attributable to:			
Owners of the Group		2,610	25,959
Non-controlling interest		353	242
Total comprehensive income for the year attributable to:			
Owners of the Group		2,610	35,992
Non-controlling interests		353	242

On behalf of the Management Board:

General Director
Vasil Khorava

17 August 2021

Financial Director
Giorgi Tsimakuridze

17 August 2021

The notes on pages 11-51 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020
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17 August 2021

Financial Director
Giorgi Tsimakuridze

17 August 2021

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020
(In thousands of Georgian Lari unless otherwise indicated)

	Notes	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12, 8	125,126	134,558
Investment property	13	11,322	11,322
Right of use asset	14	12,824	14,442
Investment in associates		856	866
Non-current accounts receivable	15	1,139	1,139
Loans disbursed	16	5,976	6,109
Other assets		1,532	1,760
Total non-current assets		158,775	170,196
CURRENT ASSETS:			
Inventory	17	47,703	57,473
Taxes recoverable and prepaid		1,442	1,804
Trade and other accounts receivable	18	12,698	15,641
Prepayments to suppliers		1,543	503
Loans disbursed	16	1,260	1,260
Cash and cash equivalents	19	1,924	2,047
Total current assets		66,570	78,728
TOTAL ASSETS		**225,345**	**248,924**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	20	24,272	24,272
Property revaluation reserve		60,110	60,110
Accumulated losses		(17,686)	(20,296)
Equity attributable to equity holders of the parent		66,696	64,086
Non-controlling interests		595	555
TOTAL EQUITY		67,291	64,641

The notes on pages 11-51 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020 (CONTINUED)

(In thousands of Georgian Lari unless otherwise indicated)

	Notes	31 December 2020	31 December 2019
NON-CURRENT LIABILITIES:			
Loans and borrowings	21	2,967	5,926
Other lease liability	14	16,523	16,972
Finance lease payables	22	4,099	4,217
Deferred revenue		1,540	1,660
Total non-current liabilities		25,129	28,775
CURRENT LIABILITIES:			
Loans and borrowings	21	82,847	108,807
Trade and other accounts payable	23	28,762	29,061
Other lease liability	14	2,001	1,795
Advances received	24	15,125	14,961
Tax liabilities, net		-	-
Deferred revenue		121	120
Finance lease liability	14	500	500
Other current liabilities		3,569	264
Total current liabilities		132,925	155,508
TOTAL LIABILITIES		158,054	184,283
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**225,345**	**248,924**

On behalf of the Management Board:

General Director
Vasil Khorava

17 August 2021

Financial Director
Giorgi Tsimakuridze

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17 August 2021

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WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(In thousands of Georgian Lari unless otherwise indicated)

	Notes	Share capital	Property revaluation reserve	Accumulated losses attributable to equity holders of the parent	Total	Non-controlling interests	Total equity
Balance at 1 January 2019		**24,272**	**54,225**	**(50,405)**	**28,092**	**620**	**28,712**
Total comprehensive loss		-	10,033	25,961	35,994	242	36,236
Transfer between property revaluation and accumulated loss due to transfers and disposals of property, plant and equipment		-	(4,148)	4,148	-	-	-
Dividends paid*		-	-	-	-	(307)	(307)
Balance at 31 December 2019		**24,272**	**60,110**	**(20,296)**	**64,086**	**555**	**64,641**
Total comprehensive income		-	-	2,610	2,610	353	2,963
Dividends paid*		-	-	-	-	(313)	(313)
Balance at 31 December 2020		**24,272**	**60,110**	**(17,686)**	**66,696**	**595**	**67,291**

* Wissol Petroleum Georgia JSC has not declared any dividends for the year ended 31 December 2020 and 2020, while one of its subsidiaries Wissol Petroleum Georgia Vake LLC paid dividends of GEL 313 thousand and GEL 307 thousand respectively to their non-controlling shareholders.

On behalf of the Management Board:

General Director
Vasil Khorava

17 August 2021

Financial Director
Giorgi Tsimakuridze

17 August 2021

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On behalf of the Management Board:

General Director
Vasil Khorava

17 August 2021

Financial Director
Giorgi Tsimakuridze

17 August 2021

The notes on pages 11-51 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(In thousands of Georgian Lari unless otherwise indicated)

	Note	31 December 2020	31 December 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		2,963	26,201
Adjustments for:			
Income tax expense		55	54
Depreciation and amortization expense	8	7,478	8,938
Change in provision for irrecoverable accounts receivable, prepayments and loans disbursed	10	5,072	(9,158)
Impairment of right of use assets		-	2,362
Reversal of impairment of property, plant and equipment		-	(2,390)
Gain on revaluation of investment properties		-	(1,820)
Gain on derecognition of lease liabilities	10	(654)	-
Gain from rent concessions	10	(621)	
Gain on disposal of property, plant and equipment, net	10	(6,032)	(17,280)
Gain from exception of the loan repayment	10	(19,870)	(16,144)
Result from investment in associate		(33)	(33)
Inventory obsolescence provision		-	560
Foreign exchange loss, net		16,297	11,325
Finance income		(12)	(53)
Finance cost		11,403	13,613
Cash inflow from operating activities before changes in operating assets and liabilities		16,046	16,175
Decrease in trade and other receivables		975	3,806
(Increase)/decrease in prepayments to suppliers		(833)	444
Decrease/(increase) in inventory		9,770	(5,689)
Decrease in restricted cash		-	1,759
Decrease/(increase) in tax liabilities/(assets)		362	(5,061)
Decrease/increase in trade and other accounts payable		(1,240)	566
Increase in advances received		164	1,328
Decrease in deferred revenue		(120)	(532)
Increase current liabilities		3,310	144
Cash generated from operations		28,434	12,940
Interest paid		(6,244)	(8,521)
Net cash inflow from operating activities		22,190	4,419
CASH FLOWS FROM INVESTING ACTIVITIES			
(Disbursements)/proceeds from loans issued		(2,755)	147
Cash receipts from deposit		-	385
Purchase of property, plant and equipment		(6,906)	(10,494)
Purchase of other assets		-	(57)
Interest received		12	53
Proceeds from disposal of property, plant and equipment		16,654	25,134
Dividends received		33	41
Net cash inflow from investing activities		7,038	15,209

The notes on pages 11-51 form an integral part of these consolidated financial statements.

WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)
(In thousands of Georgian Lari unless otherwise indicated)

		31 December 2020	31 December 2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		119,239	392,716
Repayment of borrowings		(146,497)	(408,788)
Repayment of principal of finance lease		(1,077)	(2,157)
Decrease in charter capital of investment in associates		12	-
Dividends paid to non-controlling interest		(313)	(307)
Net cash outflow for financing activities		(28,636)	(18,536)
NET INCREASE IN CASH AND CASH EQUIVALENTS		592	1,092
Effect of foreign exchange rate changes on cash and cash equivalents		(715)	(2,259)
CASH AND CASH EQUIVALENTS, at beginning of the period	19	2,047	3,214
CASH AND CASH EQUIVALENTS, at end of the period	19	1,924	2,047

On behalf of the Management Board:

General Director
Vasil Khorava

17 August 2021

Financial Director
Giorgi Tsimakuridze

17 August 2021

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CONSOLIDATED STATEMENT OF CASH FLOWS
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On behalf of the Management Board:

General Director
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17 August 2021

Financial Director
Giorgi Tsimakuridze

17 August 2021

The notes on pages 11-51 form an integral part of these consolidated financial statements.

(In thousands of Georgian Lari unless otherwise indicated)

1. GENERAL INFORMATION

JSC Wissol Petroleum Georgia (the "Company") is a closed joint stock company, which was established in Georgia in 2000 as LLC Canargo Standard Oil Products with the objective to create a premier chain of branded petrol stations with convenience stores and car wash centers in Georgia.

As at the end of 2020 the Company operated 120 stations: 117 petrol stations (77 own, 39 rented and 1 rented from a subsidiary), out of which 10 are combined petrol and gas stations and 3 standalone gas stations (2 own, 1 rented). The Group operates in both retail and wholesale sector. The Group operates in both retail and wholesale sector. The Company is the parent company of the following subsidiaries and associates:

Name	Country of operation	The Company ownership interest 2020	2019	Type of operation
Kochebi LLC	Georgia	100%	100%	Rugby team (Dormant)
Wissol Auto Express LLC	Georgia	100%	100%	Auto consumables
Wissol Petroleum Georgia Chugureti LLC	Georgia	51%	51%	Dormant petrol station
Wissol Petroleum Georgia Vake LLC	Georgia	50%	50%	Operating petrol station
Jachvis Khidi LLC	Georgia	40%	40%	Operating petrol station
Wissol Group LLC	Georgia	33.5%	33.5%	Advertising service
Ertoba 2018 LLC	Georgia	100%	100%	Loans and receivables from related parties

On 30 September 2019, the Company sold its Samtredia fuel storage base to an unrelated party – Socar Petroleum Georgia. The funds raised from the sale of the base has been primarily directed towards repayment of borrowings. After the sale has been finalized, the service agreement has been signed between the parties for storing predetermined liters of fuel owned by Wissol at different points of time in the territory of Samtredia base for the next 30 years.

On 27 February 2018 the Group has established a new subsidiary LLC Ertoba 2018 for dealing with funding provided to related parties in the form of loans and non-current account receivables. Contribution to share capital represents loans disbursed to related parties with respective accrued interest and non-current account receivables (notes 19 and 18). Total contribution made to share capital represents related party balances in the amount of GEL 28,550 thousand. The Group owns 100% of the share capital. From October 2019 the charter capital of Ertoba 2018 LLC is decreased monthly in line with the repayment of the outstanding obligation according to the agreed schedule between Ertoba 2018 and Smart Retail. Amounts recovered by Ertoba are subsequently repaid back to Wissol. For the year ended 31 December 2019 share capital of Ertoba 2018 represents GEL 28,235 thousand.

As at 31 December 2020 and 2019 the Group's owners and their respective percentage of direct interests were as follows:

Principal shareholders	Share of ownership	Ultimate controlling parties
Helvetsia Petroleum Holding B.V.	25.00%	George Ramishvili - 62% Alex Topuria - 28.5% David Borger - 9.5%
Global Investors Limited	61.96%	Samson Pkhakadze - 50% Levan Pkhakadze - 50%
Standard Oil Holding LLC	10.86%	Nugzar Abramishvili - 76% Levan Pkhakadze - 24%
Levan Pkhakadze	2.18%	
	100.00%	

(In thousands of Georgian Lari unless otherwise indicated)

As at 31 December 2020 and 2019 effective ownership shares in the Group held by the ultimate controlling parties were as follows:

Ultimate controlling parties	**Share of ownership**
Levan Pkhakadze	35.77%
Samson Pkhakadze	30.98%
George Ramishvili	15.50%
Nugzar Abramishvili	8.25%
Alex Topuria	7.12%
David Borger	2.38%
Total	**100.00%**

Effective voting rights of owners did not differ from their effective ownership rights.

2. GOING CONCERN

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which presumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. In making this judgement, Management considered the Group's financial position, current intentions, profitability of operations and access to financial resources and analyzed the impact of the situation in the financial markets on the operations of the Group.

As at 31 December 2020, Group's current liabilities GEL 132,925 thousand exceeded its current assets GEL 66,570 thousand by GEL 66,355 thousand and as at 31 December 2020 the Group had accumulated losses of GEL 17,686 thousand.

Management of the Group believes that preparation of the accompanying consolidated financial statements on the going concern basis is appropriate because of the following:

- Subsequent to the reporting date the Group fully repaid remaining balance of the loan obtained from European Bank for Reconstruction and Development amount of GEL 18,089 thousand;
- As at 31 December 2020 the Group was in breach of the Debt/EBITDA and EBIT/Interest ratios set by the syndicated loan agreement with JSC TBC Bank and European Bank for Reconstruction and Development. According to IAS 1 "Presentation of Financial Statements" the management classified borrowed funds from this bank as current liabilities in the amount of GEL 12,791 thousand, however subsequent to the reporting date on 2 March 2021 the Group obtained the waiver from the Bank, whereby the Bank has agreed not to ask repayment of the loans until contractual maturity date;
- During the 2020 year and subsequent to the reporting date management managed to restructure significant part of the loan portfolio and replaced loans denominated in USD with loans denominated in the national currency, which will help to decrease foreign exchange loss incurred on loans obtained in foreign currency;
- During the 2020 year and subsequent to the reporting date management managed to extend maturity dates for the significant part of the loan portfolio, which significantly improved liquidity gap of the Group in subsequent to the reporting date;
- The Group received support letter from its ultimate owners. The letter express commitment to finance contractual obligations of JSC Wissol Petroleum Georgia, if such necessity arises and if funds attracted from third parties are not sufficient to cover the Group's operations and liabilities, to ensure that the Group remains a going concern for a duration up to at least 12 months from issuance of the consolidated financial statements if such need arises.
- The management will continue concentrating on its core activities, but they may in the future identify potential buyers to dispose certain non-core assets. The funds raised will be used for increasing efficiency of Group's core business and deleveraging its operations. Management plans to finalize sale of some of the non-core assets during 2021;

(In thousands of Georgian Lari unless otherwise indicated)

- The Group has initiated and continues to support its optimisation of distribution and administrative costs, by piloting several self-service petrol stations and smart supermarket-linked stations. Management believes, that the initiative should allow the Group to lower its direct expenses on petrol stations and lead to increased retail sales.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the classification of liabilities that might be necessary should the Group unable to continue as a going concern.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the following new and revised Standards and Interpretations have been adopted:

- Impact of the initial application of *Interest Rate Benchmark Reform* amendments to IFRS 9 and IFRS 7;
- Impact of the initial application of *COVID-19-Related Rent Concessions* Amendment to IFRS 16;
- Impact on accounting for changes in lease payments applying the exemption;
- Impact of the initial application of other new and amended IFRS Standards that are effective for the current year.

There is no significant effect of these amendments on the consolidated financial statements.

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.[i]

Amendments to References to the Conceptual Framework in IFRS Standards	The Group has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standard which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that

(In thousands of Georgian Lari unless otherwise indicated)

	helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.
Amendments to IAS 1 and IAS 8 Definition of material	The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 Insurance contracts;
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current;*
- Amendments to IFRS 3 – *Reference to the Conceptual Framework;*
- Amendments to IAS 16 – *Property, Plant and Equipment—Proceeds before Intended Use;*
- Amendments to IAS 37 – *Onerous Contracts—Cost of Fulfilling a Contract;*
- Annual Improvements to IFRS Standards 2018–2020 (*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture)*.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.

In June 2020, the IASB issued *Amendments to IFRS 17* to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that* extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The management of the Group does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The management of the Group does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The management of the Group does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated. The management of the Group does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

4. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation – The consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated. The consolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain classes of property, plant and equipment and investment property at revalued amounts according to International Accounting Standard ("IAS") 16 "Property, Plant and Equipment" and "IAS 40 Investment Property". The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (subsidiaries). Control is achieved when the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests - Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combination - Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates and joint ventures - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the

cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its

recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition – Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been pumped to the customer's vehicle or left the warehouse for wholesale process.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group recognizes performance obligation for all of the following offerings at a point in time, The Group has only one performance obligation for each offering.

Revenue is recognised net of value added tax. Revenues are measured at the fair value of the consideration received or receivable. Based on the sales terms revenue figure is further decreased with value or volume discounts and rebates offered to customers.

Dividend and interest income - Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective

interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income - The Group's policy for recognition of revenue from operating leases is described below.

Leasing – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

(In thousands of Georgian Lari unless otherwise indicated)

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies – The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Georgian Lari ("GEL"). Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. All realized and unrealized gains and losses arising on exchange differences are included in the consolidated statement of profit or loss and other comprehensive income for the period. These consolidated financial statements are presented in GEL, which is also the Group's presentation currency.

Rates of exchange – The exchange rates at the year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2020	**31 December 2019**
USD/GEL	3.2766	2.8677
EUR/GEL	4.0233	3.2095

Short-term and other long-term employee benefits - A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Starting from 1 January, 2019 the Group will have legal obligation to make pension amounting to 2% of employees gross salaries and benefits, which is paid in state pension fund.

Income tax – Income tax expense represents the tax currently payable.

Current tax- In May 2016, the parliament of Georgia approved a change in the current corporate taxation model, with changes applicable on 1 January 2017 for all entities apart from certain financial institutions. The changed model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the Group's profit before tax, regardless of the retention or distribution status.

The new profit tax rules are effective as of 1 January 2017, which applies to the Group and the tax base comprise both actual and deemed profit distributions, including the following:

- Distributed profits;
- Expenses incurred or other payments not related to economic activities;
- Gratuitous supplies of goods/services and/or transfers of funds; and
- Representation expenses that exceed the maximum amount defined in the tax code.

Income tax on distributed profits is recognized as an expense at the moment dividends are declared and recorded under "income tax" in the statement of profit or loss. Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities.

Tax imposed on the areas other than distributed profits as described above is recorded under "Taxes and duties" in the statement of profit and loss.

As a result of the new legislation the Group ceased recognising income tax expense when profits are earned and will only incur income tax charges in the event of a distribution of profits. All deferred tax balances were released and recognized in the statement of profit and loss for the period ended 31 December 2016.

Value added tax - Output value added tax related to sales is payable to tax authorities upon delivery of the goods to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Starting from 31 December 2015 the Management presents the Group's tax balances on net basis, based on the order 407 issued by the Minister of Finance of Georgia dated to 7 December 2015.

Property, plant and equipment – Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the declining method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Useful lives of the groups of property, plant and equipment are as follows:

Categories of property, plant and equipment	**Years**
Buildings	7-20
Machinery and equipment	5-7
Vehicles	5
Office equipment	5
Other fixed assets	5-20

Freehold land is not depreciated.

Vehicles, equipment and other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately - Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Investment property - Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period.

Market value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Impairment of assets – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories – Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis (in bases) and on an individual basis (for petrol stations). Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Prepayments - Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Provisions – Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent assets and liabilities – Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the statement of financial position but are disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Financial instruments - Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets - All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. 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. 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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Based on the past experience all financial assets are held in order to collect contractual cash flows and are classified into first business model – Held to collect (H2C).

Effective interest method - The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have

subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Cash and cash equivalents – Cash and cash equivalents include petty cash, cash with banks, cash in transit, deposits and marketable securities with original maturity of less than three months.

Restricted cash - Restricted cash represents a guarantee deposits held as a collateral with Georgian Banks for loans given to related parties of the Group.

Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and loans disbursed to different counterparties) are measured at amortised cost using the effective interest method, less any impairment.

Derecognition of financial assets - The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Impairment of financial assets – The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments at amortised cost. 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 management have concluded that it would require cost and effort to determine the credit risk of each loans and receivables on their respective dates of initial recognition. The Group defined full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3). Issued loans and receivables are allocated to stage 2 and stage 3.

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

For individually assessed loans and receivables the Group estimates the provision amount based on the past experience with the customer, financial condition for the year end and repayment track subsequent to the year. In case the exposure of certain counterparty is not provisioned on individual basis or ECL determined with collective assessment is more than individually assessed, the Group uses collective assessment for such exposures.

The Group considers a financial asset in default when contractual payment 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 company.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Financial liabilities – Financial liabilities of the Group, represented with loans and borrowings, lease liability and trade and other payables are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

***Classification of financial liabilities* -** Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Derecognition of financial liabilities - A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity – Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Share capital – Share capital is recognized at the fair value of the contributions received by the Group.

Dividends – Dividends are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event and disclosed accordingly.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

Advances received – Advances received comprise of cash received in advance for fuel and other advances received. All amounts received in advance are not recorded as revenue until related products have been delivered or services have been provided to customers.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and

associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

(In thousands of Georgian Lari unless otherwise indicated)

Tax legislation and accounting for provisions

Georgian tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for three years.

Expected Credit Loss

The Group creates expected credit loss to account for estimated losses resulting from the inability of customers to make the required payments or suppliers to deliver agreed products or service. When evaluating the adequacy of an expected credit loss, management bases its estimate on current overall economic conditions, ageing of the receivables and prepayments balances, historical write-off experience, customer and supplier creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer and supplier conditions may require adjustments to the expected credit loss recorded in the consolidated financial statements.

Leases

Determination whether lease is a short term or long term sometimes is a matter of management judgment based on experience with similar agreements and lessors, specifically management took into consideration the options to extend the lease agreements when management is reasonably certain to exercise an option to extend or not to terminate a lease. When there is no interest rate implicit in the lease, incremental borrowing rate is used by the management.

Revaluation of property, plant and equipment and investment property

Certain groups of property, plant and equipment (land and buildings) are measured at revalued amounts, while investment property is carried at fair value. The date of the latest appraisal was 31 December 2018 and 2019. The valuation was performed by an independent professional valuation firm. As at 31 December 2020 the fair value of lands and buildings and investment property has not changed significantly.

The following methods were used for the estimation of the fair value: sales comparison approach, income approach, cost approach. Main approach in valuation of specialized property is cost approach (depreciated replacement cost method) with application of income approach for impairment test performance. The approaches used in valuation of non-specialized property were comparable sales and cost approaches with application of income approach for testing of the valuation result if appropriate. Value of land was estimated based on comparable sales approach.

The management worked closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model to ensure they are reasonable and reflect the accurate data.

6. REVENUE

During the years ended 31 December 2020 and 2019 revenue was as follows:

	2020	2019
Revenue from sale of fuel	332,378	439,713
Revenue from sale of gas	9,643	17,676
Other	11,301	9,934
Total	**353,322**	**467,323**

(In thousands of Georgian Lari unless otherwise indicated)

7. COST OF SALES

During the years ended 31 December 2020 and 2019 cost of sales were as follows:

	2020	2019
Cost of fuel	288,969	390,689
Cost of gas	7,304	13,844
Other	8,906	7,708
Total	**305,179**	**412,241**

8. SELLING AND DISTRIBUTION COSTS

During the years ended 31 December 2020 and 2019 selling and distribution costs were as follows:

	2020	2019
Depreciation and amortization	7,478	8,938
Payroll and related taxes	6,461	9,350
Operating lease	2,602	1,626
Utilities	2,429	2,918
Advertising expenses	1,510	3,190
Transportation and fuel	1,381	1,809
Repair and maintenance	608	461
Storage	431	479
Security expense	195	208
Communication	100	548
Reversal of impairment/(impairment) of property, plant and equipment	-	(2,390)
Gain/(loss) on revaluation of investment properties	-	(1,820)
Other	2,079	1,654
Total	**25,274**	**26,971**

9. GENERAL AND ADMINISTRATIVE EXPENSES

During the years ended 31 December 2020 and 2019 general and administrative expenses were as follows:

	2020	2019
Payroll and related charges	16,051	14,827
Change in provision for trade and other accounts receivable, prepayments to suppliers and loans disbursed	5,072	(9,158)
Bank charges	1,544	1,563
Tax expenses, other than income tax	1,471	2,166
Professional services	632	478
Repair and maintenance	251	229
Insurance	251	182
Business trip expenses	193	324
Office rent	174	427
Communication	132	155
Stationary	81	88
Utilities	83	86
Impairment of right of use assets	-	2,362
Other	838	1,302
Total	**26,773**	**15,031**

(In thousands of Georgian Lari unless otherwise indicated)

10. OTHER INCOME

During the years ended 31 December 2020 and 2019 other income was as follows:

	2020	2019
Income from exemption of loan repayment	19,870	16,144
Gain from disposal of property, plant and equipment, net	6,032	17,280
Operating lease income	3,237	3,309
Income from advertising	821	738
Gain on derecognition of lease liabilities	654	-
Gain from rent concessions	621	-
Income from installation	312	383
Insurance income	215	505
Transportation service	114	85
Income from realisation of plastic cards	82	144
Result from investment in associate	33	33
Penalties	20	-
Other	2,415	434
Total	**34,426**	**39,055**

On 15 December 2020, settlement deed between the Group and European Bank for Reconstruction and Development was formed related to the original loan agreement dated on 31 May 2014, where the bank and the Group came to accommodation of the repayment of the part of the loan in return for the release by the bank of certain guarantees and security related thereto and the extinguishment of the remaining debt which is outstanding to bank under the loan agreement dated on 31 May 2014. The parties agreed that in case of repayment of USD 5,500 thousand, the remaining principal amount outstanding under the loan agreement after the repayment of USD 5,500 thousand shall be deemed to have been repaid in full and any interest and default interest accrued on the loan. As a result Group incurred income from exemption of loan repayment.

On 10 March 2020, the Group sold real estate and movable property of one of its largest petrol stations located in Gori to its related party (MP Development LLC) for the amount of GEL 5,956 thousand (USD 2,130 thousand excluding VAT). At the point of sale, the net book value of the station has been GEL 2,601 thousand. As a result of the transaction, the Group has made a gain from disposal of property, plant and equipment in the amount of GEL 3,355 thousand.

On 30 September 2019 the Group sold real estate and movable property of one of its largest terminals located in Samtredia to non-related party for the amount of GEL 20,686 thousand (USD 7,000 thousand excluding VAT). At the point of sale the net book value of the terminal has been GEL 4,268 thousand. As a result of the transaction the Group has made a profit from disposal of property, plant and equipment in the amount of GEL 16,418 thousand. Portion of funds raised through the sale will be used to cover Groups borrowings.

On 21 October 2019 the Group agreed with European Bank for Reconstruction and Development (EBRD) to re-structure the current terms of the existing loan agreement. According to the agreement the Group has agreed with EBRD to make one-off prepayment of the B tranche/loan according to the loan agreement signed on 31 May 2014, in the amount of USD 5 million. Once received, EBRD will apply the prepayment in full and final settlement of all the amounts outstanding under the tranche B loan (including principal, interest and default interest). The amount in access of the payment from tranche B loan has been forgiven as a result of which the Group has made a profit from the exemption of loan repayment in the amount of GEL 16,144 thousand.

11. INCOME TAXES

In May 2016 the Georgian parliament adopted and the president signed into legislation changes to the corporate tax code, with changes applicable on 1 January 2017. The code is applicable for Georgian companies and permanent establishments (‘‘PEs’’) of nonresident companies, apart from certain financial institutions.

The previous profit tax regime, under which companies were subject to tax on their annual taxable profits, is now changed to a system where tax will have to be paid only if corporate profits are distributed.

The change has had an immediate impact on deferred tax of the Groups as it abolishes temporary differences between carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Due to the changes of the tax legislation balance of deferred tax asset attributable to previously recognized temporary differences arising from prior periods was fully written off during previous years.

During the 2020 and 2019 years the Group distributed dividends to the non-controlling shareholders from the net profit of the current year.

(In thousands of Georgian Lari unless otherwise indicated)

12. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2020 and 2019 property, plant and equipment, net of accumulated depreciation, was as follows:

	Land and buildings	Machinery and equipment	Vehicles	Office equipment	Other fixed assets	Construction in progress	Total
Balance at 1 January 2019	**105,635**	**20,890**	**6,336**	**13,024**	**7,590**	**4,830**	**158,305**
Additions	-	284	1,342	256	955	7,657	10,494
Disposals	(4,805)	(1,049)	(2,006)	(236)	(31)	(6,578)	(14,705)
Disposal through sale of subsidiary							
Transfers	2,210	590	-	647	91	(3,538)	-
Revaluation result	10,048	-	-	-	-	-	10,048
Transfer to investment property	(395)	-	-	-	-	-	(395)
Balance at 31 December 2019	**112,693**	**20,715**	**5,672**	**13,691**	**8,605**	**2,371**	**163,747**
Additions	5,193	432	766	381	134	-	6,906
Disposals	(7,503)	(3,401)	(1,093)	(725)	(1,456)	-	(14,178)
Transfers	1,991	11	-	(2)	(8)	(1,992)	-
Balance at 31 December 2020	**112,374**	**17,757**	**5,345**	**13,345**	**7,275**	**379**	**156,475**
Accumulated depreciation at 1 January 2019	**(42)**	**(12,012)**	**(2,905)**	**(8,652)**	**(3,813)**	**-**	**(27,424)**
Charge for the year	(2,590)	(1,258)	(569)	(996)	(830)	-	(6,243)
Disposals	225	461	489	108	-	820	2,103
Transfers	(57)	505	-	372	-	(820)	-
Eliminated on revaluation	2,375	-	-	-	-	-	2,375
Accumulated depreciation at 31 December 2019	**(89)**	**(12,304)**	**(2,985)**	**(9,168)**	**(4,643)**	**-**	**(29,189)**
Charge for the year	(2,130)	(1,487)	(611)	(926)	(450)	**-**	(5,604)
Disposals	79	1,571	734	367	693	**-**	3,444
Transfers	-	(8)	-	3	5	**-**	-
Accumulated depreciation at 31 December 2020	**(2,140)**	**(12,228)**	**(2,862)**	**(9,724)**	**(4,395)**	**-**	**(31,349)**
Net carrying amounts							
As at 31 December 2019	**112,604**	**8,411**	**2,687**	**4,523**	**3,962**	**2,371**	**134,558**
As at 31 December 2020	**110,234**	**5,529**	**2,483**	**3,621**	**2,880**	**379**	**125,126**

As at 31 December 2020 and 2019 there are no fully depreciated assets.

The Group has pledged its property, plant and equipment to secure bank borrowings (see note 21) with carrying amounts of GEL 125,126 thousand and GEL 134,558 thousand as at 31 December 2020 and 2019, respectively.

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's land and buildings as at 31 December 2019 were performed by Colliers International, independent valuers not related to the Group. The valuation conforms to International Valuation Standards.

(In thousands of Georgian Lari unless otherwise indicated)

The fair value of the freehold land was determined using level 2 of fair value hierarchy, with the market comparable approach that reflects recent transaction prices for similar properties. As at 31 December 2020 the fair value of lands and buildings has not changed significantly.

Main approach in valuation of specialized property was determined using level 3 of fair value hierarchy, based on the cost approach (depreciated replacement cost method) with application of income capitalization approach for impairment test. The cost approach used reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. The discount rate used in measuring value in use for impairment test purposes were 15.2% for 2019 year.

Level 2 or level 3 of fair value hierarchy has been used also for non-specialised properties, based on comparable sales or cost approaches have been used to determine the fair value, with application of income approach for testing of the valuation result on impairment if appropriate.

Inputs used for fair value measurement using level 3 hierarchy were observable, either from the past experience or using date of the properties with the similar characteristics.

There has been no change to the valuation technique during the year.

13. INVESTEMENT PROPERTY

At 31 December 2020 and 2019 investment property was as follows:

	Land	Buildings	Total
Balance at 1 January 2019	**9,107**	**-**	**9,107**
Transferred from property, plant and equipment	-	395	395
Revaluation result	1,820	-	1,820
Balance at 31 December 2019	**10,927**	**395**	**11,322**
Transferred from property, plant and equipment	-	-	-
Revaluation increase	-	-	-
Balance at 31 December 2020	**10,927**	**395**	**11,322**

The land and buildings classified as investment property are rented out. According to the Management's decision in 2019, assets with the net carrying amount of GEL 395 thousand has been transferred from property, plant and equipment to investment property, as far as, the primary purpose of those assets are rent income.

The Group's investment property are stated at their revalued amounts, being the fair value at the date of revaluation. The fair value measurements of the Group's investment property as at 31 December 2019, were performed by Colliers International, independent valuators not related to the Group. The valuation conforms to International Valuation Standards. As at 31 December 2020 the fair value of investment property has not changed significantly.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Main approach in valuation of specialized property was cost approach (depreciated replacement cost method) with application of income capitalization approach for impairment test. The cost approach used reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. The discount rate used in measuring value in use for impairment test purposes were 15.2% for 2019 year.

The Group has pledged investment property to secure bank borrowings (see note 21) with carrying amounts of GEL 11,322 thousand and GEL 11,322 thousand as at 31 December 2020 and 2019, respectively.

(In thousands of Georgian Lari unless otherwise indicated)

14. RIGHT OF USE ASSETS AND FINANCE LEASE LIABILITIES

	Land and buildings	Equipment	Total
Carrying value as at 1 January 2019	**18,608**	**54**	**18,662**
Additions	357	58	415
Impairment of right of use assets	(2,362)	-	(2,362)
Charge for the year	(2,256)	(17)	(2,273)
Carrying value as at 31 December 2019	**14,347**	**95**	**14,442**
Additions	467	-	467
Disposals	(450)	-	(450)
Modifications	(100)	-	(100)
Charge for the year	(1,524)	(11)	(1,535)
Carrying value as at 31 December 2020	**12,740**	**84**	**12,824**

Movements in lease liabilities in 2020 and 2019 were as follows:

	31 December 2020	31 December 2019
Lease liability as at 1 January	**18,767**	**18,662**
Recognition of lease liabilities	482	415
Interest expense on lease liabilities	1,933	1,827
Foreign exchange effect	2,300	1,346
Modifications	(100)	-
Rent concessions received due to Covid 19	(621)	-
Termination of lease contract	(1,347)	-
Repayment of interest expense	(1,933)	(1,827)
Repayment of lease liabilities	(957)	(1,656)
Lease liability as at 31 December	**18,524**	**18,767**

Weighted average lease term for the Right of Use Assets is 10.6 years and the weighted average lessee's incremental borrowing rate applied to the USD and GEL lease liabilities are 14.25% and 10.46%, respectively.

Amounts recognised in statement of profit and loss	**2020**	**2019**
Depreciation expense on right-of-use assets	2,273	2,273
Interest expense on lease liabilities	1,933	1,827
Impairment of ROUA	-	2,362
Expense relating to payments not included in the measurement of the lease liability	243	242
Total	**4,449**	**6,704**

Lease Liability **Maturity analysis**	**31 December 2020** **Amounts payable under finance leases**	**Future finance charges**
Year 1	2,001	1,768
Year 2	1,975	1,577
Year 3	923	1,424
Year 4	1,106	1,323
Year 5	1,142	1,206
Onwards	11,377	4,812
Total lease Liability	**18,524**	**12,110**

(In thousands of Georgian Lari unless otherwise indicated)

Lease Liability **Maturity analysis**	**31 December 2019** **Amounts payable under finance leases**	**Future finance charges**
Year 1	1,795	2,316
Year 2	1,937	2,098
Year 3	2,127	1,889
Year 4	857	1,666
Year 5	890	1,574
Onwards	11,161	6,712
Total lease Liability	**18,767**	**16,255**

15. NON-CURRENT ACCOUNTS RECEIVABLES

At 31 December 2020 and 2019 non-current accounts receivable, net of allowance for irrecoverable amount, were as follows:

	31 December 2020	**31 December 2019**
Non-current accounts receivable	11,650	11,650
Less: allowance for irrecoverable amounts	(10,511)	(10,511)
Total	**1,139**	**1,139**

As at 31 December 2020 and 2019 the non-current account receivables is composed of GEL 8,000 thousand receivable from LLC Wengeorgia and GEL 3,650 thousand from LLC Smart Retail. Both counterparties are related parties for the Group. The non-current accounts receivables were recognized through the fixed assets sale and rent income.

On 27 February 2018 the non-current accounts receivables have been contributed to into the share capital of LLC Ertoba 2018.

From October 2019, the Group has agreed the schedule and started recovery of its related party exposures from LLC Smart Retail. According to the current schedule, LLC Smart Retail has to repay GEL 105 thousand per month, which gradually increases during subsequent years. As a result, the Management has reversed impairment of GEL 1,139 thousand from non-current accounts receivables during 2019 and management expects that receivable will be collected during 2022 year.

16. LOANS DISBURSED

At 31 December 2020 and 2019 loans disbursed, net of allowance for irrecoverable amount was as follows:

	31 December 2020	**31 December 2019**
Loans disbursed	20,168	16,799
Less: allowance for irrecoverable amounts	(12,932)	(9,430)
Total	**7,236**	**7,369**

(In thousands of Georgian Lari unless otherwise indicated)

	31 December 2020	31 December 2019
Provision for impairment at 1 January 2019	**(9,430)**	**(16,900)**
Impairment charge	(3,502)	-
Recovery of provision for impairment during the year	-	(7,470)
Provision for impairment at 31 December 2019	**(12,932)**	**(9,430)**

On 27 February 2018 the Group has established a new subsidiary LLC Ertoba 2018 for dealing with funding provided to related parties in the form of loans disbursed. The first contribution made to LLC Ertoba's share capital represents related party balances in the gross amount of GEL 19,400 thousand, which consists of GEL 11,650 thousand non-current accounts receivables (note 15) and GEL 7,257 thousand issued loans. In 2018 share capital of LLC Ertoba 2018 was subsequently increased to GEL 28,550 thousand in the form of cash by contributing additional GEL 9,150. Additional cash contribution was subsequently issued as a loan to related party – LLC Smart Retail.

From October 2019, the Group has agreed the schedule and started recovery of its related party exposures from LLC Smart Retail. According to the current schedule, LLC Smart Retail has to repay GEL 105 thousand per month, which gradually increases during subsequent years. As a result, the Management has reversed impairment of GEL 7,470 thousand from loans disbursed during 2019.

Charter capital of LLC Ertoba 2018 is decreased monthly by GEL 105 thousand in line with repayment of obligation according to the agreed schedule between LLC Ertoba 2018 and related parties, as far as, recovered amounts are repaid back to JSC Wissol Petroleum Georgia.

As at 31 December 2020 and 2019 gross carrying amount of investment in LLC Ertoba 2018 amounted to GEL 28,235 thousand and GEL 26,975 thousand, respectively.

As at 31 December 2020 and 2019 gross carrying amount of investments in LLC Wissol Auto Express amounted to GEL 22,717 thousand and 22,717 thousand, respectively.

17. INVENTORY

At 31 December 2020 and 2019 inventories were as follows:

	31 December 2020	31 December 2019
Fuel	38,298	49,605
Other	9,405	7,868
Total	**47,703**	**57,473**

(In thousands of Georgian Lari unless otherwise indicated)

18. TRADE AND OTHER ACCOUNTS RECEIVABLE

At 31 December 2020 and 2019 accounts receivable, net of allowance for irrecoverable amount, were as follows:

	31 December 2020	**31 December 2019**
Trade accounts receivable	13,234	15,678
Other accounts receivable	4,553	3,240
	17,787	18,918
Less: allowance for irrecoverable amounts	(5,089)	(3,277)
Total	**12,698**	**15,641**

The average credit period for the Group's customers is 13 days (2019: 12 days).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the allowance for irrecoverable amounts:

	31 December 2020	**31 December 2019**
Provision for impairment at 1 January 2019	**(3,277)**	**(4,215)**
Impairment charge	(2,072)	(961)
Recovery of provision for impairment during the year	260	1,899
Provision for impairment at 31 December 2019	**(5,089)**	**(3,277)**

Aging of impaired trade accounts receivable:

31 December 2020	**less than 30 days overdue**	**30 to 90 days overdue**	**91 to 180 days overdue**	**over 180 days overdue**	**Total**
Estimated total gross carrying amount at default	9,756	1,379	833	5,819	**17,787**
Lifetime ECL	(217)	(271)	(378)	(4,223)	**(5,089)**

31 December 2019	**less than 30 days overdue**	**30 to 90 days overdue**	**91 to 180 days overdue**	**over 180 days overdue**	**Total**
Estimated total gross carrying amount at default	12,223	1,258	1,247	4,190	**18,918**
Lifetime ECL	(112)	(116)	(527)	(2,522)	**(3,277)**

(In thousands of Georgian Lari unless otherwise indicated)

19. CASH AND CASH EQUIVALENTS

At 31 December 2020 and 2019 cash and cash equivalents were as follows:

	31 December 2020	31 December 2019
Cash with banks	1,772	1,951
Cash on hand	152	96
Total	**1,924**	**2,047**

20. SHARE CAPITAL

At 31 December 2020 and 2019 share capital was as follows:

	31 December 2020	31 December 2019
Authorised share capital	24,272	24,272
Total	**24,272**	**24,272**

As at 31 December 2020 and 2019 the Group's authorized share capital comprised of 25,881,000 common shares with a nominal par value of 1 United States Dollar per share, out of which 14,881,000 common shares with the nominal par value of 1 United States Dollar per share were paid. In 2010 the Company issued 11,000,000 common shares with the nominal par value of 1 United States Dollar per share. These shares were unpaid as at 31 December 2018. On 19 April 2019 the Group reduced it's authorized share capital with 11,000,000 unpaid common shares with a nominal par value of 1 United States Dollar per share.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group. Payment of dividends is subject to withholding tax of 5% and profit tax of 15% from the gross amount of payment.

For the years ended 31 December 2020 and 2019 the Company declared no dividends for its shareholders and the subsidiaries declared dividends of GEL 313 thousand and GEL 307 thousand, respectively for their non-controlling shareholders.

(In thousands of Georgian Lari unless otherwise indicated)

21. LOANS AND BORROWINGS

At 31 December 2020 and 2019 loans and borrowings were as follows:

	Currency	Interest rate	Maturity	31 December 2020	31 December 2019
Secured loans and borrowings:					
EBRD	USD	0%	Apr-21	18,089	-
Unicredit Bank Austria Loan	USD	1 month Libor + 2.7% + Cost of Funds + Mandatory Costs (if any)	N/A	16,333	31,455
JSC TBC Bank	GEL	13.4%	Feb-22	13,611	-
JSC TBC Bank	USD	6 month Libor + 9.5%	Aug-21	9,174	12,933
JSC Halyk Bank	GEL	8.00%	Jul-21	5,957	1,505
JSC TBC Bank	USD	9.0%	Mar-21	4,430	-
JSC Pasha Bank	USD	9.0%	Mar-21	3,360	-
JSC TBC Bank	GEL	13.5%	Mar-21	3,027	-
JSC Basis Bank	USD	10.00%	Jun-21	2,621	2,290
JSC Basis Bank	GEL	13.00%	Jun-21	1,992	2,107
TBC/EBRD MCFF	USD	1 month Libor + 8.5%	Sep-21	1,209	3,198
JSC Basis Bank	USD	10.00%	Oct-24	1,070	3,884
JSC TBC Bank	GEL	13.5%	Mar-21	1,003	
TBC TBC Bank	GEL	10.00%	Dec-21	925	449
LLC Vellagio	USD	8.00%	Dec-21	878	2,064
LLC ALMA	USD	10.5%	Dec-21	719	-
LLC Rustavi Mall	GEL	12.2%	Dec-21	475	-
LLC ALMA	GEL	12.2%	Dec-22	300	-
JSC TBC Bank	RUB	3.0%	Mar-21	255	-
JSC Bank of Georgia	GEL	Base rate + 6.00%	Aug-22	203	300
JSC Basis Bank	GEL	13.7%	Dec-21	93	-
JSC Basis Bank	USD	10.0%	Dec-21	88	-
JSC TBC Bank	USD	4.4%	Apr-21	2	-
EBRD	USD	3 month Libor + 7.25%	Apr-21	-	30,260
JSC TBC Bank	USD	9.50%	Feb-20	-	7,190
JSC Bank of Georgia	USD	6 Month Libor + 7.10%	Nov-20	-	4,875
JSC TBC Bank	USD	6 month Libor + 9.25%	Aug -20	-	3,137
JSC Halyk Bank	GEL	13.00%	Feb-20	-	2,873
JSC Cartu Bank	GEL	12.50%	Dec-20	-	2,007
JSC TBC Bank	GEL	12,25%	Dec-20	-	1,801
JSC Bank of Georgia	GEL	10.30%	Feb-20	-	1,523
LLC Smart Retail	USD	11,70%	Dec-21	-	882
Total loans and borrowings				**85,814**	**114,733**
Long-term portion of loans and borrowings				2,967	5,926
Short-term portion of loans and borrowings				82,847	108,807

(In thousands of Georgian Lari unless otherwise indicated)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019	Financing cash flows (i)	Interest accrued during the year	Interest paid during the year	Foreign exchange loss (Non-cash change)	31 December 2020
Loans and borrowings	114,733	(47,128)	9,609	(5,284)	13,884	85,816
	114,733	**(47,128)**	**9,609**	**(5,284)**	**13,884**	**85,816**

	1 January 2019	Financing cash flows (i)	Interest accrued during the year	Interest paid during the year	Foreign exchange loss (Non-cash change)	31 December 2019
Loans and borrowings	134,722	(32,205)	11,398	(6,695)	7,513	114,733
	134,722	**(32,205)**	**11,398**	**(6,695)**	**7,513**	**114,733**

i) The financing cash flows represents the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows. Financing cash flows for the year ended 31 December 2020 include GEL 19,870 thousand decrease in borrowing balance due to loan repayment exemption (note 10).
ii) Borrowings have been secured by a pledge over the Group's property, plant and equipment and investment property (Note 12 and Note 13).

The loans and borrowings are repayable as follows:

	31 December 2020	31 December 2019
Due within one year	70,052	108,807
Total current portion repayable in one year	**70,052**	**108,807**
Due from one year to two years	14,694	5,926
Due from two years to five years	1,068	-
Due thereafter	-	-
Total	**85,814**	**114,733**

As at 31 December 2020 the Group was in breach of the Debt/EBITDA and EBIT/Interest ratios set by the syndicated loan agreement with JSC TBC Bank and European Bank for Reconstruction and Development. According to IAS 1 "Presentation of Financial Statements" the management classified borrowed funds from this bank as current liabilities in the amount of GEL 12,791 thousand in Note 24 presented up to 1 month maturity category for liquidity risk management disclosure purposes as at 31 December 2020.

(In thousands of Georgian Lari unless otherwise indicated)

On 15 December 2020, settlement deed between the Company and European Bank for Reconstruction and Development was formed related to the original loan agreement dated on 31 May 2014, where the bank and the Company came to accommodation of the repayment of the part of the loan in return for the release by the bank of certain guarantees and security related thereto and the extinguishment of the remaining debt which is outstanding to bank under the loan agreement dated on 31 May 2014. The parties agreed that in case of repayment of USD 5,500 thousand, the remaining principal amount outstanding under the loan agreement after the repayment of USD 5,500 thousand shall be deemed to have been repaid in full and any interest and default interest accrued on the loan. As a result Company incurred income from exemption of loan repayment (note 10).

As at 31 December 2019, according to the loan agreements signed with European Bank for Reconstruction and Development (EBRD) and syndicated loan agreement signed with JSC TBC Bank and European Bank for Reconstruction and Development (EBRD) and JSC TBC Bank loan agreements, the Group has to comply with certain financial and non-financial covenants. As at the reporting date, the Group was in breach of financial and some non-financial covenants contained in a loan agreement between the Group and European Bank for Reconstruction and Development (EBRD), a syndicated loan agreement between the Group and TBC Bank and the European Bank for Reconstruction and Development (EBRD). The Group has obtained waiver letter before the year end. However, as of reporting date because of default position with EBRD, due to missing payments when due, GEL 30,854 thousand was reclassified to current liabilities. Subsequent to 31 December 2019, the Company agreed with European Bank for Reconstruction and Development (EBRD) to settle the currently outstanding remaining loan towards EBRD.

22. FINANCE LEASE LIABILITY

Finance lease liability as at 31 December 2020 and 2019 was as follows:

	31 December 2020	31 December 2019
Current finance lease liability	500	500
Non-current finance lease liability	4,099	4,217
Total	**4,599**	**4,717**

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Due within one year	500	500	131	120
Due from one to five years	2,503	2,501	839	774
Due thereafter	5,503	6,003	3,629	3,823
	8,506	9,004	4,599	4,717
Less: future finance costs	(3,907)	(4,287)	-	-
Present value of minimum lease payments	**4,599**	**4,717**	**4,599**	**4,717**

Finance lease items were Group's (lessor) owned assets, which was sold to LLC MP Property (lessee) in 2015 and leased back as an operating lease. According to the lease agreement, the lessor has a preferable purchase right and herewith, lessee cannot sell the property without authorization of the lessor.

(In thousands of Georgian Lari unless otherwise indicated)

On January 2018 the Group has signed a new agreement with the LLC MP Property to extend the original maturity to 15 December 2037 and decrease the monthly payments. As a result of the change in terms the Group has recognized a loss from derecognition of financial liabilities measured at amortised cost in the amount of GEL 2,517 thousands, recognized in the consolidated statement of profit or loss and other comprehensive income as net loss from derecognition of financial liabilities measured at amortised cost.

23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2020 and 2019 were as follows:

	31 December 2020	31 December 2019
Trade payables for fuel	25,719	25,198
Other	3,043	3,863
Total	**28,762**	**29,061**

24. ADVANCES RECEIVED

Advances received as at 31 December 2020 and 2019 were as follows:

	31 December 2020	31 December 2019
Advance payments received for fuel	13,439	12,076
Other advance payments received	1,686	2,885
Total	**15,125**	**14,961**

25. FINANCIAL INSTRUMENTS

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 estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables and other financial assets approximate fair values due to their short term maturities.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Management of the Group considers that the carrying amounts of financial liabilities recorded in the consolidated financial statements approximate their fair values.

(In thousands of Georgian Lari unless otherwise indicated)

The fair value of cash and cash equivalents was determined using level 1 measurement, while fair value of borrowings was determined using level 2 measurement. Fair values of all other financial assets and liabilities were determined using level 3 measurement. The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique for which comparable market prices have been used. The fair value of fixed and floating rate instruments that are not quoted in an active market was estimated not to be materially different from their carrying amount.

Capital risk management – The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. Management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, new share issues as well as taking of new loans and borrowings or redemption of existing loans and borrowings.

The gearing ratio at end of the reporting period was as follows:

	31 December 2020	31 December 2019
Loans and borrowings	85,814	114,733
Cash and cash equivalents	(1,924)	(2,047)
Net loans and borrowings	83,890	112,686
Equity	67,291	64,641
Net debt to equity ratio	125%	174%

To deleverage the Group's operations the Management is taking steps for improving working capital needs by selling some of the non-core assets and use the funds raised to repay some portion of its borrowings. Furthermore the Management works on cost optimization plan to improve the profitability on a long term basis.

Major categories of financial instruments – The Group's principal financial liabilities comprise loans and borrowings, trade and other payables and finance lease liability. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, loans disbursed, deposits with banks and cash and cash equivalents.

	31 December 2020	31 December 2019
Financial assets		
Trade and other accounts receivable	12,698	15,641
Loans disbursed	7,236	7,369
Cash and cash equivalents	1,924	2,047
Total financial assets	**21,858**	**25,057**
Financial liabilities		
Loans and borrowings	85,814	114,733
Trade and other accounts payable	28,762	29,061
Other lease liability	18,524	18,767
Finance lease liability	4,599	4,717
Total financial liabilities	**137,699**	**167,278**

The main risks arising from the Group's financial instruments are foreign currency, interest rate, credit and liquidity risks.

(In thousands of Georgian Lari unless otherwise indicated)

Foreign currency risk – Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2020 and 2019 were as follows:

	31 December 2020		**31 December 2019**	
	USD USD 1 = 3.2766 GEL	**EUR** EUR 1 = 4.0233 GEL	**USD** USD 1 = 2.8677 GEL	**EUR** EUR 1 = 3.2095 GEL
Financial assets				
Short-term loans disbursed	-	-	7,369	-
Cash and cash equivalents	499	10	590	1
Total financial assets	**499**	**10**	**7,959**	**1**
Financial liabilities				
Loans and borrowings	57,973	-	97,918	-
Trade and other payables	4,451	237	693	-
Other lease liability	16,444	-	18,766	237
Finance lease liability	4,599	-	4,717	-
Total financial liabilities	**83,467**	**237**	**122,094**	**237**
Total net position	**(82,968)**	**(227)**	**(114,135)**	**(236)**

The table below details the Group's sensitivity to strengthening/weakening of functional currency against foreign currencies by 20% as at 31 December 2020 and 2019. The analysis was applied to monetary items at the reporting date denominated in respective currencies.

As at 31 December 2020:

	USD impact		**EUR impact**	
	USD/GEL + 20%	**USD/GEL – 20%**	**EUR/GEL + 20%**	**EUR/GEL – 20%**
(Loss)/profit before tax	(16,594)	16,594	(45)	45

As at 31 December 2019:

	USD impact		**EUR impact**	
	USD/GEL + 20%	**USD/GEL – 20%**	**EUR/GEL + 20%**	**EUR/GEL – 20%**
(Loss)/profit before tax	(22,827)	22,827	(47)	47

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. 3% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

- Profit before tax for the year ended 31 December 2020 would decrease/increase by GEL 357 thousand (2019: decrease/increase by GEL 1,641 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Limitations of sensitivity analysis – The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk – Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables and loans disbursed) and

from its financing activities, including accounts with banks and related parties, foreign exchange transactions and other financial instruments.

The credit risk on cash and cash equivalents and deposits with banks is limited because the counterparties are banks with positive credit ratings. For cash and cash equivalents, restricted cash and balances with banks the ECL is calculated using benchmarking the exposure to the risk of default according to the research produced by the international credit agencies (Moody's).

The Group classifies its exposures as either individually significant or non-significant for the purpose of loss allowance recognition and measurement. Exposure is classified as individually significant if the based on past history Group had a difficulties recovering exposure from the customer and struggles with significant overdue. In case the exposure of certain counterparty is not provisioned on individual basis or ECL determined with collective assessment is more than individually assessed, the Group uses collective assessment for such exposures.

For financial assets or contract assets that do not contain a significant financing component, the Group uses simplified approach of ECL calculation. Under the simplified approach the Group either classifies financial assets into stage 2 or stage 3. The Group measures the loss allowance for financial assets at an amount equal to lifetime ECL.

For trade and other receivables the expected credit losses are estimated by reference to past default experience of the debtor, financial condition for the year, an analysis of the debtor's overdue days and migration between overdue buckets for the past 3 years.

For loans disbursed the expected credit loss is individually reviewed and calculated based on the past default experience of the debtor and financial condition for the year.

The expected credit loss on financial assets are estimated by multiplying probability of default by loss given default and by exposure at default.

(In thousands of Georgian Lari unless otherwise indicated)

The Group allocates exposures into stages based on the quantitative and qualitative assessment at each reporting date. Such quantitative and qualitative assessment includes:

Stage 3 – a) Exposure selected for collective assessment with past due days more than 90 is allocated into stage 3; b) Other qualitative information indicates that the counterparty will not be able to repay the debt without enforcement activities.

Stage 2 - Exposures that do not meet stage 3 definition is allocated into stage 2.

The Group's 5 largest customers represent 56% and 42% of the outstanding balance of trade accounts receivable as of 31 December 2020 and 2019, respectively.

Liquidity risk – Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as at 31 December 2019 and 2018. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Less than 1 year	From 1 year to 2 years	From 2 years to 5 years	5+ years	Total
31 December 2020					
Non-interest bearing	28,762	-	-	-	28,762
Interest rate instruments	89,414	5,740	10,967	24,371	130,492
	118,176	**5,740**	**10,967**	**24,371**	**159,254**
31 December 2019					
Non-interest bearing	29,061	-	-	-	29,061
Interest rate instruments	114,261	-	21,439	23,911	159,611
	143,322	**-**	**21,439**	**23,911**	**188,672**

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

26. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, associates and entities under common ownership and control with the Group and members of key management personnel. Key management personnel is composed of: head and members of supervisory board; general director, and head of departments.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

(In thousands of Georgian Lari unless otherwise indicated)

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions with related parties:

	31 December 2020		
	Shareholders' associates and entities controlled by them	**Other**	**Total**
Finance lease liability	4,599	-	4,599
Deferred revenue	1,660	-	1,660
Trade and other accounts receivable	1,269	-	1,269
Trade and other accounts payable	56	-	56
Other lease liabilities	508	-	508
Loans disbursed	7,236	-	7,236
Non-current accounts receivable	1,139	-	1,139
Revenue	275	3	278
Purchases	104	-	104
Finance income	12	-	12

	31 December 2019		
	Shareholders' associates and entities controlled by them	**Other**	**Total**
Finance lease liability	4,717	-	4,717
Deferred revenue	1,780	-	1,780
Trade and other accounts receivable	2,060	-	2,060
Trade and other accounts payable	56	-	56
Loans disbursed	7,369	-	7,369
Non-current accounts receivable	1,139	-	1,139
Revenue	1,693	-	1,693
Purchases	388	-	388
Finance income	53	-	53

The compensation of the key management personnel, represented with short-term employee benefits, for the year ended 31 December 2020 and 2019 was GEL 5,599 thousand and GEL 3,461 thousand, respectively. Some of the directors are performing key management roles both in Wissol Petroleum Georgia, as well as, in Wissol Auto Express. Salaries included in the key management remuneration above, which is paid from Wissol Auto Express equals GEL 1,300 thousand and GEL 852 thousand for the years ended 31 December 2020 and 2019, respectively.

27. COMMITMENTS AND CONTINGENCIES

Commitments – The Group is a guarantee party against bank loans taken by entities under common control. As at 31 December 2020 and 2019, the restricted cash in the amount of zero and GEL 1,759 thousand, respectively, is pledged against the respective bank for the loan disbursed to the related party of the Group.

Legal proceedings - From time to time and in the normal course of business, claims against the Group are received from citizens and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes – The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the four subsequent calendar years, however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and if the authorities were successful in enforcing their own interpretations, the effect on these consolidated financial statements could be significant. On 21 February 2017 the Audit Department of the Revenue Service of the Ministry of Finance of Georgia issued order #4187 to the Group and tax audit of the Group's financial information has been performed covering the period 1 January 2014 to 1 January 2017. As of the date of issuing these consolidated financial statements these periods are closed for the future review.

Operating environment – Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations. The future direction of Georgia's economy is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

For the last two years Georgia has experienced a number of legislative changes, which have been largely related to Georgia's accession plan to the European Union. Whilst the legislative changes implemented during 2019 and 2020 paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Georgian economy.

Pandemic is at the phase of vaccination all over the world including Georgia that will have a positive effect on economy.

The economic shock caused by the coronavirus and the expectations of the future development of pandemic and its impact on the Georgian economy have been reflecting on increased volatility of the foreign exchange market and weakening of Georgian Lari against other currencies.

Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date in January 2021 the Group repaid the remaining balance of the loan obtained from European Bank for Reconstruction and Development amount of USD 5,500 thousand through obtaining a loan denominated in GEL from JSC TBC Bank. As a result the Group has no outstanding liabilities towards the European Bank for Reconstruction and Development.

Subsequent to the reporting date the Company obtained the waiver from the JSC TBC Bank, whereby the Bank has agreed not to ask repayment of the loans until contractual maturity date.

In July 2021, based on a decree made by the Government of Georgia, the Group received three land plots in exchange for two non-core assets (sports complexes). Management believes that fair value of the land received are higher compared to assets exchanged.

During the 2020 year and subsequent to the reporting date management managed to restructure significant part of the loan portfolio and replaced loans denominated in USD with loans denominated in the national currency, which will help to decrease foreign exchange loss incurred on loans obtained in foreign currency.

During the 2020 year and subsequent to the reporting date management managed to extend maturity dates for the significant part of the loan portfolio, which significantly improved liquidity gap of the Group in subsequent to the reporting date.

By the end of June 2021, the Group decreased its borrowings by GEL 15.4 ml.

No other subsequent event have occurred that would require recognition or disclosure in the consolidated financial statement.

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 17 August 2021.

CONSOLIDATED MANAGEMENT REPORT

Overview of Operations

JSC Wissol Petroleum Georgia (hereinafter Wissol or the Company) is a joint stock company registered by Tbilisi Didube-Chugureti District Court on 11 April 2000.

Chartered capital of the Company amounts to GEL 24,272 thousand. The chartered capital is divided into 14,881 thousand ordinary nominal shares of nominal value of USD 1 (one US Dollar) each.

Shareholders of the Company comprise:

- Wissol Holding B.V. LLC (the Netherlands) - 61.96%
- Standard Oil Holding LLC (Georgia) - 10.86%
- Levan Pkhakadze (Georgia) - 2.18%
- Helvetia Petroleum Holding B.V. LLC (the Netherlands) - 25%

The Group is managed by General Shareholders' Meeting, Supervisory Board and Director General.

The Supervisory Board comprises of three members:

- Samson Pkhakadze, chairman
- Levan Pkhakadze, member
- Nugzar Abramishvili, member

As at 31 December 2020, the Company held shares in the following subsidiaries and associates (collectively the Group):

- Wissol Auto Express LLC - 100%, servicing and sale of car's spare parts, brakes, batteries, oil and tires;
- Wissol Petroleum Georgia Vake LLC - 50%, petrol station leasing to Wissol;
- Wissol Petroleum Georgia Jachvis Khidi - 40% (associate), petrol station leasing to Wissol;
- Wissol Petroleum Georgia Chughureti - 51%, dormant;
- Kochebi LLC - 100%, dormant;
- Wissol Group LLC - 33.5% (associate), advertising;
- Ertoba 2018 LLC – 100%, collection of debts from related parties.

Groups's operations include:

- Construction and further operation of state of the art petrol stations;
- Purchase, import, export, transit, storage, processing and sale of oil and oil products;
- Servicing of vehicles and cars;
- Purchase, transit, storage, processing and retailing of gas and gas products.

At the end of 2020, the number of employees in the Group was 1,254.

As at the end of 2020 the Group operated 120 stations: 117 petrol stations (77 own, 39 rented and 1 rented from a subsidiary), out of which 10 are combined petrol and gas stations and 3 standalone gas stations (2 own, 1 rented).

Main Financial Indicators and Covid-19 Effects

In 2019 the Group's gross profit decreased by GEL 6,939 thousand. Furthermore, profit from continuing operations in 2020 was GEL 2,963 thousand, a significant contributor to which were (a) profit from sale of Property, plant and equipment and (a) Income from exemption of loan repayment.

In order to further increase its profitability in 2021 the Group plans to continue reducing its administrative and other expenses through optimizing some of the activities the Group undertakes. In addition, the Group has implemented additional activities to (a) reduce receivables levels and (b) decrease buffer inventory balances (i.e. store inventory for not more than the next 1-2 months sales, instead of average inventory being 3-4 times the monthly sales volume) and improve cash flows. The activities should allow the Group to shorten working capital requirements and re-direct the funds more to de-leverage the Group.

Further devaluation of GEL/USD exchange rate and effect of Covid-19 from 2020 had an overall negative effect on Group's operations similar to the rest of the world. The largest effect came to April-May period when sales has been decreased due to pandemic regulations. The fact, that for first two months of 2020, the Group recorded significant growth in liters has soften the overall effect of pandemic period, making overall decrease in liters only 5-6% for the first 6 months.

Sales revenue has been affected more significantly due to very large fluctuation in prices of petroleum on the international market that occurred due to Covid-19 pandemic. Platts lost more than two thirds of its price and the sharply recovered within subsequent months. The fact caused decrease in sales price locally and as a result, further decreased revenue amount. Although has to be mentioned, that in 2020 the Group managed to slightly improve is gross profit.

Spread of the pandemic has been quickly responded by the Management of the Group, through daily analyzing Group's operations and cutting costs where possible. To further decrease direct expenses the Management of the Group has reviewed all stations performance, rent expense and distance from the nearest other the Group's stations (so that in case of closing customers would switch) and either negotiated to decrease rent or fully closed the stations. In total, during 2020 the Group has closed 20 less profitable petrol/gas stations majority of which were rented by the Group and had on significantly less daily sales compared to other stations. The fact caused reduction in the Group's direct expenses including utility expenses and salaries of workforce. The close of petrol stations has only insignificant decreasing effect on total sold quantity for 2020 compared to same period in 2019.

As for administrative expenses during the lockdown restrictions, the Group has temporarily decreased salaries and office rent, while permanently reduced advertising and marketing expenses.

With the measures taken during Covid-19 pandemic, the Management believes, that the Group has effectively responded the challenge, managed to concentrate on the efficiency and improve profitability of the core operations.

Research and Development

The Group has closed / disposed of several petrol stations in 2020 and thus increased overall efficiency. The sales did decrease was less than the savings and less then the proportion of stations closed indicating that Customers keep loyalty to the brand despite the location. From the closed stations some were closed as the offer for the real estate significantly exceeded the value generated by operations and some were closed due to high rent. Most of the closed stations did have the Group owned station nearby for the customers to switch and easily adapt.

Overview of Credit, Market, Liquidity and Cash Flow Risks and Risk Management Controls

Credit Risk

Credit risk affects trade receivables from the customers of the Group. The trade receivables are shown in the financial statements including the impairment allowance. The Group's customers are represented by retail and corporate customers. Based on customers repayment history the Group reviews certain customers individually for potential impairment. Counterparty balances, which are not individually provisioned or does not fall into individual review pool are assessed collectively. The Group conservatively assumes that probability of default for exposures over 90 days overdue is 100%. For collective assessment the management takes into account the past experience of collectability available from internal or external sources.

The Group constantly monitors its receivables, assessing the financial position of the counterparty and making an operational decision to withhold the credit, renegotiate the terms, present a bill of payment, etc. To manage the risk, the Group has created a task force comprising: Director General, Director of Operations, Director of Sales and Director of Finance, who convene informally on a regular basis to discuss the Group's credit risks and its portfolio. As at 31 December 2020, the Management of the Group believes, that there was no necessity to create any additional provisions apart from the impairment provision recorded in the consolidated financial statement.

Market Risk

Market risks arise from the competitive fuel market created by other brand or non-brand chains. The retail and corporate market for fuel is highly competitive and is represented by brand and non-brand petrol stations. The Group competes with in both sectors by price and quality, as well as, variety of services offered (self-service stations, markets linked to stations, different types of billing for corporate customers, discounts, etc.). The Group also monitors on a daily basis market pricing policy, terms of corporate sales, discounts, its own margins and respond appropriately to the market. The Group also works actively to meet the demand for improvement of the existing services to make the Group's products attractive and desirable for the customers.

The stability of Gross profit per liter shows that price competition isn't significantly affecting the Group.

Liquidity and Cash Flow Risks

Liquidity has been a risk for the Group primarily due to large borrowings that has increased the leverage historically. To improve the leverage of the Group's operations, the Management started disposing of its auxiliary, non-core assets. The funds raised from the sales of respective assets have been directed towards coverage of the obligation and allowed the Management to concentrate on development of core business. As mentioned above, on 10 March 2020, the Group sold real estate and movable property of one of its largest petrol stations located in Gori to its related party (MP Development LLC) for the amount of GEL 5,956 thousand (USD 2,130 thousand excluding VAT) and funds raised have been further used to cover part of the obligations.

Furthermore, as mentioned above, the Group has decreased its debtors collection days and buffer inventory levels, which on its turn, generated another source to support the daily operations. Also freed up working capital funds were directed to cover the short term borrowings in 2020.

During the 2020 year and subsequent to the reporting date management managed to extend maturity dates for the significant part of the loan portfolio, which significantly improved liquidity gap of the Group in subsequent to the reporting date.

Operational Risk

In order to minimize its operational risks, the Group has the monitoring department, which constantly monitors balances of fuel, balances of cash and other assets in the Group's warehouses and petrol and gas stations. The Group conducts monitoring of stocks on monthly basis at stations and weekly at warehouses.

In addition, petrol stations have automated systems equipped with electronic meters to measure the amount of fuel in the tank. In case of tank damage or fuel leakage, the station manager or any other authorized person can detect the damage and respond accordingly.

The Group is also insured against indemnity for third party property and health to avoid any unforeseen charges.

Financial Risk-Related Goals and Management Policy

Two other risks that affect the Group's operations apart from those discussed above are currency risk and risk of change international purchase prices. Currency risk arises from the majority of the Group's borrowings being denominated in USD, while the revenues are collected in GEL (despite pricing changes in accordance with the exchange rate). Changes in exchange rates is reflected in retail and corporate sales prices for all market players. The Group has converted most of its debt to GEL.

During the 2020 year and subsequent to the reporting date management managed to restructure significant part of the loan portfolio and replaced loans denominated in USD with loans denominated in the national currency, which will help to decrease foreign exchange loss incurred on loans obtained in foreign currency.

International prices for the purchased oil fluctuate daily based on daily Plats price movement (Platts, European MarketScan, by S&P Global). Plats is established daily, except for weekends and bank holidays and is based on the price of one metric ton of ready product. Products are purchased in US Dollar and sold in retail and corporate chains in GEL, however obviously price is recalculated frequently to reflect both the Platts and the exchange rate. The risk is partially addressed by an even distribution of purchases throughout the year (and storages similar to competitors – so that competitors also adjust prices accordingly).

Plans for Development

The Group's development plan envisages (a) further deleveraging and (b) further upgrade of CRM/IT and Station Control systems (so that there is more flexibility in offers to both retail and corporate customers and more controls).

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Director General
JSC Wissol Petroleum Georgia

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