JSC GEORGIAN RENEWABLE POWER COMPANY

Consolidated financial statements

for the year ended 31 December 2017
with independent auditor's report

CONTENTS

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Independent auditor's report

To the Management and Shareholders of Georgian Renewable Power Company JSC

Opinion

We have audited the consolidated financial statements of Georgian Renewable Power Company JSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, 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 financial position of the Group as at 31 December 2017 and its financial performance and its 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 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 (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 matter

The consolidated financial statements of Georgian Renewable Power Company JSC for the year ended 31 December 2016 and the consolidated statement of financial position as at 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2017.

Responsibilities of Management and the Shareholders for the consolidated financial statements

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

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

The Shareholders 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 the Shareholders 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.

Oleg Youshenkov
For and on behalf of EY Georgia LLC

3 April 2018

Tbilisi, Georgia

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(Amounts expressed in thousands of Georgian Lari)

	Note	31 December 2017	31 December 2016 (restated*)	1 January 2016 (restated*)
Assets				
Non-current assets				
Property, plant and equipment	7	48,025	5,757	1,480
Other non-current assets	8	34,890	980	92
Total non-current assets		**82,915**	**6,737**	**1,572**
Current assets				
Other current assets	9	3,909	–	–
Prepaid VAT		1,568	378	190
Cash and cash equivalents		8,298	4,867	1,722
Total current assets		**13,775**	**5,245**	**1,912**
Total assets		**96,690**	**11,982**	**3,484**
Equity				
Share capital	10	28,884	8,068	2,395
(Accumulated deficit) / retained earnings		(2,159)	(218)	155
Share discount	10	(2,457)	(588)	–
Other reserves	10	2,369	957	(9)
Equity attributable to the owners of the parent		**26,637**	**8,219**	**2,541**
Non-controlling interests	10	31	3,188	765
Total equity		**26,668**	**11,407**	**3,306**
Liabilities				
Non-current liabilities				
Borrowings	11	62,357	–	–
Deferred income	12	1,279	–	–
Total non-current liabilities		**63,636**	**–**	**–**
Current liabilities				
Borrowings	11	2,491	–	–
Trade and other payables	13	1,209	575	178
Provisions for liabilities and charges	14	2,686	–	–
Total current liabilities		**6,386**	**575**	**178**
Total liabilities		**70,022**	**575**	**178**
Total liabilities and equity		**96,690**	**11,982**	**3,484**

* *Certain amounts shown here do not correspond to the 2016 and 2015 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

Approved for issue and signed on behalf of Management on 3 April 2018:

Archil Gachechiladze
Director

Nana Mshvidobadze
Financial Manager

The accompanying notes on pages 5 to 25 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Amounts expressed in thousands of Georgian Lari)

	Note	2017	2016 (restated*)
Salaries and other employee benefits	15	(205)	(81)
Other general and administrative expenses	16	(1,175)	(227)
Other operating expenses	17	(330)	(55)
		(1,710)	(363)
EBITDA		(1,710)	(363)
Depreciation and amortization	7, 8	(274)	(72)
Finance income		93	–
Finance costs		(24)	(4)
Net foreign exchange losses		(60)	(47)
Non-recurring expenses	14	(129)	–
Loss before income tax		(2,104)	(486)
Income tax expense		–	–
Loss for the year		(2,104)	(486)
Attributable to:			
Owners of the parent		(1,941)	(373)
Non-controlling interests		(163)	(113)
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)			
Gain from currency translation differences		609	1,256
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		609	1,256
Other comprehensive income for the year, net of tax		609	1,256
Total comprehensive (loss)/income for the year, net of tax		(1,495)	770
Attributable to:			
Owners of the parent		(1,035)	593
Non-controlling interests		(460)	177

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(Amounts expressed in thousands of Georgian Lari)

	Attributable to the owners of the parent						
	Share capital	Share discount	Retained earnings (accumulated deficit)	Other reserves	Total	Non-controlling interests	Total equity
Balance as at 1 January 2016	2,395	–	(415)	–	1,980	623	2,603
Adjustment on correction of error (net of tax) (Note 5)	–	–	570	(9)	561	142	703
Balance as at 1 January 2016 (restated*)	2,395	–	155	(9)	2,541	765	3,306
Loss for the year as reported in the 2016 financial statements	–	–	(1,160)	–	(1,160)	(297)	(1,457)
Adjustment on correction of error (net of tax) (Note 5)	–	–	787	–	787	184	971
Loss for the year (restated*)	–	–	(373)	–	(373)	(113)	(486)
Foreign currency translation reserve (restated*)	–	–	–	966	966	290	1,256
Total comprehensive income for the year	–	–	(373)	966	593	177	770
							–
Issue of share capital of Parent (Note 10)	5,673	(588)	–	–	5,085	–	5,085
Increase in share capital of subsidiaries by non-controlling interests (Note 10)	–	–	–	–	–	2,246	2,246
Balance as at 31 December 2016 (restated*)	8,068	(588)	(218)	957	8,219	3,188	11,407
Loss for the year	–	–	(1,941)	–	(1,941)	(163)	(2,104)
Foreign currency translation reserve	–	–	–	906	906	(297)	609
Total comprehensive income for the year	–	–	(1,941)	906	(1,035)	(460)	(1,495)
Issue of share capital of Parent (Note 10)	13,076	–	–	–	13,076	–	13,076
Increase in share capital of subsidiaries by non-controlling interests (Note 10)	–	–	–	–	–	1,560	1,560
Acquisition of non-controlling interests in existing subsidiaries (Note 10)	7,740	(1,869)	–	506	6,377	(4,257)	2,120
Balance as at 31 December 2017	28,884	(2,457)	(2,159)	2,369	26,637	31	26,668

* *Certain amounts shown here do not correspond to the 2016 and 2015 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

The accompanying notes on pages 5 to 25 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

(Amounts expressed in thousands of Georgian Lari)

	Note	2017	2016 (restated*)
Cash flows from operating activities			
Loss before income tax		(2,104)	(486)
Adjustments for:			
Depreciation and amortisation	7, 8	274	72
Net foreign exchange losses		60	47
Non-recurring expenses	14	129	–
Finance income		(93)	–
Finance costs		24	4
Operating cash flows before working capital changes		(1,710)	(363)
Change in trade and other receivables	9	(15)	–
Change in prepaid VAT		(853)	(206)
Change in advances paid	9	(27)	–
Change in other payables	13	6	–
Interest received		93	–
Other finance costs paid		(24)	–
Net cash used in operating activities		(2,530)	(569)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(68,863)	(3,983)
Net cash used in investing activities		(68,863)	(3,983)
Cash flows from financing activities			
Proceeds from borrowings	11	61,768	(217)
Repayment of borrowings	11	(4,500)	–
Increase in share capital	10	13,076	5,085
Increase in share capital of subsidiaries by non-controlling interests	10	1,560	2,246
Acquisition of non-controlling interests	10	2,120	–
Net cash from financing activities		74,024	7,114
Effect of exchange rate changes on cash and cash equivalents		800	583
Net increase in cash and cash equivalents		3,431	3,145
Cash and cash equivalents at the beginning of year		4,867	1,722
Cash and cash equivalents at the end of year		8,298	4,867

* *Certain amounts shown here do not correspond to the 2016 consolidated financial statements and reflect reclassifications made, refer to Note 5.*

The accompanying notes on pages 5 to 25 are an integral part of these consolidated financial statements.

(Amounts expressed in thousands of Georgian Lari)

1. CORPORATE INFORMATION

JSC Georgian Renewable Power Company (the "Company" or "GRPC") was founded in 2015 as a joint stock company in accordance with Georgian regulations.

The Company is a holding parent company and has the following subsidiaries consolidated in its financial statements:

Name	Country of operation	Proportion of ownership interest		
		2017	2016	2015
JSC Svaneti Hydro	Georgia	100%	65%	65%
JSC Geo Hydro	Georgia	85%	85%	85%
JSC Zoti Hydro	Georgia	100%	65%	65%
JSC Caucasian Wind Company	Georgia	100%	100%	–
JSC Caucasus Solar Company	Georgia	100%	100%	–

The Company together with its subsidiaries makes up a group of companies (the "Group").

The Group's main activities present development of renewable energy projects in Georgia. In 2017, Group started construction of 50MW Mestiachala hydro power plants (the "HPP") in the north-western part of Georgia and 44.3MW Zoti HPPs officially entered into construction phase in western part of Georgia.

As at 31 December 2017, 65% of the Company's shares are owned by JSC BGEO Investments, the ultimate parent of which is BGEO Group PLC ("BGEO"). BGEO is a premium listed company on London Stock Exchange; no individual shareholder owns more than 10% of the BGEO's shares. As at 31 December 2017, 35% of the Company's shares is owned by RP GLOBAL Investments GmbH (the "RP Global"), which is ultimately controlled by Dr. Gerhard Matzinger and family.

As at 31 December 2016 and 2015, 100% shares of the Company were fully owned by JSC BGEO Investments.

The Company's legal address is N 79, Agmashenebeli Ave., Tbilisi, Georgia.

2. OPERATING ENVIRONMENT

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

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

3. BASIS OF PREPARATION

These consolidated financial statements of the Group for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") effective for 2017 reporting.

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Georgian Lari (the "GEL") and all values are rounded to the nearest thousands, except when otherwise indicated.

3. BASIS OF PREPARATION (continued)

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2016 is presented in these consolidated financial statements due to the correction of an error retrospectively, see Note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Financial assets

Initial recognition and measurement

All of the Group's financial assets including trade and other receivables and cash at bank fall into receivables measurement category.

Receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the profit or loss when the receivables are derecognized or impaired, as well as through the amortization process.

Derecognition of assets

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

All of the Group's financial liabilities, including borrowings and trade and other payables, are carried at amortised cost.

The Group's borrowings comprise loans from Georgian financial institutions and related parties. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost of property, plant and equipment, including assets under construction, includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Directly attributable costs include professional fees, other pre permission expenditures and contributions to the local governing bodies incurred for obtaining building permissions of power plants. The liability for dismantling and removing items is recognised within provisions.

After initial recognition, property, plant and equipment are recorded at historical cost less accumulated depreciation and recognized impairment loss, if any.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(Amounts expressed in thousands of Georgian Lari)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

Depreciation of an asset commences from the date the asset is ready and available for use.

Assets under construction and land are not depreciated. Assets under construction are put into exploitation and depreciation charges start once it is brought to the condition of target use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Useful lives in years
Infrastructure assets	5 years
Fixtures and fittings	5 years
Vehicles	5 years

Contingencies

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

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indicationexists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation. Intangible assets primarily include licenses and permits required for construction process of HPPs and are amortised on a straight-line basis over their estimated useful lives (36 months) from the date the asset is available for use.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017. Corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia.

Georgian tax legislation also provides for charging corporate income tax on certain transactions that are considered deemed profit distributions (for example, transactions at non-market prices, non-business related expenses or supply of goods and services free of charge).Taxation of such transactions is accounted similar to operating taxes and is reported as Taxes other than income tax within General and administrative expenses in consolidated income statement.

Value added tax

Value added tax (“VAT”) related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is recognised upon the receipt of a tax invoice from a supplier but is reclaimable against sales VAT only upon a payment of such invoice.

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.

Cash at bank

Cash at bank includes deposits held at call with banks with original maturities of three months or less and are subject to insignificant risk of change in value. Cash at bank are carried at amortised cost using the effective interest method.

Share capital

The amount of Company’s authorised share capital is defined by the Company’s Charter. The difference between par value and actual contribution received is recognized in share discount/premium in the consolidated statement of changes in equity.

Borrowing costs

Borrowing costs comprise interest expense calculated using the effective interest method and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur.

(Amounts expressed in thousands of Georgian Lari)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

The amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred on that borrowing during the period of respective property development phase.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

EBITDA

The Group separately presents EBITDA on the face of statement of profit or loss and other comprehensive income. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation, net foreign exchange losses or gains and net non-recurring items.

Non-recurring expenses

The Group separately classifies and discloses those income and expenses that are non-recurring by nature. Any type of income or expense may be non-recurring by nature. The Group defines non-recurring income or expense as income or expense triggered by or originated from an unusual economic, business or financial event that is not inherent to the regular and ordinary business course of the Group and is caused by uncertain or unpredictable external factors.

Offsetting

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

Functional currencies and foreign currency translation

The functional currency of all Group’s subsidiaries and the parent is USD considering following circumstances:

- The electricity tariff is set in USD in Georgia, hence the Group’s revenue will be denominated in USD;
- Currently the Group is on construction stage and major construction contracts of the Group are denominated in USD;
- Capital contributions from the shareholders are carried out in USD;
- The Group’s financing structure is planned to be in USD.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Gains and losses from the translation of foreign currency transactions are recognised in the profit or loss within net foreign exchange losses.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia (“NBG”) exchange rate on the date of the transaction are included in foreign exchange losses less gains. The official NBG exchange rates as at 31 December 2017, 31 December 2016 and 31 December 2015 were 2.5922, 2.6468 and 2.3949 GEL to 1 US dollar (“USD”), respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional currencies and foreign currency translation (continued)

In accordance with statutory requirement the Group's presentation currency is GEL. Items in the consolidated financial statements are translated to presentation currency based on following principles: assets and liabilities are translated into GEL at the rate of exchange ruling at the reporting date, income and expenses are translated at the exchange rates at the dates of the transactions (or at the average rate for the period when this is a reasonable approximation) and equity components are maintained at the rate of exchange ruling at the date of change in functional currency. The exchange differences arising on the translation are taken to other comprehensive income.

Employee benefits

Wages, salaries, annual leave and sick leave, cash bonuses and other benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

New and amended standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. New standards relevant to the Group's activities that may have any impact on the Group, or the impacts of which are currently being assessed, are as follows:

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, effective for the periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. IFRS 15 can be adopted using either a full retrospective or a modified retrospective approach.

The Group early adopted new revenue recognition, though no effect has been identified as far as the Group does not generate revenue in scope of IFRS 15.

Annual Improvements Cycle – 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments did not affect the Group's consolidated financial statements as at 31 December 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 11.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* issued on 24 July 2014 is the IASB's replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. The Group assessed the effect of the changes as immaterial.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group does not expect a significant impact on its consolidated financial statements by applying amendments to IFRS 2.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is assessing the potential effect of IFRS 16 on its consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation is effective for annual periods beginning on or after 1 January 2018.

The Group does not expect a significant effect on its consolidated financial statements by applying IFRIC interpretation 22 foreign currency transactions and advance consideration.

Annual Improvements to IFRSs 2015-2017 Cycle

IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

(Amounts expressed in thousands of Georgian Lari)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

The Group is currently assessing the impact.

IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group is currently assessing the impact.

5. RECLASSIFICATIONS AND CORRECTIONS OF PRIOR YEAR BALANCES

In course of preparation of the consolidated financial statements for the year ended 31 December 2017, the Group made the following reclassifications and adjustments through the restatement of the comparative information:

Consolidated statement of financial position as at 31 December 2016	*As previously reported*	*Reclassifications*	*Other restatements*	*As corrected/ reclassified*
Assets				
Non – current assets				
Property, plant and equipment (A), (B), (C), (D)	2,982	(30)	2,805	5,757
Intangible assets (B), (C)	159	(197)	38	–
Other non-current assets (B), (C)	–	877	103	980
Total non-current assets	3,141	650	2,946	6,737
Current assets				
Other receivable (C)	1,014	(1,014)	–	–
Prepaid VAT (B), (C)	–	364	14	378
Cash and cash equivalents	4,867	–	–	4,867
Total current assets	5,881	(650)	14	5,245
Total assets	9,022	–	2,960	11,982
Current liabilities				
Trade and other payables (B), (D)	544	–	31	575
Total current liabilities	544	–	31	575
Equity				
Share capital	8,068		–	8,068
Share discount (C)	–	(588)	–	(588)
Other reserves (B)	–	–	957	957
Accumulated deficit (A), (B), (C)	(2,163)	588	1,357	(218)
Equity attributable to the owners of the parent	5,905	–	2,314	8,219
Non-controlling interests (A), (B)	2,573	–	615	3,188
Total equity	8,478	–	2,929	11,407
Total liabilities and equity	9,022	–	2,960	11,982

(Amounts expressed in thousands of Georgian Lari)

5. RECLASSIFICATIONS AND CORRECTIONS OF PRIOR YEAR BALANCES (continued)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016	*As previously reported*	*Reclassifications*	*Other restatements*	*As corrected/ reclassified*
Salaries and other employee benefits (A)	(800)	–	719	(81)
General and administrative expenses (C)	–	(227)	–	(227)
Depreciation and amortization	(71)	–	(1)	(72)
Other operating expenses (A), (C)	(1,148)	227	866	(55)
Finance costs	–	–	(4)	(4)
Net foreign exchange losses (B)	562	–	(609)	(47)
Loss for the year	(1,457)		971	(486)
Other comprehensive income	–	–	1,256	1,256
Total comprehensive (loss)/gain for the year	(1,457)	–	2,227	770
- Owners of the parent	(1,160)	–	1,753	593
- Non-controlling interests	(297)	–	474	177

Cash flow from operating activities	*As previously reported*	*Reclassifications*	*Other restatements*	*As corrected/ reclassified*
Loss before income tax (A), (B)	(1,457)	–	971	(486)
Adjustments for:				
Depreciation and amortization	72	–	–	72
Net foreign exchange losses (B)	(580)	–	627	47
Finance costs	–	–	4	4
Change in trade and other receivables (C)	(574)	407	167	–
Change in trade and other payables (C)	552	–	(552)	–
Change in prepaid VAT (C)	–	(190)	(16)	(206)
Net cash used in operating activities	(1,987)	217	1,201	(569)
Cash flow from investing activities				
Purchase of property, plant and equipment and intangible assets (A), (B), (C), (D)	(2,782)	–	(1,201)	(3,983)
Net cash used in investing activities	(2,782)	–	(1,201)	(3,983)
Cash flow from financing activities				
Proceeds from borrowings (E)	–	(217)	–	(217)
Increase in share capital	7,331	–	–	7,331
Net cash from financing activities	7,331	(217)	–	7,114
Effect of exchange rate changes on cash and cash equivalents	583	–	–	583
Net increase in cash and cash equivalents	3,145	–	–	3,145
Cash and cash equivalents at the beginning of year	1,722	–	–	1,722
Cash and cash equivalents at the end of year	4,867	–	–	4,867

(Amounts expressed in thousands of Georgian Lari)

5. RECLASSIFICATIONS AND CORRECTIONS OF PRIOR YEAR BALANCES (continued)

Consolidated statement of financial position as at 31 December 2015	*As previously reported*	*Reclassifications*	*Other restatements*	*As corrected/ reclassified*
Assets				
Non – current assets				
Property, plant and equipment (A), (B), (C)	720	140	620	1,480
Intangible assets (B), (C)	122	(140)	18	–
Other non-current assets (B), (C), (F)	–	41	51	92
Total non – current assets	842	41	689	1,572
Current assets				
Other receivable (C)	231	(231)	–	–
Prepaid VAT (C)	–	190	–	190
Cash and cash equivalents	1,722	–	–	1,722
Total current assets	1,953	(41)	–	1,912
Total assets	2,795	–	689	3,484
Current liabilities				
Trade and other payables (F)	192	–	(14)	178
Total current liabilities	192	–	(14)	178
Equity				
Share capital	2,395	–	–	2,395
Other reserves (B)	–	–	(9)	(9)
(Accumulated deficit) / retained earnings (A), (B)	(415)	–	570	155
Equity attributable to the owners of the parent	1,980	–	561	2,541
Non-controlling interests (A), (B)	623	–	142	765
Total equity	2,603	–	703	3,306
Total liabilities and equity	2,795	–	689	3,484

A. In 2016 and 2015 directly attributable costs of works performed for construction in progress were erroneously expensed into profit or loss and not capitalized into cost of construction in progress items. As a result, carrying value of construction in progress was understated by GEL 1,988 and GEL 403 as at 31 December 2016 and 2015, respectively. Professional expenses and salaries and other benefits were overstated by GEL 1,585 and GEL 403 in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015, respectively.

B. In prior periods, the management of the Group determined that the functional currency of all Group's subsidiary and the parent was US dollar. However, in the 2016 consolidated financial statements the Group's subsidiary prepared its financial information using GEL as a functional currency. Therefore, the Group restated the comparative financial information as the functional currency of the Group's subsidiaries and the parent was USD. The respective change affected all financial statements line items as follows:

- Property, plant and equipment increased by GEL 693 and GEL 217 as of 31 December 2016 and 2015, respectively;
- Other non-current assets increased by GEL 103 and GEL 65 as of 31 December 2016 and 2015, respectively;
- Other reserves increased by GEL 957 as of 31 December 2016 and decreased by GEL 9 as of 31 December 2015;
- Prepaid VAT increased by GEL 14 as of 31 December 2016;
- Intangible assets increased by GEL 38 and GEL 18 as of 31 December 2016 and 2015, respectively;
- Non-controlling interests increased by GEL 388 and GEL 97 as of 31 December 2016 and 2015, respectively;
- Accumulated deficit increased by GEL 212 and GEL 212 as of 31 December 2016 and 2015, respectively;
- Trade and other payables decreased by GEL 93 as of 31 December 2016;
- Net foreign exchange losses decreased by GEL 614 for the year ended 31 December 2016.

5. RECLASSIFICATIONS AND CORRECTIONS OF PRIOR YEAR BALANCES (continued)

C. The Group reconsidered presentation of certain items in the consolidated statement of financial position and in the consolidated statement of profit and loss and other comprehensive income, and reclassified comparative information accordingly to comply with current year presentation. Below are presented monetary effects of changes:

- The Group identified that certain capital expenditure related to construction in progress were incorrectly included into intangible assets. Therefore, the Group reclassified such capital expenditure of GEL 163 and GEL 140 from intangible assets to construction in progress as of 31 December 2016 and 2015, respectively.
- The Group reclassified certain intangible assets with carrying amount of GEL 34 to other non-current assets as of 31 December 2016;
- Prepayments for property, plant and equipment of GEL 650 and GEL 41 were reclassified from other current receivables to other non-current assets as of 31 December 2016 and 2015, respectively; prepaid VAT in amount of GEL 364 and GEL 190 were reclassified from other current receivables;
- Legal and other professional services in amount of GEL 227 were reclassified from other expenses into general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016;
- The Group reclassified prepayment for non-current assets in amount of GEL 193 from property, plant and equipment as at 31 December 2016;
- In April 2016, the Group issued 974 ordinary shares with a nominal value of 1 USD, amounting to GEL 2,091. Shareholders contributed GEL 1,503. The Group recognized difference of GEL 588 between the nominal amount of issued ordinary shares and total cash contribution within accumulated deficit in the equity statement. The Group decided to reclassify the difference of GEL 588 from accumulated deficit into the separate line 'Share discount' within the equity statement.

D. As of 31 December 2016 the Group did not recognise purchase of certain items of property, plant and equipment delivered to the Group. As a result, carrying value of construction in progress and payables was understated by GEL 124.

E. The Group reconsidered presentation of certain items in the consolidated statement of cash flows, and reclassified comparative information accordingly to comply with current year presentation. Below are presented monetary effects of changes:

- The Group included due diligence prepayments made for borrowings in the amount of GEL 217 under proceeds from borrowings instead of change in trade and other receivables.

F. The Group has incorrectly recognized trade and other payables in amount of GEL 14 instead of other non-current assets as of 31 December 2015.

Above described corrections and reclassifications affected notes of the appropriate financial statement line items described below.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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 judgement 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, revenue generation period 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.

(Amounts expressed in thousands of Georgian Lari)

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Recognition of insurance recovery asset

The estimation of the recovery asset from the insurance company is a matter of management judgement based upon available information and thorough analysis of the insurance policies. In determining the recovery asset, management considers incurred damage amount and expected expenditure for reinstating works to the initial condition, which are provided by third party experts. Management recognizes the insurance recovery asset only when it becomes virtually certain, considering the communication with the insurers and management's technical expertise. Changes in any of these estimates may result in adjustments in future periods.

For the details of recognized insurance recovery asset, please refer to Note 9.

7. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year ended 31 December 2017 were as follows:

	Infrastructure assets	Fixtures and fittings	Assets under construction	Vehicles	Land	Total
Historical cost 31 December 2016 (restated*)	267	17	5,463	29	120	5,896
Additions	184	16	42,020	64	263	42,547
Transfers to (from) other account	1,352	–	(1,352)	–	–	–
Translation	25	–	1,019	2	5	1,051
Historical cost 31 December 2017	1,828	33	47,150	95	388	49,494
Accumulated depreciation and impairment						
31 December 2016 (restated*)	(130)	(3)	–	(6)	–	(139)
Depreciation charge	(200)	(5)	–	(9)	–	(214)
Impairment (Note 14)	(579)	–	(536)	–	–	(1,115)
Translation	(1)	–	–	–	–	(1)
Accumulated depreciation 31 December 2017	(910)	(8)	(536)	(15)	–	(1,469)
Net book value						
31 December 2016 (restated*)	137	14	5,463	23	120	5,757
31 December 2017	918	25	46,614	80	388	48,025

(*) The amount of property, plant and equipment is restated and does not correspond to the figures in 2016 consolidated financial statements, as detailed in Note 5.

The movements in property, plant and equipment during the year ended 31 December 2016 were as follows:

	Infrastructure assets	Fixtures and fittings	Assets under construction	Vehicles	Land	Total
Historical cost 1 January 2016 (restated*)	231	6	1,324	–	–	1,561
Additions	11	9	3,725	27	108	3,880
Translation	25	2	414	2	12	455
Historical cost 31 December 2016 (restated*)	267	17	5,463	29	120	5,896
Accumulated depreciation and impairment						
1 January 2016 (restated*)	(80)	(1)	–	–	–	(81)
Depreciation charge	(48)	(2)	–	(5)	–	(55)
Translation	(2)	–	–	(1)	–	(3)
Accumulated depreciation 31 December 2016 (restated*)	(130)	(3)	–	(6)	–	(139)
Net book value						
1 January 2016 (restated*)	151	5	1,324	–	–	1,480
31 December 2016 (restated*)	137	14	5,463	23	120	5,757

(*) The amount of property, plant and equipment is restated and does not correspond to the figures in 2016 consolidated financial statements, as detailed in Note 5.

(Amounts expressed in thousands of Georgian Lari)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Infrastructure assets mainly comprise of measurement masts required for wind projects and water – flow measurement stations.

Construction in progress is mainly related to civil works carried out on Mestiachala HPP.

The Group pledged its property, plant and equipment as collateral for its borrowings with carrying amount of GEL 42,258 as at 31 December 2017 (2016: GEL 0).

8. OTHER NON-CURRENT ASSETS

	31 December 2017	31 December 2016 (restated*)	31 December 2015 (restated*)
Prepayments for non-current assets	33,245	705	92
Intangible assets	107	34	–
Other non-current assets	1,538	241	–
Total other non-current assets	34,890	980	92

* *Certain amounts shown here do not correspond to the 2016 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

As at 31 December 2017, prepayments for non-current assets mainly comprise of funds paid to civil works contractor and suppliers of hydro-mechanical equipment and generators in relation to construction of Mestiachala HPP, which is anticipated to be finished in 2018. As at 31 December 2016, prepayments for non-current assets include amounts paid in relation to basic design of Mestiachala HPP.

As at 31 December 2017 and 2016, other non-current assets mainly include prepaid fees for due diligence services in relation to borrowing to be obtained in relation to funding of Mestiachala HPP.

Gross carrying amount of intangible assets and accumulated amortisation as at 31 December 2017 amounted to GEL 190 and GEL 83, respectively (2016: GEL 52 and GEL 18 and 2015: GEL 0).

Amortisation charge on intangible assets was GEL 65 in 2017 (2016: GEL 18).

9. OTHER CURRENT ASSETS

	31 December 2017	31 December 2016 (restated*)	31 December 2015 (restated*)
Insurance recovery asset	3,867	–	–
Advances paid	27	–	–
Trade and other receivables	15	–	–
Total current assets	3,909	–	–

* *Certain amounts shown here do not correspond to the 2016 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

Details of insurance recovery asset are discussed in Note 14.

10. EQUITY

Share capital

Authorized share capital of the Group comprised of 20,000 thousands ordinary shares as of 31 December 2017 and 2016. Each share has a nominal value of 1 (one) USD. 11,982 and 3,448 thousands shares were issued and fully paid as of 31 December 2017 and 2016, respectively.

(Amounts expressed in thousands of Georgian Lari)

10. EQUITY (continued)

Share capital (continued)

As at 31 December 2017 and 2016 the Group had fully contributed share capital of GEL 28,884 and 8,068, respectively.

Issued and fully paid shares in thousands	31 December 2017		31 December 2016		31 December 2015	
	Number	Amount	Number	Amount	Number	Amount
JSC BGEO Investments	7,788	18,723	3,448	8,068	1,000	2,395
RP Global	4,194	10,160	–	–	–	–
Total	11,982	28,884	3,448	8,068	1,000	2,395

During 2017, GRPC issued 5,320,000 shares with the nominal amount of GEL 13,076 for cash consideration of GEL 13,076 except of the shares issued for the transaction related to acquisition of additional interests in Svaneti Hydro JSC and Zoti Hydro JSC, as described below. In order to purchase 35% of the shares in Svaneti Hydro JSC and Zoti Hydro JSC, the Company issued 3,213,642 shares with nominal value of GEL 7,740 (see non-controlling interests section below).

In 2016, the Company issued 2,448,000 shares with nominal amount of GEL 5,673 for cash consideration of GEL 5,085.

Management of capital

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain sufficient size to make the operation of the Group cost-efficient.

There are no externally imposed capital requirements to which the Group is subject to.

The Group defines capital for capital management purposes in the same way as it is presented in the consolidated financial statements.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

Other reserves comprise of:

- Unrealised gains/(losses) from dilution or sale/acquisition of shares in existing subsidiaries;
- Foreign currency translation reserve.

Non-controlling interests

Acquisition of additional interest in Svaneti Hydro JSC and Zoti Hydro JSC

On 7th of June, the Group acquired an additional 35% interest of issued shares of Svaneti Hydro JSC and Zoti Hydro JSC, hence GRPC increased its ownership interest to 100% in both subsidiaries. The shares were purchased in exchange to participation in the Company. The newly issued shares were allocated in order to attribute RP Global Investments 35% in GRPC. 3,213,642 shares were issued, with a par value of GEL 7,740 and value determined for legal purposes of GEL 5,871. The difference of GEL 1,869 was recognized in share discount. As part of the transaction RP Global Investments GmbH contributed also cash consideration of USD 880 (equivalent of GEL 2,120). The carrying value of the non-controlling interests in Svaneti Hydro JSC and Zoti Hydro JSC were GEL 3,634 and GEL 623 at the date of transaction, respectively. Following is a schedule of the respective transactions:

Cash consideration received	2,120
Carrying value of Svaneti Hydro JSC 35%	3,634
Carrying value of Zoti Hydro JSC 35%	623
Nominal value of the shares issued	(7,740)
Share discount	1,869
Difference recognized in other reserves	(506)

(Amounts expressed in thousands of Georgian Lari)

10. EQUITY (continued)

Other non-controlling interests

As of 31 December 2017 and 2016, Georgian Energy Development Fund (GEDF) holds 15% of the Group's subsidiary Geohydro JSC. GEDF does not have significant share in the Group's activities and cash flows.

Increase in share capital by non-controlling interests

During 2017 and 2016, GEL 1,560 and GEL 2,246 were contributed to share capital of subsidiaries by owners of respective non-controlling interests.

11. BORROWINGS

	31 December 2017		31 December 2016		31 December 2015	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Loans from Georgian financial institutions	2,491	9,795	–	–	–	–
Loans from related parties	–	52,562	–	–	–	–
Total borrowings	2,491	62,357	–	–	–	–

As at 31 December 2017 borrowings include:

- USD denominated loan from Georgian financial institution with a floating interest rate of 8% plus 3m LIBOR. The loan matures on 1st of November 2029. As at 31 December 2017, the Group has available USD 28,980 (equivalent of GEL 77,714) undrawn facility (2016: nil).
- GEL denominated loan from Georgian financial institution with a floating interest rate of 5.25% plus NBG. The loan matures on 1st of November 2019. As at 31 December 2017, the Group has available GEL 4,771 undrawn facility (2016: nil).
- USD denominated loans from related parties with a fixed interest rate of 10.5%. Loans from related parties are maturing on average in 5 years.

Refer to Note 7 and for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

Material non-cash transactions

Changes in liabilities arising from financial activities

	Borrowings
Carrying amount at 31 December 2016	–
Foreign currency translation	3,215
Cash proceeds	63,736
Cash repayments	(4,500)
Interest accrued	3,219
Interest paid	(196)
Borrowings related transactions costs	(626)
Carrying amount at 31 December 2017	64,848

There were no changes in liabilities arising from financial activities during 2016.

Proceeds from borrowings presented in the consolidated statement of cash flows include "cash proceeds", "borrowings related transactions costs" in amount of GEL 626 presented in the table above and borrowing related costs of GEL 1,342, which were born for borrowings not obtained as at 31 December 2017 and these fees are presented under other non-current assets.

During 2017, interest accrued on borrowings in amount of GEL 3,219 was capitalized. Interest paid during 2017 in amount of GEL 196 was presented as purchase of property, plant and equipment and intangible assets in the consolidated statement of cash flow.

(Amounts expressed in thousands of Georgian Lari)

12. DEFERRED INCOME

On 27 of December 2017, the Group received a grant from Oesterreichische Entwicklungsbank AG ("OEEB"), an Austrian government agency. The grant amounted to EUR 416 (equivalent of GEL 1,279 as of 31 December 2017) and after meeting certain contractual conditions, reimbursed for amounts paid in relation to technical design of Mestiachala HPP. Amount was recorded as deferred income and will be recognised as income in equal amounts over the expected useful life of the related asset.

13. TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016 (restated*)	31 December 2015 (restated*)
Payables for non-current assets	732	369	82
Payables to employees	470	205	96
Other payables	7	1	–
Total trade and other payables	1,209	575	178

* *Certain amounts shown here do not correspond to the 2016 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

14. PROVISIONS FOR LIABILITIES AND CHARGES

Provision due to natural disasters

In 2017 the Group started construction of the Mestiachala HPP with a 50 MW capacity. Mestiachala HPP is a run-of-the-river plant located in a mountainous region of Georgia. In September 2017, a heavy flood event occurred at the Mestiachala river and damaged the construction. As the result, the Group written off the damaged items of property, plant and equipment of GEL 495 and incurred expense for settling flood related charges of third parties in amount of GEL 160. In addition, the Group recognized provision for additional cost towards Group's contactors for reinstating the works and elimination of the possible delay in amount of GEL 2,686 as at 31 December 2017. Considering that the project has the relevant insurance policy in place, the Group recorded insurance recovery asset for the flood event in amount of GEL 3,222 (Note 9). The insurance recovery asset was estimated based on additional costs that the Group incurs in relation to the flood event and considering the insurance policy in place, the Group believes that insurance reimbursement is virtually certain. The difference of GEL 119 between total of property impairment, provision and other expenses incurred in relation to the flood event and the amount of respective recovery asset was recognized as non-recurring expense in the consolidated statement of profit or loss and other comprehensive income.

The Group is on pre-construction stage in regards to wind energy projects. Currently relevant measurement studies are conducted, for which the Group maintains special equipment. In December 2017, part of the equipment was damaged by heavy wind and ice. The Group has written off the damaged assets with the carrying amount of GEL 620 and incurred damage related expenses in amount of GEL 35. The Group has valid insurance policy, covering the above described events, and recognized insurance recovery asset in amount of GEL 645 (Note 9). The insurance recovery asset was estimated based on damage incurred in relation to the measurement masts and considering the insurance policy in place, the Group believes that insurance reimbursement is virtually certain. The difference of GEL 10 between total of property impairment and other expenses incurred in relation to the above event and the amount of respective recovery asset was recognized as non-recurring expense in the consolidated statement of profit or loss and other comprehensive income.

15. SALARIES AND OTHER EMPLOYEE BENEFITS

	2017	*2016 (restated*)*
Salaries	122	44
Bonuses	83	37
Total salaries and other employee benefits	205	81

* *Certain amounts shown here do not correspond to the 2016 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

(Amounts expressed in thousands of Georgian Lari)

16. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2017	*2016 (restated*)*
Taxes other than income tax	543	13
Professional fees	448	148
Representation expenses	118	46
Business trip expenses	53	15
Communication expenses	9	4
Office supplies	4	1
Total other general and administrative expenses	1,175	227

* *Certain amounts shown here do not correspond to the 2016 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

17. OTHER OPERATING EXPENSES

	2017	*2016 (restated*)*
Rent expenses	177	36
Charity expenses	104	–
Custom and registration fees	21	12
Transport maintenance expenses	17	7
Other expenses	11	–
Total other operating expenses	330	55

* *Certain amounts shown here do not correspond to the 2016 consolidated financial statements and reflect corrections and reclassifications made, refer to Note 5.*

18. COMMITMENTS AND CONTINGENCIES

Commitments

In 2014 JSC Svaneti Hydro has signed the Memorandum of Understanding with the Government of Georgia, JSC "Georgian State Electrosystem", JSC "United Energy System Sakrusenergo", JSC "Electricity System Commercial Operator" and LLC "Energotrans" in regards to construction of Mestiachala HPPs, with a total installed capacity of 50MW. Based on the document, JSC Svaneti Hydro takes commitment to finish the construction of the HPPs and commence the operations in 2018.

In 2015 JSC Zoti Hydro has signed the Memorandum of Understanding with the Government of Georgia, JSC "Georgian State Electrosystem", JSC "United Energy System Sakrusenergo", JSC "Electricity System Commercial Operator" and LLC "Energotrans" in regards to construction of Zoti HPPs, with a total installed capacity of 44.3MW. Based on the document, JSC Zoti Hydro takes commitment to finish the construction of the HPPs and commence the operations in 2020.

In 2017, JSC Caucasian Wind Company and JSC Caucasian Solar Company have signed Memorandums of Understanding for several sites. Based on the documents, the Group takes commitment to conduct necessary studies on the identified locations and submit the decision on the construction of wind and solar power plants to the Ministry of Economy and Sustainable Development of Georgia.

Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

(Amounts expressed in thousands of Georgian Lari)

19. FINANCIAL INSTRUMENTS

Fair value measurement

Fair value measurement of all financial instruments held by the Group as at 31 December 2017 and 2016, are performed using a valuation technique with quoted prices in active markets and market observable inputs.

The management assessed that the fair values of cash and cash equivalents, trade and other receivables, other current assets, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of floating rate borrowings was estimated to be equal to their carrying amount. The fair value of fixed interest rate borrowings was estimated based on the estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The carrying value of fixed rate borrowings of GEL 52,562 exceeds the fair value by GEL 653 (Level 2 of fair value hierarchy).

Risk arising from financial instruments

In the course of its ordinary activity the Group is exposed to currency, interest rate, credit and liquidity risks. The Group's management oversees the management of these risks.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As at 31 December 2017 currency risk arises from the EUR denominated cash and cash equivalents and trade payables. The effect of reasonably possible change is disclosed in below table:

Currency	*Increase/ decrease in % 2017*	*Effect on profit 2017*
EUR	+12.5%	154
EUR	-7.5%	(93)

As for 31 December 2016, due to insignificant open position in foreign currency, the Group assessed the currency risk as immaterial.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows on the financial instruments. As at 31 December 2016, the Group did not have any outstanding borrowings, while as at 31 December 2017 80% of the Group's outstanding borrowings were obtained at a fixed rate. As far as, currently the Group is on a construction stage and interest expense is fully capitalized on the construction in progress, fluctuation in LIBOR or NBG rate would not have any material impact on profit before tax and would have minor effect on the cash flow in 2017.

Credit risk

Credit risk is the risk that the Group will incur a loss because counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk it undertakes by setting limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a continuous basis and subject to an annual or more frequent review.

As at 31 December 2017 and 2016 the Group has no other significant financial assets subject to credit risk except for:

- Cash at bank: as at 31 December 2017 total cash at bank of GEL 8,298 (2016: 4,867) was kept with Georgian banks having rating of "BB-/bb-" from Fitch Ratings.

All cash at bank balances are classified as current and not impaired. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is constantly monitored in order to identify any potential adverse changes in the credit quality. There are no financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

As at 31 December 2017 and 2016 carrying values of financial instruments best represent their maximum exposure to the credit risk.

(Amounts expressed in thousands of Georgian Lari)

19. FINANCIAL INSTRUMENTS (continued)

Risk arising from financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its payment obligations associated when they fall due under normal or stress circumstances. Management monitors rolling forecasts of the Group's cash flows on a monthly basis. The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables.

The table below shows financial liabilities as at 31 December 2017 and 31 December 2016 based on contractual undiscounted repayment obligations.

	Less than 1 year	Over 1 year	Total
As at 31 December 2017			
Long-term and short-term borrowings	3,466	88,188	91,654
Trade and other payables	1,209	–	1,209
Total future payments	4,675	88,188	92,863
As at 31 December 2016			
Trade and other payables	575	–	575
Total future payments	575	–	575

20. RELATED PARTIES DISCLOSURE

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's-length basis.

BGEO Group entities are represented by members of BGEO Group.

RP Global entities are represented by RP Global Holding and RP GLOBAL Investments GmbH.

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

	BGEO Group entities		*RP Global entities*	
	31 December 2017	*31 December 2016*	*31 December 2017*	*31 December 2016*
Cash and cash equivalents	4,788	4,848	–	–
Other current assets	3,867	–	–	–
Other non-current assets	446	–	–	–
Property, plant and equipment	1,965	–	987	–
Total assets	11,066	4,848	987	–
Borrowings	34,221	–	18,341	–
Total liabilities	34,221	–	18,341	–

(Amounts expressed in thousands of Georgian Lari)

20. RELATED PARTIES DISCLOSURE (continued)

	BGEO Group entities	
	2017	2016
Income and expenses	(19)	(21)
Interest income	40	–
General and administrative expenses	(59)	(21)

Other current assets in amount of GEL 3,867 represent insurance recovery asset disclosed in Note 9.

Other non-current assets in amount of GEL 446 as of 31 December 2017 are related to insurance fee paid in relation to borrowing to be obtained.

Property, plant and equipment balance addition from related parties is in regards to capitalized interest expense incurred during 2017 in amount of GEL 2,952.

Directors' compensation

The Group's key management personnel include three members of the Supervisory Board and members of management board. The members of the Supervisory Board do not get compensation from the Group. Compensation paid to key executive management personnel (includes the director of the Group and 4 members of management board) for their services in full time executive management positions is made up of salary, performance bonus depending on the performance of the Group and other compensation in form of reimbursement of housing, business trips, communication and other costs. Total compensation paid to key management amounted to GEL 1,016 and GEL 574 during 2017 and 2016 years, respectively.

21. EVENTS AFTER THE END OF REPORTING PERIOD

In February 2018, the Group received partial settlement for the flood damage from the insurance company. The reimbursement amounted to USD 450 (equivalent of GEL 1,111). On 19 of March, the agreement with insurance company was reached and reimbursement of additional USD 1,024 was agreed (equivalent of GEL 2,654).