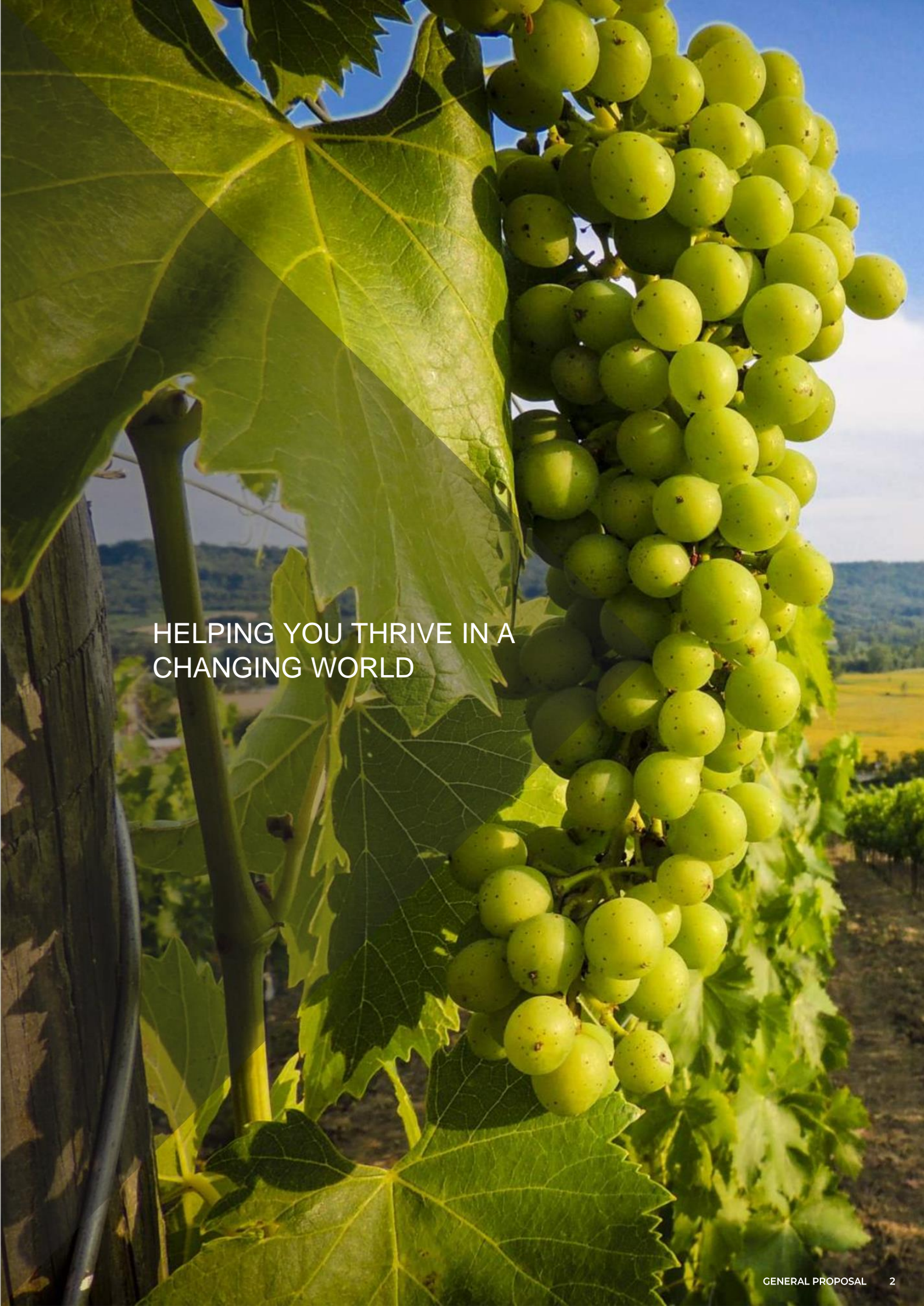


GENERAL PROPOSAL

For the provision of valuation and advisory services to entities operating in the viticulture and wine sectors



HELPING YOU THRIVE IN A
CHANGING WORLD



ABOUT US

APPRAISALS

BRIEFLY ABOUT US

Established in 2008, Moore abc is one of the leading firms providing financial and tax accounting and reporting services, valuation, audit and related services in Georgia.

Previously also working together in the field of financial consulting, the core team of the company has gained significant experience in providing valuation and consulting services for viticulture and winemaking over the last two decades.

SERVICES WE OFFER TO COMPANIES OPERATING IN THE FIELD ARE:

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- ✦ Valuation of vineyards
- ✦ Valuation of land for vineyard planting
- ✦ Valuation of machinery and equipment
- ✦ Valuation of biological assets
- ✦ Valuation of manufacture and economic buildings
- ✦ Valuation of winemaking and distillation equipment and implements
- ✦ Valuation of inventory
- ✦ Valuation of the enterprise (the going concern) and/or equity

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- ✦ Partial (individual classes) or complete inventory of assets
- ✦ Investment project development and investment performance assessment
- ✦ Analysis of an existing investment project
- ✦ SWOT analysis

On the following pages each item of the proposed service line is reviewed to clarify some specific aspects of valuation.



Under what circumstances may your venture need an appraisal

Based on the economic relations that exist in everyday life, legal entities and individuals may need to determine the value of property, and it is recommended that in situations such as buying or selling, preparing financial reporting, attracting or investing funds, using property as financial security, reevaluating assets, hereditary succession, insurance, company mergers, etc. they used the valuation service when

VINEYARDS

A vineyard is a tract of land, at a certain point of time, is at least planted with grape-bearing vines that are grown primarily for winemaking (as well as for raisins, table grapes and non-alcoholic grape juice), and in which sufficient unplanted area is left for harvesting and transportation crops off the site, as well as maneuvering agricultural machinery.

The vineyard is often characterized by its terroir, the French term meaning "sense of place", which refers to the specific geographical and geological characteristics of the vineyards that may be imparted to the wine.

The value of a vineyard can be assessed using either a market approach based on sales of analogues, or an income capitalization approach. However, a qualified estimation of the value of a vineyard involves taking into account its potential to generate profit, which is equivalent to the application of an income approach to value. Within this framework the following works have to be carried out:

- ✦ Inspection and evaluation of impact of natural environment (exposition, slope, waters etc.) of vineyards
- ✦ Inspection of plant health
- ✦ Inspection of trellis quality and condition
- ✦ Inspection and analysis of vineyard layout

- ✦ Inspection of pruning system
- ✦ Inspection of correspondence of grape varieties with zoning
- ✦ Plantation age analysis
- ✦ Estimation of average harvest
- ✦ Estimation of amount of curable deterioration - CapEx
- ✦ Estimation of annual vineyard care costs
- ✦ Estimation of grape sale prices
- ✦ Development of financial forecast
- ✦ Estimation of market value
- ✦ Preparation of appraisal report

LAND FOR VINEYARD PLANTING

Vacant arable land that is intended to be used for arrangement of perennial fruit-bearing plants (in our case, vineyard) can be evaluated either based on selling prices of similar land plots, or by using an income-based approach, which means to estimate its value as if it was developed (planted) and generating income through this development. After this, the residue for land is calculated by deduction from the value the cost of development.

For small plots of land not exceeding several hectares, a market approach (based on selling prices of analogues) can be applied. However, when it



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comes to assessing large land plots, because of the possible lack of a sufficient number of analogues sold or offered for sale, as well as the desire to obtain an economically reasonable value of land through a more qualified appraisal, the income approach is the preferred and more appropriate valuation tool.

As the quantity and quality of the vineyard's crop largely depend on climatic factors, soil characteristics and the exposure of the plot (collectively referred to as the French term *terroir*), which can vary significantly not only from place to place but even within one land plot, a thorough analysis of these conditions and circumstances is required. In order to achieve a fully qualified estimate of the value, we offer customers a number of services including laboratory analysis of soil samples taken at several points of the land parcel, evaluation of the results of the laboratory analysis, and preparation of the optimal layout of the future vineyard, etc.

MACHINERY AND EQUIPMENT

The primary piece of machinery used in the vineyard is a tractor of agricultural purpose, to which multi-function or single-function equipment, such as a cultivator, fertilizer, sprayer, mower, trimmer, pre-pruner, mulcher, weed remover, auger, grape harvester and some more others can be attached.

However, in Georgia and even in the developed economies that belong to the old wine-growing regions of the world, mainly rely on human labor to complete most of the tasks performed by the equipment mentioned above. In contrast, mechanized harvesting, pruning, weeding, mulching, etc. prevail in new wine-growing regions (e.g. USA, Argentina, Chile, New Zealand).

Other vehicles used in the vineyards may be transporters and trucks serving to take the yielded crop out of the vineyard.

Valuation of all these vehicles and pieces of equipment is conducted on the basis of selling prices of analogues offered on the market.

BIOLOGICAL ASSETS

"Biological asset" is an accounting term and includes any living plant or animal owned by the business. The balance sheet breaks down a company's assets at a given point in time, classifying them by type and attributing a value to them that should correspond to their fair value. One of these types of assets is biological assets.

In not quite distant antiquity, when vineyards were cultivated without mechanization, draft animals used for plowing would also be included in biological assets of viticulture entities, along with vine plantations. However, at the industry's current level of development, vineyards (vine plantations themselves) are perhaps the only type of biological asset of such ventures.

Fruit bearing plants are the principal source of harvest and profit from perennial arable land that rely on the soil as a source of nutrition. Therefore, to estimate the value of a plantation (biological asset), an income-based approach should be used, which means evaluating the long-term income from the planted land and the costs necessary to generate income. Since land, for its part, is involved in the obtaining of crops and income, to evaluate a plantation that cannot exist without land, the value of vacant land is to be deducted from the total net income.

MANUFACTURE AND ECONOMIC BUILDINGS

The various buildings and constructions of wineries, which may include numerous premises and areas such as wine cellars, laboratories, production zones, tasting and degustation premises, exhibition halls and auxiliary buildings for a specific purpose, are evaluated using a cost-based approach, which means estimating cost for their replacement, less the depreciation (physical deterioration and functional and economic obsolescence) to which they have been subjected as on the date of valuation.

When choosing an approach to valuation, as far as assets of this type are very rarely sold separately from vineyards and the market is extremely limited in terms of the sold or offered similar assets, the advantage is given to the cost approach, since the above circumstances do not allow the full use of the market approach.

WINEMAKING AND DISTILLATION EQUIPMENT AND IMPLEMENTS

Winemaking equipment includes crushers, presses, sorters, fitters, fermentation tanks, aging barrels, bottling lines and various other items used in different stages of the winemaking process.

In the distillation of alcohol (as such in general) used as a beverage, two types of distillation implements are used: pot stills and column stills. The main difference between them is that while the pot still, being the simpler of the two, after collecting and condensing the vapors, distills alcohol only once per boiling and creates a lower-purity and flavoring liquor, column still allows to reach the by volume alcohol level as high as 96% and create a cleaner, high-purity and more neutral spirit.

In wineries where the distillation material could be either unfiltered wine, grape pomace or wine lees, cooper pot stills are used to distill beverages such as eau-de-vie de vin (wine spirit for brandy), chacha and grappa.

INVENTORY

Inventory includes items that are used once or last only a short amount of time. These can also be referred to as consumables and do not need to be tracked as closely as equipment. However, knowing the quantity on hand is valuable to an organization so that reorders can be done when necessary. Examples of inventory items include wine materials, supplies such as corks and bottles, perishables of any kind, and items that are used only once, such as air and wine filters or packaging items. All these items are valued using the market approach



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ENTERPRISE AND EQUITY

Enterprise value and equity value are two common ways that a business may be valued in a merger or acquisition. Both can be used in the valuation or sale of a business, but each offers a slightly different view. While enterprise value gives an accurate calculation of the overall current value of a business, similar to a balance sheet, equity value offers a snapshot of both current and potential future value.

However, enterprise value can also be estimated based on future income streams. In this case, the free cash flow for the firm is estimated and discounted using the appropriate market discount rate along with the terminal value of enterprise fewer costs to selling. As for equity value, the actual amount of cash, as well as debt, are taken into consideration.

In most cases, an investor or someone interested in purchasing a controlling interest in a company will rely on an enterprise value for a fast and easy way to value it. Equity value, on the other hand, is commonly used by owners and current shareholders to help shape future decisions.

Most buyers of wine companies, including elite ones, are private individuals, strategic buyers, or private joint-stock companies that have a longer investment horizon than public companies. So, what a winery is worth has to start with understanding the value of two basic elements, the value of a flow of cash/profits, and the net value of assets.



Under what circumstances may your venture need advisory

In the rapidly changing world, legal entities and individuals may need advisory services making managerial decisions, to attract or invest funds, to assess the feasibility of projects, to minimize risks and increase return, for insurance, debt or equity financing purposes, etc.

STOCKTAKING

Stocktaking, regardless of whether it is applied to a particular asset class or for all classes, may involve either a simple process of identification of items, assessment of their condition and quantity/ volumes for a specific date (with this data reflected in the stocktaking report later), or a more thorough process, which along with the above, includes the development of a unified system of coding for departments and asset classes for the company, labeling items, the development of interdepartmental exchange forms and criteria for including data on the daily movement of items on these forms, indicating their residues at a specific area of the enterprise.

All this allows the company to increase the efficiency of asset management and exercise proper control over the economic activity of the venture and its property.

INVESTMENT PROJECT DEVELOPMENT

Project development is a process and means of planning, organizing, coordinating and controlling resources to achieve specific goals for which investments will be made. The process involves progress from concept to construction, and for each stage, an appropriate action plan should be prepared and calculated.

Based on the foregoing, investment performance is evaluated, including several financial ratios that help the investor to arrive at a decision on whether to invest in the project or to make changes in order to satisfy financial needs and meet the required efficiency

ANALYSIS OF EXISTING INVESTMENT PROJECT

The reality of the corporate world is very complex. When planning to launch a company into a new business atmosphere, there are several main topics to consider: Financial distress costs, Taxes, Nature of assets, Nature of the business and competitive position, Risk management, Ownership control.

Criteria of evaluation analysis of existing investment projects are Net present value (NPV), Internal rate of return (IRR), Payback period, Profitability index (PI) and Benefit-Cost Ratio (BCR).

SWOT ANALYSIS

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats and is a simple but powerful framework for analyzing these four aspects of a business before deciding any new strategy. It helps the company to build on what it does well, to address what it is lacking, to minimize risks, and to take the greatest possible advantage of chances for success. It can be used to kick off strategy formulation informally, or in a more sophisticated way as a serious strategy tool. It can also be used to get an understanding of competitors, which can give the insights needed to craft a coherent and successful competitive position.

Strengths are things that an organization does particularly well, or in a way that distinguishes it from competitors. It takes into account the advantages the organization has over other organizations.



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These might be the motivation of staff, access to certain materials, or a strong set of manufacturing processes.

Any aspect of an organization is only a strength if it brings a clear advantage. For example, if all of the competitors provide high-quality products, then a high-quality production process is not a strength in the market: it is a necessity.

After this, the organization's weaknesses should be considered. A SWOT Analysis will only be valuable if all the information needed will be gathered. So, it is best to be realistic now and face any unpleasant truths as soon as possible.

Weaknesses, like strengths, are inherent features of an organization, so you need to focus on the people, resources, systems, and procedures of the organization. It is important to think about what the organization can improve and the practices that should be avoided.

Opportunities are openings or chances for something positive to happen, but an organization needs to claim them for itself! They usually arise from situations outside the company and require an eye to what might happen in the future. They might arise as developments in the market the company serves, or in the technology it uses. The ability to find and exploit opportunities can make a huge difference to an organization's ability to compete and take the lead in the market.

Threats include anything that can negatively affect the business from the outside, such as supply chain problems, shifts in market requirements, or a shortage of recruits. It is vital to anticipate threats and to take action against them before becoming a victim of them and company growth stalls.

It always should be considered what competitors are doing, and whether the company should be changing its emphasis to meet the challenge. But it also needs to be taken into consideration what they are doing might not be the right thing for the company to do, and copying them without knowing how it will improve the company's position must be avoided.



WE WISH YOU PROSPERITY
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