Georgia Global Utilities JSC

Consolidated financial statements

for the year ended 31 December 2020
with independent auditor's report

Contents

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Independent auditor's report

To the Shareholder and Supervisory Board of Georgia Global Utilities JSC

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from metered water supply	
The Group recognized revenue from metered water supply of GEL 91,815 thousand in 2020. Recognition of revenue from metered water supply was one of the matters of most significance in our audit due to the significance of the amount of revenue recognized as well as due to the number of customers and the level of management judgment involved in estimation of volumes delivered but not yet billed. The disclosures related to revenue from metered water supply are included in Notes 4 and 16 to the consolidated financial statements.	We assessed the design and tested the effectiveness of controls over the revenue recognition process. We analyzed the patterns of water consumption in order to assess management's estimates, including the estimate made in respect of the volumes delivered but not billed. We compared estimated volumes delivered but not yet billed to the historical information. We considered the Group's accounting policy in respect of revenue recognition for compliance with the requirements of IFRS 15 *Revenue from Contracts with Customers*. We analyzed revenue disclosures in the consolidated financial statements.
Existence and measurement of property, plant and equipment	
The carrying amount of the Group's property, plant and equipment as at 31 December 2020 is GEL 927,445 thousand, of which significant share are underground assets that are not readily available for physical observation. This matter was one of most significance in our audit due to the complexity of the physical access to the underground assets. In addition, matter of impairment was one of most significance in our audit due to the judgmental nature of the assessment of impairment or recovery of previously recorded impairment indicators and the assumptions applied by the Group's management. In December 2020, the Group's water supply and sanitation tariffs were updated by the regulator effective for 2021-2023 period. Considering that tariff update, as well as the other relevant internal and external changes including those arising from COVID-19 outbreak. Related disclosures are included in Notes 2 and 8 to the consolidated financial statements.	We compared the information about underground assets constructed during the period to the information in customer billing systems in respective locations. We tested, on a sample basis, additions and disposals to the underground infrastructure assets in 2020 and compared the cost of additions and disposals recorded in the Group's financial statements to the supporting documents. We have considered the management's assessment of indicators of impairment or recovery of previously recorded impairment as at 31 December 2020 performed under requirements of IAS 36 *Impairment of Assets* with reference to the external and internal sources of information, with focus on the revision of the water supply and sanitation tariffs for 2021-2023 period performed in December 2020 and resulting changes in the projected revenues as compared to the previous expectation of the management, as well as the underlying regulatory tariff setting methodology applicable for the periods after the year 2023. We assessed respective disclosures in the consolidated financial statements.

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Other information included in the Group's 2020 management report

Other information consists of the information included in the Group's 2020 management report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 management report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the management report and we do not express any form of assurance conclusion thereon in our report on the audit of the consolidated financial statements.

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

Responsibilities of management and the Supervisory Board 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 Supervisory Board is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

We also provide Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats of safeguards applied.

From the matters communicated with Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Alexey Loza.

Alexey Loza

On behalf of EY LLC

Tbilisi, Georgia

13 April 2021

Consolidated statement of financial position

As at 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Note	31 December 2020	31 December 2019 (restated)*	1 January 2019 (restated)*
Assets				
Non-current assets				
Property, plant and equipment	8	927,054	842,032	567,533
Investment property	9	9,754	8,641	9,865
Right-of-use assets		1,607	1,305	–
Restructured trade receivables	11	53	209	204
Other non-current assets	10	7,702	3,526	41,204
Total non-current assets		**946,170**	**855,713**	**618,806**
Current assets				
Inventories		4,991	3,928	3,913
Trade and other receivables	11	14,044	24,424	19,514
Loans issued		164	82	–
Prepaid taxes other than income tax		1,641	2,214	3,747
Reimbursement assets	8	2,808	46,457	–
Prepayments		996	3,805	1,648
Other current assets	24	268	–	–
Restricted cash	27	–	6,581	877
Cash at bank	27	118,839	46,806	14,357
Total current assets		**143,751**	**134,297**	**44,056**
Total assets		**1,089,921**	**990,010**	**662,862**
Equity				
Share capital	12	104,666	2	2
Additional paid-in capital	12	19,191	101,205	59,348
Retained earnings		55,161	145,421	130,900
Other reserves	12	7,551	(4,253)	(6,276)
Revaluation reserve for property, plant and equipment	12	4,813	4,813	8,200
Equity attributable to the owners of the parent		**191,382**	**247,188**	**192,174**
Non-controlling interests		–	24,896	26,458
Total equity		**191,382**	**272,084**	**218,632**
Liabilities				
Non-current liabilities				
Borrowings and bonds issued	13	807,104	608,929	366,534
Deferred revenue	15	25,341	24,569	18,948
Lease liabilities		1,356	1,064	–
Other non-current liabilities		3,128	1,538	1,334
Total non-current liabilities		**836,929**	**636,100**	**386,816**
Current liabilities				
Borrowings and bonds issued	13	26,459	44,437	24,424
Advances received	15	12,801	6,242	8,424
Trade and other payables	14	13,027	13,601	15,360
Provisions for liabilities and charges		1,081	614	525
Deferred revenue	15	5,201	4,764	3,921
Lease liabilities		286	248	–
Derivative financial liabilities		–	1,919	1,777
Other current liabilities	24	268	5,479	676
Other taxes payable		2,487	4,522	2,307
Total current liabilities		**61,610**	**81,826**	**57,414**
Total liabilities		**898,539**	**717,926**	**444,230**
Total liabilities and equity		**1,089,921**	**990,010**	**662,862**

**The amounts do not correspond to the 2019 consolidated financial statement as they reflect the adjustments made for business combination under common control and other restatement of prior year financial statements as described in Note 5.*

Approved for issue and signed on behalf of Georgia Global Utilities JSC on 13 April 2021:

Giorgi Vakhtangishvili
Chief Executive Officer

Giorgi Gureshidze
Chief Financial Officer

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Note	***2020***	***2019 (restated)****
Revenue from water supply and related services	16	120,549	137,855
Revenue from electric power sales	17	44,155	26,341
Business interruption reimbursement gain	8	4,252	10,047
Other revenue		1,080	1,227
Total revenue, income and gains		**170,036**	**175,470**
Electricity and transmission costs	4	(18,009)	(16,917)
Salaries and other employee benefits	18	(21,429)	(20,539)
Allowance for expected credit losses	11	(6,248)	(7,325)
Taxes other than income tax		(8,339)	(6,631)
General and administrative expenses	19	(4,061)	(3,751)
Professional fees	20	(2,779)	(2,890)
Raw materials, fuel and other consumables		(3,339)	(2,792)
Maintenance expenditure		(4,250)	(1,966)
Charge for provisions and legal claims related expenses		(560)	(120)
Other operating expenses	22	(8,243)	(7,968)
Other income	21	2,820	3,785
		(74,437)	**(67,114)**
EBITDA		**95,599**	**108,356**
Finance income		2,404	1,995
Finance costs	23	(59,620)	(33,992)
Net foreign exchange losses		(44,651)	(7,544)
Depreciation and amortisation	8, 10	(48,337)	(34,960)
Gain from sale of non-core assets		1,120	2,364
Loss on extinguishment of financial liabilities	13	(20,904)	–
Non-recurring expenses, net	25	(1,576)	(1,891)
(Loss)/profit before income tax expense		**(75,965)**	**34,328**
Income tax expense		–	–
(Loss)/profit for the year		**(75,965)**	**34,328**
Attributable to:			
Owners of the parent		(75,231)	33,295
Non-controlling interests		(734)	1,033
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Gain from currency translation differences		5,589	5,195
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Gain from currency translation differences		7,642	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**13,231**	**5,195**
Other comprehensive income for the year		**13,231**	**5,195**
Total comprehensive (loss)/income for the year, net of tax		**(62,734)**	**39,523**
Attributable to:			
Owners of the parent		(60,539)	37,086
Non-controlling interests		(2,195)	2,437

**The amounts do not correspond to the 2019 consolidated financial statement as they reflect the adjustments made for business combination under common control and other restatement of prior year financial statements as described in Note 5.*

The accompanying notes on pages 5 to 41 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Charter capital	Additional paid-in capital	Other Reserves	Retained earnings	Revaluation reserve for property, plant and equipment	Total	Non-controlling interests	Total Equity
Balance as at 31 December 2018	**2**	**10,657**	**(7,545)**	**131,715**	**8,200**	**143,029**	**–**	**143,029**
Business combination under common control (Note 5)	–	48,691	1,269	(815)	–	**49,145**	26,458	**75,603**
Balance as at 1 January 2019 (restated)	**2**	**59,348**	**(6,276)**	**130,900**	**8,200**	**192,174**	**26,458**	**218,632**
Profit for the year (restated)	–	–	–	33,295	–	**33,295**	1,033	**34,328**
Other comprehensive income (restated)	–	–	3,791	–	–	**3,791**	1,404	**5,195**
Total comprehensive income for the year (restated)	**–**	**–**	**3,791**	**33,295**	**–**	**37,086**	**2,437**	**39,523**
Share-based payments (Note 24)	–	5,881	–	–	–	**5,881**	–	**5,881**
Transfers to parent under share-based compensation program (Note 24)	–	–	(1,768)	–	–	**(1,768)**	–	**(1,768)**
Contribution from the shareholders (Note 12)	–	43,110	–	–	–	**43,110**	510	**43,620**
Distributions to the shareholders (Note 12)	–	(7,580)	–	–	–	**(7,580)**	(3,975)	**(11,555)**
Acquisition of non-controlling interests in existing subsidiaries	–	446	–	(161)	–	**285**	(534)	**(249)**
Realised revaluation reserve for property, plant and equipment	–	–	–	3,387	(3,387)	**–**	–	**–**
Dividends declared (Note 12)	–	–	–	(22,000)	–	**(22,000)**	–	**(22,000)**
Balance as at 31 December 2019 (restated)	**2**	**101,205**	**(4,253)**	**145,421**	**4,813**	**247,188**	**24,896**	**272,084**
Loss for the year	–	–	–	(75,231)	–	**(75,231)**	(734)	**(75,965)**
Other comprehensive income	–	–	14,692	–	–	**14,692**	(1,461)	**13,231**
Total comprehensive income/(loss) for the year	**–**	**–**	**14,692**	**(75,231)**	**–**	**(60,539)**	**(2,195)**	**(62,734)**
Share-based payments (Note 24)	–	2,356	–	–	–	**2,356**	–	**2,356**
Transfers to parent under share-based compensation program (Note 24)	–	–	(3,505)	–	–	**(3,505)**	–	**(3,505)**
Contribution from the shareholders (Note 12)	–	3,108	–	–	–	**3,108**	–	**3,108**
Distributions to the shareholders (Note 12)	–	(4,927)	–	–	–	**(4,927)**	–	**(4,927)**
Acquisition of non−controlling interests in existing subsidiaries (Note 12)	–	22,113	617	(29)	–	**22,701**	(22,701)	**–**
Group reorganization (Note 5)	104,664	(104,664)	–	–	–	**–**	–	**–**
Dividends declared (Note 12)	–	–	–	(15,000)	–	**(15,000)**	–	**(15,000)**
Balance as at 31 December 2020	**104,666**	**19,191**	**7,551**	**55,161**	**4,813**	**191,382**	**–**	**191,382**

The accompanying notes on pages 5 to 41 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Note	2020	2019 (restated)*
Cash flows from operating activities			
(Loss)/profit before income tax expense		**(75,965)**	**34,328**
Adjustments for:			
Depreciation and amortisation	8,10	48,337	34,960
Allowance for expected credit losses	11	6,248	7,325
Reversal of provisions		560	120
Net gain from disposal of property, plant and equipment, non-core assets and investment property		(699)	(2,188)
Revaluation gain on investment property	9	(1,113)	(988)
Net foreign exchange losses		44,651	7,544
Finance income		(2,404)	(1,995)
Finance costs	23	59,620	33,992
Loss on extinguishment of financial liabilities	13	20,904	–
Derecognition of unclaimed advances received and trade payables	21	(409)	(845)
Business interruption reimbursement gain	8	(4,252)	(10,047)
Other income related to cash settled share-based payments	24	(247)	–
Non-recurring expenses/(income), net	25	1,501	(971)
Share-based payment expense	24	1,332	4,187
Working capital changes			
Change in inventories		(1,063)	(1,093)
Change in trade and other receivables		4,099	(10,628)
Change in prepaid taxes other than income tax		573	1,839
Change in prepayments		335	316
Change in trade and other payables		(44)	532
Change in deferred revenue – current portion		437	843
Change in advances received		6,943	(1,860)
Change in reimbursement asset		11,246	–
Change in other tax payables		(2,752)	2,275
Change in restricted cash		6,581	653
Operating cash flows after working capital changes		**124,419**	**98,299**
Change in deferred revenue - non-current portion		385	5,621
Net cash flows from operating activities		**124,804**	**103,920**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(87,973)	(114,020)
Reimbursement of property damage		40,892	–
Proceeds from sale of property, plant and equipment		1,348	4,029
Acquisition of subsidiaries, net of cash acquired	29	(6,008)	(88,014)
Loans issued		(73)	(74)
Interest received		2,404	1,995
Proceeds from sale of investment property		–	2,742
Net cash used in investing activities		**(49,410)**	**(193,342)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(445)	(259)
Proceeds from borrowings	13	826,659	309,822
Repayment of borrowings	13	(752,635)	(162,813)
Interest paid	13	(40,898)	(30,528)
Payment of transaction costs related to bonds issuance		(11,619)	–
Commission for prepayment of loans		(12,422)	–
Dividend paid	12	(15,000)	(22,000)
Contributions from the shareholders	12	3,108	43,620
Distribution to the parent	12	(4,927)	(11,555)
Contributions under share-based payment plan	24	(1,365)	(4,492)
Net cash (used in) / from financing activities		**(9,544)**	**121,795**
Effect of exchange rate changes on cash and cash equivalents		6,183	75
Net change in cash and cash equivalents		**72,033**	**32,448**
Cash and cash equivalents at the beginning of year	27	46,806	14,358
Cash and cash equivalents at the end of year	27	**118,839**	**46,806**

**The amounts do not correspond to the 2019 consolidated financial statement as they reflect the adjustments made for business combination under common control and other restatement of prior year financial statements as described in Note 5.*

The accompanying notes on pages 5 to 41 are an integral part of these consolidated financial statements

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

Georgian Global Utilities LTD, formerly known as Multiplex Energy Limited, was incorporated in British Virgin Islands on 16 August 2007 as a private limited liability company.

In the beginning of 2020, Georgian Global Utilities LTD implemented a planned de-offshorisation (re-domiciliation), pursuant whereto, change has been made to the Georgian Global Utilities LTD's shareholding structure. Georgian Global Utilities LTD has been replaced by Georgia Global Utilities JSC, identification number 404591599 ("GGU" or "the Company"), a Georgian resident entity, incorporated on 22 January 2020 in accordance with regulation of the National Agency of Public Registry, as a 100% owned subsidiary of Georgia Capital JSC. In March 2020, Georgian Global Utilities LTD was liquidated.

GGU is considered a continuation of Georgian Global Utilities LTD for the purpose of preparation of these consolidated financial statements.

Further, on 6 July 2020, in connection with GGU's Eurobonds offering (Note 13), Georgia Capital JSC contributed its 100% shareholdings in Svaneti Hydro JSC, Georgia Energy Holding LLC (the parent of Hydrolea LLC), Georgia Wind Company LLC (the parent of Qartli Wind Farm LLC) and Georgian Energy Trading Company LLC to GGU, which represented a business combination under common control (Note 5). Subsequent to the contribution, Georgia Wind Company LLC and Georgia Energy Holding LLC were merged with the Company, and the Company became a 100% direct holder of controlling interests in Qartli Wind Farm LLC and Hydrolea LLC.

Following the re-domiciliation and reorganization, GGU is a holding parent company of the following entities (referred together with GGU as "the Group"):

	Country of incorporation	*Date of incorporation*	*Date of acquisition*	*31 December 2020*	*31 December 2019*
Subsidiaries of Georgian Global Utilities LTD as at 31 December 2019:					
Georgian Water and Power LLC ("GWP")	Georgia	25 June 1997	14 May 2008	100%	100%
Rustavi Water LLC	Georgia	31 August 1999	14 May 2008	100%	100%
Gardabani Sewage Treatment Plant LLC	Georgia	20 December 1999	14 May 2008	100%	100%
Georgian Engineering and Management Company LLC	Georgia	29 March 2011	29 March 2011	100%	100%
Saguramo Energy LLC	Georgia	11 December 2008	19 December 2015	100%	100%
Subsidiaries contributed to GGU in 2020:					
Svaneti Hydro JSC ("SH")	Georgia	6 December 2013	20 April 2017	100%	65.6%
Hydrolea LLC ("HYDL")	Georgia	6 July 2012	28 October 2019	100%	100%
Qartli Wind Farm LLC ("QWF")	Georgia	10 September 2012	30 December 2019	100%	100%
Georgian Energy Trading Company LLC ("GETC")	Georgia	23 April 2019	15 December 2019	100%[1]	0%[1]
Georgia Energy Holding LLC ("GEH")	Georgia	26 September 2019	26 September 2019	0%	100%
Georgia Wind Company LLC ("GWC")	Georgia	18 June 2019	18 June 2019	0%	100%

[1] GETC was owned by Georgia Capital JSC, GGU's parent, as at 31 December 2019. On 15 December 2019, a tri-party agreement was conducted among Georgia Capital JSC, GGU and GWP. Under the terms of the agreement, Georgia Capital JSC irrevocably assigned GGU and GWP with the power and rights to direct relevant activities of GETC in exchange for variable consideration linked to the GETC's net profit and revenue. GGU assessed that the terms of the agreement provide GGU with the control over GETC as at 31 December 2019. This assessment represented a significant judgment. In its consolidated financial statements for the year ended 31 December 2019, GGU consolidated GETC under the pooling of interests' method since its incorporation, 23 April 2019.

In July 2020, as part of the Group's reorganization (Note 5), Georgia Capital JSC contributed 100% of its shareholding in GETC to GGU. Concurrently, the tri-party agreement was terminated. As at 31 December 2020, GGU controls GETC by virtue of its powers as GETC's sole shareholder.

GGU has two main segments of business activities: water supply and wastewater collection services and electric power generation and sales. GGU is rendering water supply and wastewater collection services to legal entities and general population of Tbilisi, Rustavi, Mtskheta cities and the nearby villages. GGU owns and operates water and wastewater infrastructure assets used in water supply and wastewater collection. GGU also owns and operates hydroelectric and wind power stations generating electric power for own use and for sale. The Group also engages in electric power trading.

The GGU's registered address is 10 Medea (Mzia) Jugheli Str, 0179, Tbilisi, Georgia.

As at 31 December 2020 and 2019, 100% of GGU's shares were owned by Georgia Capital JSC, the ultimate parent of which is Georgia Capital PLC ("GCAP"), domiciled in the United Kingdom.

(Amounts expressed in thousands of Georgian Lari)

2. Operating environment

In March 2020, the World Health Organization confirmed the novel coronavirus (“COVID−19”) as a global pandemic. There is uncertainty over the magnitude of the global slowdown that will result from this pandemic and its impact on Georgian economy. First COVID−19 infection was confirmed by the National Center for Disease Control (“NCDC”) in February 2020. The Government of Georgia has introduced number of measures aimed at containment of the spread of COVID−19, which have significant social and economic impact. The Group is monitoring impact of COVID−19 outbreak on its business, customers and employees and follows the official guidance introduced by the Government of Georgia to safeguard its people and to maintain business continuity.

In response to COVID−19 outbreak, on 1 April 2020, the Government of Georgia announced a GEL 3.5 billion economy support initiative related to the utility sector. The initiative package includes, among other measures, coverage of March−May water supply services payments by the Government on behalf of the certain categories of individuals that account for the majority of the Group’s individual customer’s base. On 30 October 2020, the Government of Georgia announced second part of support initiatives covering November, December 2020 and January-February 2021 utility expenses.

The management of the Group considered and assessed the effect of COVID−19 outbreak on these consolidated financial statements as follows:

Government support initiatives

The Government of Georgia released certain category of individuals, determined based on the certain threshold of electric power consumption for a respective period, from obligation to settle their water utility bills for March, April, May 2020 and from November 2020 till March 2021. Instead, the Government of Georgia provided a cash compensation to the Group in respect of the amounts that would have otherwise be billed to the exempt customers. The Group determined that the compensation arrangement meets the definition of revenue from contracts with customers as defined by IFRS 15, *Revenue from Contracts with Customers,* which represents a significant judgment. In making that assessment, the Group reconsidered its conclusion that such arrangement represented a government grant, made for the purpose of the preparation of the interim consolidated financial statements for the six month period ended 30 June 2020, where GEL 6,633 was presented as income from government grant in the interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020.

The Group recognized GEL 11,251 as part of revenue from water supply and related services in the statement of profit or loss and other comprehensive income in 2020.

During 2020, the Government of Georgia paid GEL 17,245 to the Group on behalf of the certain customers for March, April, May, November and December 2020 water supply services and as at 31 December 2020 advances received from the Government of Georgia amounted to GEL 3,969.

Impairment of property, plant and equipment

The management of the Group concluded that COVID−19 outbreak did not have a material impact on recoverability of the electric power generation and sales segment assets. The terminal value of the electric power generation and sales segment assets were not significantly affected by the current economic downturn. The management assessed that no significant decrease in operating free cash flows from the energy business assets is expected that would result in their recoverable amount, at the level of individual assets or cash−generating unit, to be less than their carrying value as at 31 December 2020.

The management of the Group considered the effects of COVID−19 outbreak in assessment of whether impairment of water supply and wastewater collection services segment assets was required as at 31 December 2020 and concluded that no impairment indicators existed. The key consideration and assumption of the management in making that assessment was that water supply tariff model in Georgia is designed in a way to provide the investor with predetermined return on regulatory asset base and operating expenditures, and is, as such, not sensitive, in the long term, to the fluctuations in water supply volumes. In December 2020, the Georgian National Energy and Water Supply Regulatory Commission (“GNERC”) approved water supply and sanitation (“WSS”) tariffs (set per m3 of WSS services supplied) in Tbilisi, which have increased compared to the previous regulatory period of 2018-2020: i) from GEL 0.3 to GEL 0.5 for metered residential customers and ii) from GEL 4.4 to GEL 6.5 for commercial customers. Moreover, every m3 of water that the Group was not able to sell in 2020 compared to the water sales volumes budgeted by the regulator (as well as respective time value of money component) and increase in operating and capital expenditure due to COVID-19, have been included to the tariff for the next, 2021-2023, regulatory period. The 2021-2023 tariff increase and the projected allowed revenue estimate were broadly in line with the management’s estimates made for the purpose of determination of recoverable amount of the business in the prior periods.

Apart from that, the state subsidies for utility bills provide stable cash collection rates from water sales to individuals. Significant portion of revenue from water supply and related services from the legal entities is generated from budget organizations with constant water consumption characteristics. The management concluded that in 2020, there are no indicators for impairment nor recovery of previously recognized impairment.

(Amounts expressed in thousands of Georgian Lari)

2. Operating environment (continued)

Expected credit losses on trade and other receivables and measurement of other financial instruments

Under IFRS 9 *Financial Instruments*, measurement of expected credit losses ("ECL") should be based on an unbiased, probability−weighted amount that is determined by evaluating the range of possible outcomes and reflecting time value of money, considering all reasonable and supportable information available about past events, current conditions and forecasts about future economic conditions.

The management of the Group considered that the specific effect of COVID−19 outbreak, as at 31 December 2020, was already incorporated into the Group's ECL models. The ratio of ECLs to gross receivables increased from 51% as at 31 December 2019 to 68% as at 31 December 2020. The amount of ECLs recognized in the statement of profit or loss and other comprehensive income in respect of trade and other receivables amounted to GEL 6,248 for the year ended 31 December 2020 (2019: GEL 7,325) (Note 11).

Other than ECL on trade and other receivables, the management did not identify any other material effect of COVID−19 outbreak on other financial instruments held by the Group. No credit loss events were identified in respect of the Group's cash at bank as at 31 December 2020.

Valuation of investment properties

The Group measures fair value of its investment properties at the end of each reporting period. The real estate market in Georgia is relatively illiquid and inert, with market values tending to be stable over prolonged periods of time. Pricing of real estate in Georgia is often performed in US Dollars. As at 31 December 2020, the fair values of the Group's investment properties did not change significantly as measured in US Dollars, however, GEL/USD exchange rate depreciated by 11% resulting in GEL 1,113 increase in the fair value of investment properties value (2019: GEL 988) (Note 9).

3. Basis of preparation

These consolidated financial statements of the Group for the year ended 31 December 2020 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 2020 reporting.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

4. Summary of significant accounting policies

Adoption of new or revised standards and interpretations

The following standards/interpretations relevant to the Group's activities that became effective on 1 January 2020 had no impact on the Group's consolidated financial position or results of operations:

- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting
- Amendments to IFRS 16 Covid-19 Related Rent Concessions (early adopted by the Group).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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 other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in 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.

Business combinations under common control

The business combinations under common control are accounted for using pooling of interest method with restatement of periods prior to the combination under common control.

The assets and liabilities acquired are recognised at carrying amounts to reflect the combination as if it had occurred from the beginning of the earliest period presented and no adjustments are made to reflect fair values at the date of combination. The difference between consideration transferred and net assets acquired is recorded as an adjustment to the equity. No goodwill is recognised as a result of business combination under common control.

Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that

market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Financial assets

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortised cost, FVOCI, and fair value through profit or loss ("FVPL").

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For purposes of subsequent measurement, financial assets of the Group are classified as financial assets at amortised cost, which include trade and other receivables, restricted cash and cash at bank. The Group does not have any financial assets measured at either FVOCI or FVPL, except for derivative financial instruments. The Group's financial assets are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derivative financial instruments

The Group uses forward currency contracts, to mitigate its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair values are estimated based on standard forward pricing models that take into accounting observable and non-observable information about spot and forward exchange rates and interest rates. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss and other comprehensive income in net foreign exchange losses.

Impairment of receivables

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence of impairment may include:

- significant financial difficulty of the counterparty;
- a breach of agreement, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

If, in a subsequent year, the amount of the estimated ECLs increases or decreases, the previously recognised ECLs are increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss in the allowance for impairment of trade receivables line with a negative sign as a reversal of impairment.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows discounted at the original effective interest rate of the asset.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Uncollectible assets are written off against the related ECL allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. In addition, a customer may file an application with the regulator, GNERC, for derecognition of a receivable overdue for more than 3 years. If such an application is approved by GNERC, the Group is required to derecognize respective receivable by law.

Note 11 provides further details on assessment and judgement applied in respect with ECL and write-off of trade and other receivables.

Renegotiated receivables

Renegotiated (restructured) receivables comprise carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated. Only trade receivables for water supply services and from penalties for illegal connections can be restructured. The restructuring is caused by the financial difficulties of the Group's counterparty, and is treated as a modification original financial asset, and the difference in the respective carrying amounts, calculated using original effective interest rate, is recognised in the profit or loss as a modification gain or loss.

Once the terms have been renegotiated, the receivable is no longer considered past due. Management continuously reviews renegotiated receivables to ensure that all criteria are met and that future payments are likely to occur.
The renegotiated receivables continue to be subject to an ECL assessment as other trade receivables as described above.

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- 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 retained the right to receive cash flows from the asset, but has assumed an obligation to pay them 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.

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

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

Financial liabilities

All of the Group's financial liabilities, including borrowings and trade and other payables, are carried at amortised cost except for derivative financial liabilities held at fair value. The Group's borrowings comprise of debt securities issued and loans from Georgian and international financial institutions.

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.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Property, plant and equipment

Water infrastructure assets comprise a network of systems consisting of raw water aqueducts, mains and sewers, impounding and pumped raw water storage reservoirs and sludge pipelines. Energy infrastructure assets mainly comprise of turbine-generators, intakes and reservoirs as well as measurement masts required for wind projects and water-flow measurement stations. Investment expenditure on infrastructure assets relating to increases in capacity or enhancements of the network and asset replacements to maintain the operating capability of the network is treated as an addition and initially recorded at cost, whilst repair and maintenance expenditure which does not enhance the asset's base is charged as an operating 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 services provided by technical, environmental and other relevant experts. Additionally, directly attributable costs consider pre-permission expenditures, which include studies and services provided during the project assessment period, such as measurement studies, design expenditure, technical and environmental expertise, geological surveys. Contributions to the local governing bodies incurred for obtaining building permissions of power plants are also part of directly attributable costs. The liability for dismantling and removing items is recognised within provisions.

The Group owns real estate that mainly consists of administrative buildings and operational premises.

All categories of property, plant and equipment are accounted for at cost less accumulated depreciation and impairment.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation of depreciable amount (defined as cost less residual value) is calculated on a straight-line basis over estimated useful lives. Existing useful lives applicable for several classes of property, plant and equipment are:

	Useful lives
Real estate	60 years
Water infrastructure assets	5-45 years
Energy infrastructure assets	10-50 years
Fixtures and fittings	5-10 years
Vehicles	5-10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Investment property

Investment property is represented by land and buildings that are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income, capital appreciation or both. Investment property also includes land held for undetermined future use.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition. The revaluation reserve for investment property in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. If the possibility of outflow becomes probable, the Group recognizes respective Provisions for liabilities and charges to provisions. Contingent assets are not recognized in the consolidated statement of financial position unless reimbursement is virtually certain (which is usually the case with reimbursement from insurance companies) but disclosed when an inflow of economic benefits is probable.

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include acquired software licenses and are amortised on a straight-line basis over their estimated useful lives (3-5 years) 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.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations are 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. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax. 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 abnormal water losses. Pursuant to the regulation published by GNERC, normative loss rate has been increased and the Group does not expect to be subject to respective taxes. Taxation of such transactions is not considered to be in scope of *IAS 12 Income taxes* and is accounted as non-recurring expenses in the consolidated statement of profit or loss and other comprehensive income.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventory is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

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 and restricted cash

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. Restricted balances are excluded from cash at bank for the purposes of the cash flow statement. Balances restricted from being immediately exchanged or used to settle a liability at discretion of the Group are included in restricted cash separately.

Share capital

The amount of the Company's authorized share capital is defined by the Company's charter. The changes in the Company's charter (including changes in charter capital, ownership, etc.) shall be made only based on the decision of the Company's participant. The authorized capital is recognised as share capital in the equity of the Company to the extent that it was paid.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Value added tax

Value added tax ("VAT", charged at 18% in Georgia) 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. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the end of the reporting period is recognised in the consolidated statement of financial position on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs comprise interest expense calculated using the effective interest method and exchange differences arising from borrowings in foreign currency 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. 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 construction phase. The capitalization rate for borrowing costs was 8.28% in 2020 (2019: 8.5%).

Provisions for liabilities and charges to provisions

Provisions for liabilities 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.

In the normal course of business, the Group is a party to legal actions. As at the reporting date, management is unaware of any actual, pending or threatened claims against the Group that would have a material impact on the Group's financial position.

Management does not consider it feasible to accurately estimate when the provision will be fully utilised, given the number of court hearings and appeal processes that each claim may be subject to. However, it is expected that all cases will be settled within the next three years. In addition, there remains uncertainty as to the merits of each individual claim and the final decision of the court in respect of each claim. After taking appropriate legal advice, management considers that the outcome of these legal claims will not give rise to any significant loss beyond the amounts accrued in these consolidated financial statements.

EBITDA

The Group separately presents EBITDA on the face of consolidated statement of profit or loss and other comprehensive income. EBITDA is not defined in IFRS and is defined by the Group as earnings before interest, taxes, depreciation and amortisation, and is derived as the Group's profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, finance costs, net foreign exchange losses, gains from sale of non-core assets, loss on extinguishment of financial liabilities and non-recurring expenses.

Gain from sale of non-core assets

The Group holds certain property, plant and equipment and investment property that are no longer used in the Group's daily business operations. Gain or loss from disposal of such assets is separately presented in the consolidated statement of profit and loss and other comprehensive income.

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.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Functional currencies and foreign currency translation

The Group's consolidated financial statements are presented in Georgian Lari. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. For the Company and entities of electric power generation and sales, US Dollar, and for other entities of the Group, Georgian Lari was determined to be the functional currency.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Gains and losses resulting from the translation of foreign currency transactions related to borrowings and other foreign currency transactions are recognised in the profit or loss and other comprehensive income 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 2020 and 2019 were 4.0233 and 3.2095 GEL to 1 Euro, respectively. The official NBG exchange rates as at 31 December 2020 and 2019 were 3.2766 and 2.8677 GEL to 1 USD, respectively.

Until 30 July 2020, the functional currency of the Company was Georgian Lari. At the date of the Eurobonds transaction (Note 13), and following contribution of the electric power generation and sales subsidiaries to the Group (Note 1), the functional currency of the Company was reassessed and determined to be US Dollar (USD).

In making that assessment, the management considered existence of long-term USD-denominated debt, as well as expectations of further increase in share of revenue transactions denominated and settled in USD in the foreseeable future. Significant judgment was applied by the management in determination of appropriate functional currency and assessment of whether change in the underlying transactions, events and conditions warrant a change in the functional currency.

Change in functional currency was applied prospectively starting from 30 July 2020. At the date of change, the Company translated all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.

The Company's presentation currency is different from its functional currency. The Company considers that Georgian Lari as presentation currency is common among Georgian reporters and thus it provides more relevant and appropriate information to the users of the financial statements.

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.

Income and expense recognition

Revenue is recognized when the Group satisfies a performance obligation at an amount that reflects the consideration to which the Group expects to be entitled in exchange for promise to transfer the goods and services to a customer. The following specific principles also apply to the Group's major classes of revenues:

Revenue from water supply and related services

Revenue from water supply is recognized over time as a single performance obligation to supply water to customer is satisfied. Amounts billed to customers include billings for water supply as well as charges for connection and installation of water meters, as follows.

Revenue from water supply to legal entities includes amounts billed to the commercial customers based on the metered and estimated usage of water and by application of the relevant tariff for services set per unit of water supplied. Meters

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Income and expense recognition (continued)

are read on a cyclical basis and the Group recognises revenue for unbilled amounts based on estimated usage of water based on the last billing through to the end of the financial year.

Revenue from water supply to general population for majority of the customers includes that compensated by the state according to the Government of Georgia support initiatives related to COVID-19 outbreak (Note 2).

Revenue from water supply to general population includes amounts billed on monthly basis to the residential customers (with meter) based on the metered usage of water and by application of the relevant tariff for services set per unit of water supplied. For the residential customers having no meters, revenue is recognized based on the number of individual persons registered by the respective city municipality per each residential address by application of the relevant per capita tariff on a monthly basis.

Charges for installation of water meters includes amounts billed to residential customers under GNERC rules. The performance obligations under such contracts are satisfied over time as the Group supplies water to respective customer and the revenue is recognised during the service period. The estimated service period for the meters is considered to be 10 years. The revenue is recognized over the respective time period.

Charges for connection service includes non-refundable amounts billed upfront for connecting customers to water system and providing them with the access to water supply. Charges from connection is recognized as revenue from water supply over the time in line with the satisfaction of performance obligation to supply water to respective customer over the life of water meters.

Revenue from electric power sales

Revenue from electric power sales is recognised on the basis of metered electric power transferred and by application of the fixed price according to the agreement formed with customers. Customers are usually obliged to pay the respective balances by a following month end.

Penalty income on illegal connections services

Penalty income on illegal connections services includes fines billed to customers for illegal connections identified by reinforced activities. Amounts billed are defined based on respective tariffs set by GNERC. Penalty income on illegal connections services is included in other income in the consolidated statement of profit or loss and other comprehensive income (Note 21).

Business interruption reimbursement gain

Business interruption reimbursement gain is recognized based on insurance claim acts.

Electricity and transmission costs

Electricity and transmission costs include payments for guaranteed power, for transit and dispatching of electric power and for maintenance of stations.

Interest and similar income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, and such asset meets definition of credit-impaired, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of significant accounting policies (continued)

Employee benefits

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

Employee stock ownership plan

Share-based payment transactions

Senior executives of the Group receive share-based remuneration settled in equity instruments of GCAP, the Group's ultimate parent. Grants are made by GCAP. Grants that the Group does not have a liability to settle are accounted for as equity-settled transactions (even if the Group may subsequently recharge the cost of the award to the settling entity, which is recognized as deduction from Other reserves in the statement of changes in equity at respective payment date). Grants that the Group has the liability to settle in cash or in equity instruments of GCAP are accounted for as cash-settled transactions.

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the shares is determined at the grant date using market quotations available at the stock exchange.

The cost of equity settled transactions is recognized together with the corresponding increase in additional paid in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Settlements to the parent for the shares granted to the employees of the Group are accounted as decrease in Other reserves.

Cash-settled transactions
In respect of cash-settled transactions, the Group recognizes a liability in respect of earned but not settled equity instruments at their fair value as at the reporting date, presented in other current and non-current liabilities in consolidated statement of financial position. Changes in the fair value of the cash-settled liabilities arising from either change in the fair value of the equity instruments or number of shares earned are recognized in cost of assets or expenses to salaries and other employee benefits in the consolidated statement of profit or loss and other comprehensive income.

5. Business combination under common control and other restatement of prior year financial statements

In July 2020, Georgia Capital JSC contributed to the Group its 100% interests in Georgia Wind Company LLC (parent company of Qartli Wind Farm LLC), Georgia Energy Holding LLC (parent company of Hydrolea LLC), Georgian Energy Trading Company LLC and Svaneti Hydro JSC, in exchange for increase in the Company's share capital of GEL 104,664. As a result of such contribution, the Company became 100% shareholder of the contributed companies.

Subsequent to the contribution, Georgia Wind Company LLC and Georgia Energy Holding LLC were merged with the Company, and the Company became a 100% direct holder of interests in Qartli Wind Farm LLC and Hydrolea LLC.

The Group accounted for these transactions under common control using pooling of interest method with the retrospective restatement of comparative financial information. Under the pooling of interest method, the assets and liabilities of transferred entities are recognized in the Group's consolidated financial statements as if the business combination occurred at the beginning of the earliest period presented at their carrying values, with the corresponding adjustment to the equity.

(Amounts expressed in thousands of Georgian Lari)

5. Business combination under common control and other restatement of prior year financial statements (continued)

The reconciliation of previously reported amounts for the effect of common control business combinations and other restatements as of and for the year ended 31 December 2019 is disclosed below.

Consolidated statement of financial position as at 31 December 2019:

	The Group before common control transactions	*Financial position of transferred entities*	*The Group after common control transactions*
Assets			
Non-current assets			
Property, plant and equipment	522,096	319,936	842,032
Investment property	8,641	–	8,641
Right-of-use assets	606	699	1,305
Restructured trade receivables	209	–	209
Other non-current assets	2,987	539	3,526
Total non-current assets	**534,539**	**321,174**	**855,713**
Current assets			
Inventories	3,799	129	3,928
Trade and other receivables	22,357	2,067	24,424
Loans issued	–	82	82
Prepaid taxes other than income tax	50	2,164	2,214
Reimbursement assets	–	46,457	46,457
Prepayments	3,703	102	3,805
Restricted cash	–	6,581	6,581
Cash at bank	26,588	20,218	46,806
Total current assets	**56,497**	**77,800**	**134,297**
Total assets	**591,036**	**398,974**	**990,010**
Equity			
Share capital	2	–	2
Additional paid-in capital	16,538	84,667	101,205
Retained earnings	146,255	(834)	145,421
Other reserves	(9,313)	5,060	(4,253)
Revaluation reserve for property, plant and equipment	4,812	1	4,813
Equity attributable to the owners of the parent	**158,294**	**88,894**	**247,188**
Non-controlling interests	–	24,896	24,896
Total equity	**158,294**	**113,790**	**272,084**
Liabilities			
Non-current liabilities			
Borrowings	353,021	255,908	608,929
Deferred revenue	24,569	–	24,569
Lease liabilities	459	605	1,064
Other non-current liabilities	102	1,436	1,538
Total non-current liabilities	**378,151**	**257,949**	**636,100**
Current liabilities			
Borrowings	25,954	18,483	44,437
Advances received	6,242	–	6,242
Trade and other payables	12,053	1,548	13,601
Provisions for liabilities and charges	614	–	614
Deferred revenue	4,764	–	4,764
Lease liabilities	196	52	248
Derivative financial liabilities	1,919	–	1,919
Other current liabilities	–	5,479	5,479
Other taxes payable	2,849	1,673	4,522
Total current liabilities	**54,591**	**27,235**	**81,826**
Total liabilities	**432,742**	**285,184**	**717,926**
Total liabilities and equity	**591,036**	**398,974**	**990,010**

(Amounts expressed in thousands of Georgian Lari)

5. Business combination under common control and other restatement of prior year financial statements (continued)

Consolidated statement of financial position as at 1 January 2019:

	The Group before common control transactions	*Financial position of transferred entities*	*The Group after common control transactions*
Assets			
Non-current assets			
Property, plant and equipment	458,921	108,612	567,533
Investment property	9,865	–	9,865
Restructured trade receivables	204	–	204
Other non-current assets	1,990	39,214	41,204
Total non-current assets	**470,980**	**147,826**	**618,806**
Current assets			
Inventories	3,913	–	3,913
Trade and other receivables	19,499	15	19,514
Prepaid taxes other than income tax	1,465	2,282	3,747
Prepayments	1,647	1	1,648
Restricted cash	877	–	877
Cash at bank	13,772	585	14,357
Total current assets	**41,173**	**2,883**	**44,056**
Total assets	**512,153**	**150,709**	**662,862**
Equity			
Share capital	2	–	2
Additional paid-in capital	10,657	48,691	59,348
Retained earnings	131,715	(815)	130,900
Other reserves	(7,545)	1,269	(6,276)
Revaluation reserve for property, plant and equipment	8,200	–	8,200
Equity attributable to the owners of the parent	**143,029**	**49,145**	**192,174**
Non-controlling interests	–	26,458	26,458
Total equity	**143,029**	**75,603**	**218,632**
Liabilities			
Non-current liabilities			
Borrowings	300,076	66,458	366,534
Deferred revenue	18,948	–	18,948
Other non-current liabilities	22	1,312	1,334
Total non-current liabilities	**319,046**	**67,770**	**386,816**
Current liabilities			
Borrowings	20,170	4,254	24,424
Advances received	8,424	–	8,424
Trade and other payables	13,929	1,431	15,360
Provisions for liabilities and charges	494	31	525
Deferred revenue	3,921	–	3,921
Derivative financial liabilities	1,777	–	1,777
Other current liabilities	–	676	676
Other taxes payable	1,363	944	2,307
Total current liabilities	**50,078**	**7,336**	**57,414**
Total liabilities	**369,124**	**75,106**	**444,230**
Total liabilities and equity	**512,153**	**150,709**	**662,862**

(Amounts expressed in thousands of Georgian Lari)

5. Business combination under common control and other restatement of prior year financial statements (continued)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019:

	The Group before common control transactions	*Financial performance of transferred entities*	*The Group after common control transactions*
Revenue from water supply and related services	137,855	–	137,855
Revenue from electric power sales	24,574	1,767	26,341
Business interruption reimbursement gain	–	10,047	10,047
Other revenue	1,227	–	1,227
Total revenue and gains	**163,656**	**11,814**	**175,470**
Electricity and transmission costs	(16,809)	(108)	(16,917)
Cost of electric power sales	(4,357)	4,357	–
Salaries and other employee benefits	(20,247)	(292)	(20,539)
Allowance for expected credit losses	(7,325)	–	(7,325)
Taxes other than income tax	(5,435)	(1,196)	(6,631)
General and administrative expenses	(3,519)	(232)	(3,751)
Professional fees	(2,703)	(187)	(2,890)
Raw materials, fuel and other consumables	(2,785)	(7)	(2,792)
Maintenance expenditure	(1,957)	(9)	(1,966)
Charge for provisions and legal claims related expenses	(120)	–	(120)
Other operating expenses	(7,177)	(791)	(7,968)
Other income	3,785	–	3,785
	(68,649)	**1,535**	**(67,114)**
EBITDA	**95,007**	**13,349**	**108,356**
Finance income	1,980	15	1,995
Finance costs	(26,164)	(7,828)	(33,992)
Net foreign exchange losses	(7,586)	42	(7,544)
Depreciation and amortisation	(31,188)	(3,772)	(34,960)
Gain from sale of non-core assets	2,364	–	2,364
Non-recurring expenses, net	(1,261)	(630)	(1,891)
Profit before income tax expense	**33,152**	**1,176**	**34,328**
Income tax expense	–	–	–
Profit for the year	**33,152**	**1,176**	**34,328**
Attributable to:			
Owners of the parent	33,152	143	33,295
Non-controlling interests	–	1,033	1,033
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Gain from currency translation differences	–	5,195	5,195
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**–**	**5,195**	**5,195**
Other comprehensive income for the year	**–**	**5,195**	**5,195**
Total comprehensive income for the year, net of tax	**33,152**	**6,371**	**39,523**
Attributable to:			
Owners of the parent	33,152	3,934	37,086
Non-controlling interests	–	2,437	2,437

(Amounts expressed in thousands of Georgian Lari)

5. Business combination under common control and other restatement of prior year financial statements (continued)

Consolidated statement of cash flows for the year ended 31 December 2019:

	The Group before common control transactions	*Cash flows of transferred entities*	*Change in accounting policy**	*The Group after common control transactions and change in accounting policy*
Cash flows from operating activities				
Profit before income tax	**33,152**	**1,176**	–	**34,328**
Adjustments for:				
Depreciation and amortisation	31,188	3,772	–	34,960
Allowance for expected credit losses	7,325	–	–	7,325
Reversal of provisions	120	–	–	120
Net (gain)/loss from disposal of property, plant and equipment, non-core assets and investment property	(2,188)	–	–	(2,188)
Revaluation gain on investment property	(988)	(0)	–	(988)
Net foreign exchange losses	7,586	(42)	–	7,544
Finance income	(1,980)	(15)	–	(1,995)
Finance costs	26,164	7,828	–	33,992
Derecognition of unclaimed advances received and trade payables	(845)	–	–	(845)
Business interruption reimbursement gain	–	(10,047)	–	(10,047)
Non-recurring expenses, net	(1,601)	630	–	(971)
Share-based payment expense	4,187	–	–	4,187
Working capital changes				
Change in inventories	(964)	(129)	–	(1,093)
Change in trade and other receivables	(9,847)	(781)	–	(10,628)
Change in prepaid taxes other than income tax	1,415	424	–	1,839
Change in prepayments	418	(102)	–	316
Change in trade and other payables	(562)	1,094	–	532
Change in deferred revenue – current portion	843	–	–	843
Change in advances received	(1,860)	–	–	(1,860)
Change in other tax payables	1,547	728	–	2,275
Interest received	1,980	–	(1,980)	–
Interest paid	(26,881)	–	26,881	–
Change in restricted cash	897	(244)	–	653
Operating cash flows after working capital changes	**69,106**	**4,292**	**24,901**	**98,299**
Change in deferred revenue - non-current portion	5,621	–	–	5,621
Net cash flows from operating activities	**74,727**	**4,292**	**24,901**	**103,920**
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	(91,440)	(22,580)	–	(114,020)
Proceeds from sale of property, plant and equipment	4,029	–	–	4,029
Acquisition of subsidiaries, net of cash acquired	–	(88,014)	–	(88,014)
Loans issued	–	(74)	–	(74)
Interest received	–	15	1,980	1,995
Proceeds from sale of investment property and non-core assets	2,742	–	–	2,742
Net cash used in investing activities	**(84,669)**	**(110,653)**	**1,980**	**(193,342)**
Cash flows from financing activities				
Payment of principal portion of lease liabilities	(170)	(89)	–	(259)
Proceeds from borrowings	138,435	171,387	–	309,822
Repayment of borrowings	(88,431)	(74,382)	–	(162,813)
Interest paid	–	(3,647)	(26,881)	(30,528)
Dividend paid	(22,000)	–	–	(22,000)
Contributions from the shareholders	–	43,620	–	43,620
Distribution to the parent	–	(11,555)	–	(11,555)
Contributions under share-based payment plan	(4,492)	–	–	(4,492)
Net cash from financing activities	**23,342**	**125,334**	**(26,881)**	**121,795**
Effect of exchange rate changes on cash and cash equivalents	(584)	659	–	75
Net change in cash and cash equivalents	**12,816**	**19,632**	**–**	**32,448**
Cash and cash equivalents at the beginning of year	13,772	586	–	14,358
Cash and cash equivalents at the end of year	**26,588**	**20,218**	**–**	**46,806**

* The Group changed its accounting policy on presentation of its consolidated statement of cash flows. Starting from 2020, the Group presents interest paid, previously presented in cash flows from operating activities, within cash flows from financing activities and interest received, previously presented in cash flows from operating activities, within cash flows from investing activities. The Group considers presentation of interest paid within cash flows from financing activities and interest received within cash flows from investing activities to provide more relevant and reliable information to the users of consolidated financial statements, as it may be more useful in estimating future cash flows of the Group.

(Amounts expressed in thousands of Georgian Lari)

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:

Fair value of investment property

The fair value of investment properties is determined by independent professionally qualified appraisers on an annual basis. Fair value is determined using a combination of the income approach and the sales comparison method (Note 9).

Impairment of property, plant and equipment

For the years ended 31 December 2020 and 2019, the Group analysed property, plant and equipment impairment or recovery indicators. Management found no indications of potential impairment of property, plant and equipment nor recovery of previously recognized impairment, except as in relation to an impairment due to physical damage or loss event. In case of any impairment as a result of physical damage or destruction of assets, the Group assesses the extent of such damage for each individual item and writes off respective items of the property, plant and equipment that are no longer usable. Such assessment requires judgment in determination whether the assets can be usable.

In assessment of recoverable amount of water supply and wastewater collection services cash generating unit assets, and in subsequent assessment of whether indicators of impairment or recovery of previously recognized impairment exist, significant judgment is required in determination of appropriate discount rate and assessment of its subsequent changes, developing expectations in relation to water supply tariffs to be applied in subsequent periods (including assumptions about particular capital and operating expenditures eligible for incorporation to the tariff base, and regulatory weighted average cost of capital), expected water supply volumes and forecasted operating expenditures and maintenance capital expenditures, and other relevant impairment or recovery indicators (Note 2, Note 8).

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 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. Useful lives for new additions are established considering GNERCs requirements.

Expected credit losses in respect of trade and other receivables

The Group applied the simplified approach for estimation of expected credit losses on trade receivables. The expected credit losses for accounts receivable is based on the Group's assessment of the collectability of specific customer accounts. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the purposes of a collective evaluation of ECLs accounts receivable are grouped on the basis of revenue classes, overdue days and active/passive status per each counterparty. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and, in rare cases, of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future (Note 2, Note 11).

The amount of ECLs recognized in respect of trade and other receivables amounted to GEL 30,456 as at 31 December 2020 (2019: GEL 25,328) (Note 11).

(Amounts expressed in thousands of Georgian Lari)

6. Significant accounting judgements and estimates (continued)

Acquisition of subsidiaries

The Group accounted for acquisitions of HYDL and QWF as asset acquisitions, as opposed to business combination, based on the results of the optional concentration test provided by IFRS 3 *Business Combinations* (Note 29). Significant judgment is required, in respect of each acquisition, in determination of single group of similar identifiable assets and assessment of whether substantially all of the fair value of the acquired gross assets is concentrated in such single group for the purpose of the optional concertation test.

On 28 October 2019, Georgia Energy Holding LLC acquired 100% equity interest in Hydrolea LLC, operator of three HPPs with an aggregate 21MW installed capacity. The management considered that substantially all of the fair value of gross assets of Hydrolea LLC is concentrated in a single group of assets, being HPPs and the related land and facilities. Accordingly, this acquisition was accounted for as an asset acquisition by recognizing financial instruments acquired at their fair values and allocating the remaining consideration paid to other non-financial acquired assets and liabilities proportionally to their fair values.

On 30 December 2019, Georgia Wind Company LLC acquired 100% equity interest in Qartli Wind Farm LLC. The management considered that substantially all of the fair value of gross assets of Qartli Wind Farm LLC is concentrated in a single group of assets, being wind power plants and related land and facilities. Accordingly, this acquisition was accounted for as asset acquisition.

7. Segment information

Management organized the Group into the following two operating segments based on products sold and services rendered:

Electric power generation and sales

The segment owns hydroelectric and wind power stations that generate electric power for own consumption and for sale to external customers.

Water supply and wastewater collection services

The segment provides water supply and wastewater collection services which is the core activity of the Group.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained below, is measured according to IFRS standards in the same manner as profit or loss in the consolidated financial statements.

Transactions between segments are accounted for at actual transaction prices.

Comparative segment information for the year ended 31 December 2019 was adjusted for the effects of business combinations under common control reflected using pooling of interest method (Note 5).

The Group’s operations are concentrated in Georgia. All non-current assets of the Group are located in Georgia.

(Amounts expressed in thousands of Georgian Lari)

7. Segment information (continued)

	GGU Water – Electric power generation and sales, 2020	*GGU Water – Water supply and wastewater collection services, 2020*	*GGU Water - Intersegment transactions, 2020*	*GGU Energy, 2020*	*Eliminations, 2020*	*Total, 2020*
Revenue from water supply and related services	–	120,549	–	–	–	**120,549**
Revenue from electric power sales[1]	16,919	–	(3,802)	38,258	(7,220)	**44,155**
Business interruption reimbursement gain	–	–	–	4,252	–	**4,252**
Other revenue	–	1,080	–	–	–	**1,080**
Total revenue (sub-note 1)	**16,919**	**121,629**	**(3,802)**	**42,510**	**(7,220)**	**170,036**
Electricity and transmission costs	(100)	(21,490)	3,802	(221)	–	**(18,009)**
Cost of electric power sales	(7,220)	–	–	–	7,220	**–**
Salaries and other employee benefits (sub-note 2)	(1,863)	(18,503)	–	(1,063)	–	**(21,429)**
Allowance for ECLs	–	(6,248)	–	–	–	**(6,248)**
Taxes other than income tax	(290)	(5,513)	–	(2,536)	–	**(8,339)**
General and administrative expenses	(178)	(3,507)	–	(376)	–	**(4,061)**
Professional fees	(118)	(1,984)	–	(677)	–	**(2,779)**
Raw materials, fuel and other consumables	(146)	(3,138)	–	(55)	–	**(3,339)**
Maintenance expenditure	(9)	(1,440)	–	(2,801)	–	**(4,250)**
Charge for provisions and legal claims related expenses	–	(560)	–	–	–	**(560)**
Other operating expenses	(1,368)	(5,141)	–	(1,734)	–	**(8,243)**
Other income	11	2,809	–	–	–	**2,820**
EBITDA	**5,638**	**56,914**	**–**	**33,047**	**–**	**95,599**
Finance income (sub-note 3)	269	1,780	–	355	–	**2,404**
Finance costs (sub-note 3)	(3,751)	(32,097)	–	(23,772)	–	**(59,620)**
Foreign exchange losses	(2,875)	(40,475)	–	(1,301)	–	**(44,651)**
Depreciation and amortization	(2,479)	(33,218)	–	(12,640)	–	**(48,337)**
Gain from sale of non-core assets	–	1,120	–	–	–	**1,120**
Loss on extinguishment of financial liabilities	(843)	(10,059)	–	(10,002)	–	**(20,904)**
Non-recurring expenses, net (sub-note 4)	2	(1,003)	–	(575)	–	**(1,576)**
Profit before income tax expense	**(4,039)**	**(57,038)**	**–**	**(14,888)**	**–**	**(75,965)**
Income tax expense	–	–	–	–	–	**–**
Profit for the year	**(4,039)**	**(57,038)**	**–**	**(14,888)**	**–**	**(75,965)**

[1]*65% of total revenue from electric power sales is generated from one customer.*

Balance Sheet items segmentation as at 31 December 2020 is as follows:

	GGU Water	**GGU Energy**	**GGU Consolidated**
Caption Name	**31 December 2020**	**31 December 2020**	**31 December 2020**
Cash and cash equivalents	55,577	63,262	118,839
Total assets	**653,220**	**436,701**	**1,089,921**
Borrowings	514,916	318,647	833,563
Lease liability	405	1,237	1,642
Total liabilities	**574,320**	**324,219**	**898,539**
Total equity	**78,900**	**112,482**	**191,382**

(Amounts expressed in thousands of Georgian Lari)

7. Segment information (continued)

	GGU Water – Electric power generation and sales, 2019 (restated)	*GGU Water – Water supply and wastewater collection services, 2019 (restated)*	*GGU Water -Intersegment transactions, 2019 (restated)*	*GGU Energy, 2019 (restated)*	*Eliminations, 2019 (restated)*	*Total, 2019 (restated)*
Revenue from water supply and related services	–	137,855	–	–	–	**137,855**
Revenue from electric power sales[1]	28,349	–	(3,775)	6,124	(4,357)	**26,341**
Business interruption reimbursement gain	–	–	–	10,047	–	**10,047**
Other revenue	–	1,227	–	–	–	**1,227**
Total revenue (sub-note 1)	**28,349**	**139,082**	**(3,775)**	**16,171**	**(4,357)**	**175,470**
Electricity and transmission costs	(87)	(20,497)	3,775	(108)	–	**(16,917)**
Cost of electric power sales	(4,357)	–	–	–	4,357	**–**
Salaries and other employee benefits (sub-note 2)	(2,070)	(18,177)	–	(292)	–	**(20,539)**
Allowance for ECLs	–	(7,325)	–	–	–	**(7,325)**
Taxes other than income tax	(136)	(5,299)	–	(1,196)	–	**(6,631)**
General and administrative expenses	(149)	(3,370)	–	(232)	–	**(3,751)**
Professional fees	(99)	(2,604)	–	(187)	–	**(2,890)**
Raw materials, fuel and other consumables	(78)	(2,707)	–	(7)	–	**(2,792)**
Maintenance expenditure	(24)	(1,933)	–	(9)	–	**(1,966)**
Charge for provisions and legal claims related expenses	–	(120)	–	–	–	**(120)**
Other operating expenses	(2,314)	(4,970)	–	(684)	–	**(7,968)**
Other income	10	3,775	–	–	–	**3,785**
EBITDA	**19,045**	**75,855**	**–**	**13,456**	**–**	**108,356**
Finance income (sub-note 3)	–	1,980	–	15	–	**1,995**
Finance costs (sub-note 3)	(4,173)	(21,991)	–	(7,828)	–	**(33,992)**
Foreign exchange losses	(671)	(6,915)	–	42	–	**(7,544)**
Depreciation and amortization	(2,087)	(29,101)	–	(3,772)	–	**(34,960)**
Gain from sale of non-core assets	–	2,364	–	–	–	**2,364**
Non-recurring expenses, net (sub-note 4)	(1,431)	170	–	(630)	–	**(1,891)**
Profit before income tax expense	**10,683**	**22,362**	**–**	**1,283**	**–**	**34,328**
Income tax expense	–	–	–	–	–	**–**
Profit for the year	**10,683**	**22,362**	**–**	**1,283**	**–**	**34,328**

Balance Sheet items segmentation as at 31 December 2019 is as follows:

Caption Name	**GGU Water 31 December 2019 (restated)**	**GGU Energy 31 December 2019 (restated)**	**GGU Consolidated 31 December 2019 (restated)**
Cash and cash equivalents	26,588	26,799	53,387
Total assets	**591,036**	**398,974**	**990,010**
Borrowings	378,975	274,391	653,366
Lease liability	655	657	1,312
Total liabilities	**432,842**	**285,084**	**717,926**
Total equity	**158,194**	**113,890**	**272,084**

(Amounts expressed in thousands of Georgian Lari)

7. Segment information (continued)

The majority of revenue and cost elements were directly attributed to the relevant segments. The allocation principles and methods used by the management for revenue and costs elements, which cannot be directly attributed to the relevant operating segments, were:

- **Revenue** – in 2020 and 2019, the Group consumed electric power generated by Zhinvali HPP and Tetrikhevi HPP. For the purpose of segment disclosure in 2020 and 2019, the revenue from the internally used electric power was recorded at a regulated tariff set by GNERC (Decree No. 50, dated 27 December 2017).
- **Salaries and benefits** – the costs of salaries and other benefits except that of administrative staff were attributed directly to the appropriate segments based on actual expenditure. Salaries and benefits of the administrative staff were allocated proportionally based on the number of employees in each operating segment.
- **Finance income and finance costs** were allocated according to the amount of borrowings received for each segment.
- **Non-recurring expenses, net -** in 2020, non-recurring expenses include effect of reassessment of insurance reimbursement asset, actualization of tax balances and charity expenses. In 2019, non-recurring expenses include employee share-based acceleration expense and termination benefits and effect of exit from share purchase agreement (Note 25).

8. Property, plant and equipment

The movements in property, plant and equipment in 2020 were as follows:

	Land plots	*Real estate*	*Water Infrastructure assets*	*Energy Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost								
31 December 2019 (restated)	**7,092**	**34,548**	**629,526**	**364,276**	**31,236**	**8,239**	**29,156**	**1,104,073**
Additions	12	52	14,808	9,037	464	1,484	61,821	**87,678**
Disposals	(318)	−	(279)	−	(1,567)	(7)	(609)	**(2,780)**
Transfers	51	1,296	53,882	3,908	2,197	1,065	(62,399)	**−**
Currency translation	166	−	−	45,936	81	59	63	**46,305**
31 December 2020	**7,003**	**35,896**	**697,937**	**423,157**	**32,411**	**10,840**	**28,032**	**1,235,276**
Accumulated depreciation and impairment								
31 December 2019 (restated)	**423**	**9,396**	**218,841**	**15,647**	**11,525**	**4,729**	**1,480**	**262,041**
Depreciation charge	−	589	27,883	14,462	2,716	885	−	**46,535**
Disposals	(45)	(3)	(317)	−	(835)	(3)	−	**(1,203)**
Currency translation	−	−	−	742	3	12	92	**849**
31 December 2020	**378**	**9,982**	**246,407**	**30,851**	**13,409**	**5,623**	**1,572**	**308,222**
Net book value								
31 December 2019 (restated)	**6,669**	**25,152**	**410,685**	**348,629**	**19,711**	**3,510**	**27,676**	**842,032**
31 December 2020	**6,625**	**25,914**	**451,530**	**392,306**	**19,002**	**5,217**	**26,460**	**927,054**

(Amounts expressed in thousands of Georgian Lari)

8. Property, plant and equipment (continued)

The movements in property, plant and equipment in 2019 were as follows:

	Land plots	*Real estate*	*Water Infrastructure assets*	*Energy Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost								
31 December 2018 (restated)	**4,172**	**31,616**	**529,387**	**39,261**	**27,537**	**7,527**	**159,042**	**798,542**
Additions	191	2	13,973	5,268	65	180	137,360	**157,039**
Disposals	(78)	(927)	(38)	(275)	(1,465)	(3)	(362)	**(3,148)**
Acquisition of subsidiaries (Note 29)	887	–	–	181,170	320	6	175	**182,558**
Transfers	1,905	3,857	86,204	169,848	4,750	495	(267,059)	**–**
Impairment and write-off	–	–	–	(39,011)	–	–	–	**(39,011)**
Currency translation	15	–	–	8,015	29	34	–	**8,093**
31 December 2019 (restated)	**7,092**	**34,548**	**629,526**	**364,276**	**31,236**	**8,239**	**29,156**	**1,104,073**
Accumulated depreciation and impairment								
31 December 2018 (restated)	**417**	**9,191**	**193,883**	**12,025**	**9,902**	**3,867**	**1,724**	**231,009**
Depreciation charge	–	569	24,696	5,443	2,404	858	–	**33,970**
Disposals	–	(372)	(6)	(260)	(794)	(2)	–	**(1,434)**
Impairment	–	–	–	(1,675)	–	–	–	**(1,675)**
Transfers	6	8	268	–	13	1	(296)	**–**
Currency translation	–	–	–	114	–	5	52	**171**
31 December 2019 (restated)	**423**	**9,396**	**218,841**	**15,647**	**11,525**	**4,729**	**1,480**	**262,041**
Net book value								
31 December 2018 (restated)	**3,755**	**22,425**	**335,504**	**27,236**	**17,635**	**3,660**	**157,318**	**567,533**
31 December 2019 (restated)	**6,669**	**25,152**	**410,685**	**348,629**	**19,711**	**3,510**	**27,676**	**842,032**

As at 31 December 2020, the Group has no property, plant and equipment pledged as collateral for its borrowings while it was GEL 319,936 as at 31 December 2019 (Note 13).

In July 2019, a rock avalanche event in the valley of the Mestiachala river caused damage to the Mestiachala HPPs and the surrounding infrastructure. As a result of the rock avalanche event, Mestiachala HPPs were damaged and stopped operations. Mestiachala 2 HPP resumed generation in December 2019. Mestiachala 1 HPP is expected to resume generation in the second half of 2022. As a result of this natural disaster, the Group wrote off damaged items of property, plant and equipment of GEL 37,336 in 2019. The loss was included in non-recurring items in the consolidated statement of profit or loss and other comprehensive income for 2019.

In relation to the loss event, the Group recognized a reimbursement assets (insurance claim receivable) from an insurance company, an entity under common control, of GEL 2,808 (2019: GEL 46,457) in the consolidated statement of financial position as at 31 December 2020, the related business interruption reimbursement income of GEL4,252 (2019: GEL 10,047). The Group also recognized the reimbursement of incurred damages of GEL 36,706 and currency translation difference of GEL 296, included in the non-recurring items, in the consolidated statement of profit or loss and comprehensive income for 2019.

Impairment and related insurance reimbursements described above relate to the Electric power generation segment.

(Amounts expressed in thousands of Georgian Lari)

9. Investment property

	Land	*Buildings*	*Total*
As at 31 December 2018	**8,791**	**1,074**	**9,865**
Additions	1,547	83	**1,630**
Disposals	(3,842)	–	**(3,842)**
Net gain from fair value remeasurement	1,032	(44)	**988**
As at 31 December 2019	**7,528**	**1,113**	**8,641**
Net gain from fair value remeasurement	900	213	**1,113**
As at 31 December 2020	**8,428**	**1,326**	**9,754**

Fair value measurement

Investment properties are stated at fair value. The date of the latest valuation performed by an independent appraiser is 28 December 2020. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee, consistent with IFRS 13, *Fair Value Measurement*, and applied on a consistent basis.

Valuation method used for majority of investment property represents the market approach. Certain properties were appraised applying income approach by the independent valuator. The Group uses several properties in a manner that differs from its highest and best use, because Group intends to sell them and not make capital expenditures on projects that may differ from the Groups principal business activities, which are regulated by GNERC.

Market approach

This method is based on the direct comparison of the subject property to another property, which has been sold or has been entered to the sale registry. Adjustments to value are determined mainly based on the following considerations: (1) physical condition, (2) location, (3) highest and the best use, and (4) property liens.

The valuation technique and inputs used in the fair value measurement of the investment property attributed to Level 3 in the fair value hierarchy. The elated sensitivity to reasonably possible changes in inputs are as follows:

Class of investment property	*Fair value as at 31 December 2020*	*Valuation technique*	*Significant unobservable inputs used*	*Value of input / range/weighted average/Rent price per square meter*
Land plots	8,428	Income approach Market approach	Discount rate, Price per square meter, Rent price per square meter	12,2%, 0.009-1.266 (0.06); 0.307;
Buildings	1,326	Market approach	Price per square meter,	0.231-2.658 (0.43)
Total investment property	**9,754**			

Class of investment property	*Fair value as at 31 December 2019*	*Valuation technique*	*Significant unobservable inputs used*	*Value of input / range/weighted average/Rent price per square meter*
Land plots	7,528	Income approach Market approach	WACC, Price per square meter, Rent price per square meter	11.5%, 0.007-1.061 (0.05); 0.269;
Buildings	1,113	Market approach	Price per square meter,	0.118-2.269 (0.347)
Total investment property	**8,641**			

The increase or decrease in the price per square meter would result in increase or decrease, respectively, of the fair value of investment property.

The increase or decrease in the discount rate would result in decrease or increase, respectively, of the fair value of investment property.

(Amounts expressed in thousands of Georgian Lari)

10. Other non-current assets

	31 December 2020	*31 December 2019* (restated)
Intangible assets	3,075	2,106
Prepayments for non-current assets	2,354	1,211
Other non-current assets	2,273	209
Total other non-current assets	**7,702**	**3,526**

Historical cost of intangible assets and accumulated amortisation and impairment as at 31 December 2020 amounted to GEL 9,236 and GEL 6,161, respectively (2019: GEL 6,792 and GEL 4,686).

Intangible assets amortisation charge, including software licenses, was GEL 1,475 in 2020 (2019: GEL 725).

11. Trade and other receivables

	31 December 2020	*31 December 2019* (restated)
Non-current		
Trade receivables for water supply services from general population	179	263
	179	**263**
Less allowance for expected credit losses	(126)	(54)
Total restructured trade receivables, net	**53**	**209**
Current		
Trade receivables for water supply services from general population	21,669	20,697
Trade receivables for water supply services from legal entities	13,946	17,110
Trade receivables for installation of water meters	107	86
Trade receivables for connection service	3,236	3,000
Trade receivables for electric power sales	2,276	5,546
	41,234	**46,439**
Less allowance for expected credit losses	(28,917)	(24,200)
Total current trade receivables, net	**12,317**	**22,239**
Other receivables	3,140	3,259
Less allowance for expected credit losses	(1,413)	(1,074)
Total other receivables, net	**1,727**	**2,185**
Total current trade and other receivables, net	**14,044**	**24,424**

As at 31 December 2020, the Group recognised GEL 3,140 of other receivables, which relate to the income that is not in scope of IFRS 15, *Revenue from Contracts with Customers* (2019: GEL 3,259), and mainly comprise from the penalties on illegal connections.

The carrying amounts of the Group's trade and other receivables approximate their fair values and are denominated in GEL.

The Group has no internal credit grading system to evaluate credit quality of its trade and other receivables and assesses credit risk based on days past due information.

Aging analysis of trade and other receivables per classes as at 31 December 2020 is as follows:

31 December 2020	*Contract assets*	*Current*	*Less than 30 days*	*30 to 60 days*	*61 to 90 days*	*Over 91 days*	*Total*
Expected credit loss rate	0.00%	0.00%	5.10%	23.20%	45.70%	95.50%	**68.36%**
Carrying amount at default	1,133	2,509	8,348	974	729	30,860	**44,553**
Expected credit loss	–	–	426	226	333	29,471	**30,456**

(Amounts expressed in thousands of Georgian Lari)

11. Trade and other receivables (continued)

Aging analysis of trade and other receivables per classes as at 31 December 2019 is as follows:

31 December 2019	*Contract assets*	*Current*	*Less than 30 days*	*30 to 60 days*	*61 to 90 days*	*Over 91 days*	*Total*
Expected credit loss rate	0.00%	0.00%	4.75%	26.12%	40.52%	94.32%	**50.69%**
Carrying amount at default	2,993	6,352	13,582	804	496	25,734	**49,961**
Expected credit loss	**–**	**–**	**645**	**210**	**201**	**24,272**	**25,328**

The movements in the ECL allowance for the trade and other receivables are as follows:

	Non-current trade and other receivables	*Current trade and other receivables*	*Total*
31 December 2018 (restated)	**204**	**19,085**	**19,289**
Allowance /reversal for expected credit losses	(150)	7,475	**7,325**
Bad debts written off[1]	–	(1,286)	**(1,286)**
31 December 2019 (restated)	**54**	**25,274**	**25,328**
Allowance for expected credit losses	**72**	**6,176**	**6,248**
Bad debts written off	**–**	**(1,120)**	**(1,120)**
31 December 2020	**126**	**30,330**	**30,456**

In 2020 and 2019 the Group wrote off aged receivables arisen more than three years ago. Bad debt write-offs were conditioned by amendments of a decree regarding potable water supply and consumption issued by GNERC, pursuant to which customers were exempted from obligation to pay amounts older than three years. Written off receivables have been previously fully provided for.

12. Equity

Share capital

As at 31 December 2020, share capital as presented in these consolidated financial statements comprised of GEL 104,666 representing 104,665,263 ordinary shares of GGU with nominal value of GEL 1 (one) each.

As at 31 December 2019, share capital as presented in these consolidated financial statements comprised of GEL 2, representing 1,000 ordinary shares of Georgian Global Utilities LTD with nominal value of US dollar 1 (one) each.

During 2020, Georgian Global Utilities LTD, was liquidated and replaced with Georgia Global Uilities JSC, with share capital of GEL 2 presenting 1,700 ordinary shares of GEL 1 (one) each.

On 6 July 2020, GGU issued shares in relation to acquisition of renewable energy subsidiaries (Note 29). Svaneti Hydro JSC, Georgia Energy Holding LLC and Georgian Wind Company LLC have transferred to GGU contributing capital of GEL 104,664.

	Number of Shares	**Nominal Value**
As at 31 December 2019 and 2018	**1,000**	**2**
Replacement to GGU JSC	700	–
Acquisition of renewable energy subsidiaries	104,663,563	104,664
As at 31 December 2020	**104,665,263**	**104,666**

Contributions from and distributions to the shareholders

On 25 February 2020, GCAP acquired additional 34.4% in Georgian Renewable Power Company JSC and, as a result, became the 100% owner of Svaneti Hydro JSC. The Group reflected that transaction as acquisition of non−controlling interest in existing subsidiary in the consolidated statement of changes in equity resulting in decrease in equity attributable to non−controlling interests and increase in equity attributable to owners of the Parent by GEL 22,113.

(Amounts expressed in thousands of Georgian Lari)

12. Equity (continued)

Share capital (continued)

In 2020, Svaneti Hydro JSC increased share capital in exchange for cash consideration from the shareholders of GEL 3,108.

In March 2020, Georgia Energy Holding LLC decreased its charter capital by distributing GEL 4,927 to the shareholder.

In 2019, Georgia Capital JSC contributed GEL 42,139 in cash to the share capital of Georgian Energy Holding LLC and Georgian Wind Company LLC.

In 2019, Svaneti Hydro JSC increased share capital in exchange of cash consideration from the shareholders of GEL 1,481. In March 2019, Svaneti Hydro JSC decreased its share capital in exchange of cash distribution to shareholders of GEL 11,555.

Dividends

In 2020, dividends of GEL 15,000 were declared and paid (2019: GEL 22,000). In 2020, dividends per share amounted GEL 0.14 (2019: GEL 22)

Additional paid-in capital

Additional paid-in capital reflects the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration (Note 24).

Before reorganization on 6 July 2020 (Note 5), additional paid-in capital included share capital of transferred subsidiaries, which was consequently transferred to share capital of GGU.

Other reserves

Other reserves reflect the transfers of cash to the parent for the Parent’s shares granted to the employees of the Group (Note 24) and unrealised gains/(losses) from transactions with owners of non-controlling interests in existing subsidiaries, and foreign currency translation reserve.

Revaluation reserve

Revaluation reserve reflect amount of revaluation reserve of property, plant and equipment revalued at the point of transfer to investment property.

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.

To achieve these goals the Group performs a detailed analysis of capital structure considering the cost of borrowed funds and level of own capital available. The Group defines capital for capital management purposes as equity and borrowings and bonds issued recognized in the consolidated financial statements. There are no externally imposed capital requirements to which the Group is subject to. Equity and borrowings and bonds issued as at 31 December 2020 and 2019 were GEL 1,024,945 and GEL 925,450, respectively.

There were no changes in the objectives, policies or processes for managing capital in 2020 and 2019.

(Amounts expressed in thousands of Georgian Lari)

13. Borrowings and bonds issued

	31 December 2020		*31 December 2019* (restated)	
	Current liabilities	*Non-current liabilities*	*Current liabilities*	*Non-current liabilities*
Eurobonds issued	26,459	806,560	–	–
Local bonds issued	–	–	256	30,355
Loans from Georgian financial institutions	–	384	18,119	308,552
Loans from shareholders	–	160	145	35,546
Loans from International financial institutions	–	–	25,917	234,476
Total borrowings	**26,459**	**807,104**	**44,437**	**608,929**

On 23 July 2020, the Company issued US Dollar 250 million green bonds. The senior unsecured US Dollar−denominated 7.75% green notes, with a 5−year non−call 2−year bullet maturity ("the Notes"), were settled on 30 July 2020. The Notes were issued and sold at par value. The Notes are listed on the Global Exchange Market of the Irish Stock Exchange and rated B+ (stable) by Fitch and B (positive) by S&P. The proceeds of the Notes were used to refinance major existing loan arrangements of the Group and to finance capital expenditures in the water supply and wastewater collection services. The Group incurred loss on extinguishment of the financial liabilities, mostly related to the prepayment fees on the borrowings refinanced out of the Notes proceeds, in amount GEL 20,904, recognized in the consolidated statement of profit or loss and other comprehensive income in 2020.

As at 31 December 2020, the Group has USD-denominated Eurobonds issued of GEL 833,019 (2019: GEL denominated Local bonds issued of GEL 30,611).

As at 31 December 2020, borrowings comprise of EUR denominated loans of GEL 384 (2019: GEL 146,013), USD denominated loans of GEL 160 (2019: GEL 272,333) and GEL denominated loans of nil (2019: GEL 204,409).

At 31 December 2020, the Group does not have any undrawn borrowing facilities (2019: GEL 58,559).

As at 31 December 2020, the Group's borrowings from shareholders are denominated in USD with a fixed interest rate of 10% and with average maturity of 2 years (2019: fixed interest rate of 10% with average maturity of 2 years).

Borrowings and bonds issued matures on average in 5 years (2019: 11 years).

In 2020, the Group incurred borrowings costs of GEL 60,441 (2019: GEL 38,548) of which GEL 1,242 has been capitalized to property, plant and equipment (2019: GEL 4,804).

Changes in liabilities arising from financial activities

	Borrowings	*Eurobonds issued*	*Local bonds issued*	*Lease liabilities*	*Total*
Carrying amount at 31 December 2018 (restated)	**360,978**	**–**	**29,980**	**–**	**390,958**
Foreign currency translation	8,748	–	–	–	8,748
Cash proceeds	309,822	–	–	–	309,822
Acquisition of subsidiaries (Note 29)	98,194	–	–	–	98,194
Cash repayments	(162,813)	–	–	(259)	(163,072)
Interest accrued	35,550	–	3,125	121	38,796
Interest paid (classified as financing cash outflows)	(27,314)	–	(3,093)	(121)	(30,528)
Other	(410)	–	599	1,570	1,759
Carrying amount at 31 December 2019 (restated)	**622,755**	**–**	**30,611**	**1,311**	**654,677**
Foreign currency translation	39,104	49,637	–	–	88,741
Cash proceeds	56,495	770,164	–	–	826,659
Cash repayments	(720,376)	(2,259)	(30,000)	(445)	(753,080)
Interest accrued	30,252	27,009	2,188	171	59,620
Interest paid (classified as financing cash outflows)	(38,283)	–	(2,444)	(171)	(40,898)
Commission paid for loan prepayment	(12,422)	–	–	–	(12,422)
Loss on extinguishment of financial liabilities	20,904	–	–	–	20,904
Other	2,115	(11,532)	(355)	775	(8,997)
Carrying amount at 31 December 2020	**544**	**833,019**	**–**	**1,641**	**835,204**

(Amounts expressed in thousands of Georgian Lari)

14. Trade and other payables

	31 December 2020	*31 December 2019* (restated)
Trade payables	6,396	5,393
Payables for non-current assets	4,037	4,223
Payables to employees	2,490	3,742
Other payables	104	243
Total trade and other payables	**13,027**	**13,601**

Trade and other payables are non-interest bearing and are normally settled within 60 days.

15. Contract assets and liabilities

The Group recognised GEL 164,704 of revenue from contracts with customers in 2020 (2019: GEL 164,196). The disaggregation of revenue from contracts with customers by types are presented in the consolidated statement of profit and loss and other comprehensive income for 2020 and in Notes 16, 17.

Contract balances

The Group recognised the following revenue-related contract balances:

	31 December 2020	*31 December 2019* (restated)
Receivables		
Trade receivables	12,370	22,448
Total	**12,370**	**22,448**
Contract liabilities		
Advances received	12,801	6,242
Deferred revenue	30,542	29,333
Total	**43,343**	**35,575**

The Group recognised GEL 4,764 of revenue that relates to carried-forward contract liabilities in 2020 (2019: GEL 3,921).

Decrease in receivables in 2020 mostly relates COVID-19 pandemic and decreased revenue from water supply.

Change in advances received in 2020 was mostly caused by advances received from the Government (Note 2).

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date and deferred as at 31 December 2020:

	In 2021	*In 2022*	*In 2023*	*In 3 to 5 years*	*In 5 to 10 years*	*Total*
Revenue expected to be recognized on contracts with customers	5,201	4,637	3,923	6,903	9,878	**30,542**

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date and deferred as at 31 December 2019:

	In 2020	*In 2021*	*In 2022*	*In 3 to 5 years*	*In 5 to 10 years*	*Total*
Revenue expected to be recognized on contracts with customers	4,764	4,610	4,046	6,353	9,560	**29,333**

The Group applies practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected duration of 1 year or less.

(Amounts expressed in thousands of Georgian Lari)

16. Revenue from water supply and related services

	2020	2019 (restated)
Revenue from water supply to legal entities	76,679	93,556
Revenue from water supply to general population	38,752	39,728
Total revenue from water supply before charges for related services	**115,431**	**133,284**
Charges for connection service	4,058	3,566
Charges for installation of water meters	1,060	1,005
Total revenue from water supply and related services	**120,549**	**137,855**

17. Revenue from electric power sales

	2020	2019 (restated)
Revenue from electric power sales to ESCO	28,766	2,492
Revenue from electric power sales to commercial customers	15,389	23,849
Total revenue from electric power sales	**44,155**	**26,341**

18. Salaries and other employee benefits

	2020	2019 (restated)
Salaries	18,444	16,787
Bonuses	1,653	2,427
Employee share-based compensation	1,332	1,325
Total salaries and benefits	**21,429**	**20,539**

19. General and administrative expenses

	2020	2019 (restated)
Security expenses	1,445	1,289
Utility expenses	1,099	818
Office expenses	816	797
Communication expenses	509	447
Advertising expenses	134	178
Business trip expenses	24	79
Representation expenses	34	72
Management service	–	71
Total general and administrative expenses	**4,061**	**3,751**

20. Professional fees

	2020	2019 (restated)
Consulting expenses	2,232	2,086
Legal and other professional fees	547	804
Total professional fees	**2,779**	**2,890**

Auditor's remuneration

Remuneration of Group's auditor for the years ended 31 December 2020 and 2019 comprises (net of VAT):

	2020	2019
Fees for the audit of the Company's annual financial statements for the year ended 31 December	557	164
Fees for the audit of the Company's interim financial statements for the six months ended 30 June	169	66
Fees for the audit of the subsidiaries' stand alone financial statements for the year ended 31 December	213	560
Fees in connection with the Bonds issuance which was directly capitalized to the borrowings balance	1,566	–
Total auditor's remuneration	**2,505**	**790**

(Amounts expressed in thousands of Georgian Lari)

21. Other income

	2020	*2019 (restated)*
Net gain from revaluation of investment property	1,113	988
Penalty income on illegal connection services	668	1,028
Derecognition of unclaimed advances received and trade payables	409	845
Other income	630	924
Total other income	**2,820**	**3,785**

22. Other operating expenses

	2020	*2019 (restated)*
Insurance expense	3,396	1,805
Bill processing expenses	1,515	1,697
Compensation for damage	733	657
Fines and penalties	641	136
Net loss from disposal of property, plant and equipment	421	176
Regulation fee	312	322
Rent expenses	250	307
Cost of wastewater treatment	79	96
Maintenance expenditure	78	65
Charity expenses	37	297
Research & Certification Expenses	16	109
Electricity production facilities utilization costs	15	1,302
Other expenses	750	999
Total other operating expenses	**8,243**	**7,968**

23. Finance costs

	2020	*2019 (restated)*
Interest expenses on borrowings	59,199	33,744
Bank fees and charges	250	127
Interest expenses on lease liabilities	171	121
Total finance costs	**59,620**	**33,992**

24. Share-based payments

In 2018, Georgia Capital PLC introduced GCAP's Executives' Equity Compensation Plan ("EECP"). Under the EECP, shares of GCAP are granted to senior executives of the Group. In July 2018, the executives of the Group signed new six-year fixed contingent share-based compensation agreements with a total of 525,000 ordinary shares of GCAP. The total amount of shares fixed to each executive will be awarded in five equal instalments during the six consecutive years starting January 2019, of which each award will be subject to a six-year vesting period subject to continued employment within the Group during such vesting period. The fair value of the shares was determined at the grant date using available market quotations. The Group considered 12 July 2018 as the grant date for those awards and estimates that the fair value of the shares at that date was GEL 33.4 per share. On 1 April 2020, compensation agreements were amended to transfer responsibility for payment of GCAP ordinary shares from JSC Georgia Capital to the Company. The amendment resulted in modification of the award from equity settle share-based payment to cash settled share-based payment from 1 April.

In addition to the Executive's Equity Compensation Plan, the Group grants shares of GCAP to the employees of the Group.

(Amounts expressed in thousands of Georgian Lari)

24. Share-based payments (continued)

The following table illustrates the number and weighted average prices of, and movements in, GCAP shares awards during the year:

	2020	2019
Shares outstanding at 1 January	**179,000**	**525,000**
Granted during the year	–	6,400
Forfeited during the year	–	(239,000)
Vested during the year	(11,618)	(113,400)
Shares outstanding at 31 December	**167,382**	**179,000**

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2020 was 3.4 years (4.4 as at 31 December 2019). No shares were granted during the year 2020 (The weighted average fair value of shares granted in 2019 was GEL 38). The weighted average fair value of shares vested during 2020 was GEL 33.4 (37.7 for shares vested in 2019).

In addition to GCAP's shares, executives are awarded class B shares of GGU, of which each award is subject to a five-year vesting period subject to continued employment within the Group during such vesting period.

The expense recognised for employee services received during the year and the respective increase in equity arising from equity-settled share-based payments is shown in the following table:

	2020	*2019*
Increase in equity arising from equity-settled share-based payments	2,356	5,881
Expense arising from equity-settled transactions	1,028	4,187

The expense recognised for employee services received during the year and the respective liability arising from cash-settled share-based payments is shown in the following table:

	2020	*2019*
Liability outstanding in relation to cash-settled share-based payment transactions	1,924	–
Expense arising from cash-settled transactions	304	–

In 2020, the contributions to parent under the equity-settled and cash-settled share-based payment plans was GEL 1,365 (2019: GEL 4,492).

There were no cancellations or modifications to the awards in 2020 and 2019, except for modification of GCAP share awards from equity-settled to cash-settled described above and termination of Executive Chairman benefits upon resignation.

On 1 April 2020, the Group modified terms of certain share−based awards to its management settled in shares GCAP. At the date of modification, the Group assumed from its parent the liability to settle the awards in amount of GEL 766 resulting from change of classification of those awards from equity−settled to cash−settled. At the modification date, the Group also recognized GEL 864 of shares issued by GCAP held in the employee benefit trust for the purpose of satisfaction of those awards as financial assets measured through fair value through profit or loss , with the difference between modification date carrying values of the assets recognized and share−based payments liability assumed of GEL 98 recognized in the consolidated statement of changes in equity.

As at 31 December 2020, the Group recognized in respect of the modified awards GEL 268 thousand as current and GEL 973 non-current financial assets at fair value through profit or loss (Level 1 of fair value hierarchy) and cash−settled share−based payment liability of GEL 268 thousand as current and GEL 1,364 as non−current in the consolidated statement of financial position. The Group recognized share−based charge of GEL 173 in respect of the modified awards subsequent to the modification date as salaries and other employee benefits in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2020 and GEL 259 as cost capitalized to property, plant and equipment in the consolidated statement of financial position as at 31 December 2020.

(Amounts expressed in thousands of Georgian Lari)

25. Non-recurring expenses

	2020	*2019 (restated)*
Reassessment of insurance reimbursement asset	988	630
Non-recurring tax expenses	247	–
Charity expenses	75	–
Termination benefits	–	2,862
Net income from transfer of assets under exit from the share purchase agreement	–	(1,601)
Other non-recurring expenses	266	–
Total non-recurring expenses	**1,576**	**1,891**

In January 2019, the Executive Chairman of the GWP has resigned and remained entitled to previously awarded unvested shares, that will continue to vest according to the original schedule. The related share-based payment expense that has not been recognized in profit or loss as of the termination date (that otherwise would have been recognized for services received over the remainder of the vesting period) was accelerated and immediately expensed.

Exit from the share purchase agreement

On 15 April 2019, an agreement on termination of 2008 Privatization Agreement (the “SPA”) was concluded among the Company, Government of Georgia, National Agency of State Property and Government of the Tbilisi City, pursuant whereto the parties confirmed that all privatisation obligations of the Group under the SPA (including, without limitation, 24-hour water supply of Tbilisi and Mtskheta, water quality in Tbilisi and Mtskheta, elimination of sewage inflow in river Mtkvari in Tbilisi, rehabilitation and modernization of Gardabani Wastewater Treatment Plant and investment of not less that USD 220 million equivalent in GEL in performance of obligations under the SPA) have been fulfilled and the Group has been discharged off all obligations under the SPA and its ownership title over the shareholdings in privatized subsidiaries (Georgian Water and Power LLC, Mtskheta Water LLC, Rustavi Water LLC and Gardabani Sewage Treatment Plant LLC) and their assets have become unconditional and unencumbered.

As a result of the exit from the SPA, the Group’s subsidiaries further perfected (registered) their ownership title over all the assets (property, plant and equipment) that were possessed without registered title. In addition, the Group also acquired certain other immovable assets (investment property) from the Government for a nominal consideration. At the same time, Georgian Water and Power LLC transferred certain immovable assets (property, plant and equipment), located in the Zhinvali village near Zhinvali Hydro Power Plant, to the Government free of charge. The net effect of these exchange transactions of GEL 1,601 was included in non-recurring items in the statement of profit or loss and other comprehensive income for 2019.

26. Commitments and contingencies

Commitments

As at 31 December 2020 and 2019, certain entities of the Group (Qartli Wind Farm LLC, Svaneti Hydro JSC, Kasleti 2 LLC Geoenergy LLC, Hydro Georgia LLC) have active agreements with Electricity System Commercial Operation (ESCO) on the guaranteed purchase of electric power sales for the period from eight to fifteen years. In accordance with the agreements, the companies are obliged to provide electricity to ESCO during winter months, except for Qartli Wind Farm LLC, which has full year obligation of providing electricity. Guaranteed prices vary from 5.4 to 6.5 USD cents per 1 kWh.

In 2014, Svaneti Hydro JSC signed the Memorandum of Understanding with the Government of Georgia, Georgian State Electrosystem JSC, United Energy System Sakrusenergo JSC, Electricity System Commercial Operator JSC (“ESCO”) and Energotrans LLC in regards to the construction of Mestiachala HPPs. Svaneti Hydro JSC committed to finish the construction of the Mestiachala 2 HPP and Mestiachala 1 HPP and commence the operations in 2019 and 2020, respectively. Commitments were met since construction of Svaneti Hydro HPPs was completed in the first half of 2019.

Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement position 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)

26. Commitments and contingencies (continued)

Taxation

In Georgia, tax returns remain open and subject to inspection for a period of up to three years. If an understatement of a tax liability is detected as a result of an inspection, penalties and fines to be paid might be material in respect of the tax liability misstatement. The Group's management does not expect the outcome of the inspections to have a material impact on the Group's consolidated financial position or results of operations. Management believes that the Group has paid and accrued all taxes that are applicable.

27. Financial instruments

Financial instruments overview

Restricted cash

Included in restricted cash as at 31 December 2019 comprise funds blocked on the current account in a Georgian bank.

During 2020, as a result of early repayment of borrowings (Note 13), the restricted cash was transferred to cash at bank balance.

Cash at bank

Cash at bank as at 31 December 2020 and 2019 includes the funds placed on current accounts in Georgian banks. All cash at bank balances are classified as current and not impaired.

As at 31 December 2020 and 2019, the Group did not have any significant financial assets that are past due, except for trade and other receivables (Note 11).

Fair value measurement

All financial instruments for which fair values are disclosed by the Group as at 31 December 2020 and 2019, are measured at fair value using a valuation technique with market observable and unobservable inputs. There were no changes in valuation techniques for Level 3 recurring fair value measurements in 2020 and 2019.

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair values of fixed rate borrowings (Level 2 of fair value hierarchy) approximate the carrying values of the instruments. Management assessed that the fair values of cash at banks, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Risk arising from financial instruments

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

Currency risk

Currency risk is the risk that the value or a cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The management of the Group monitors open currency positions in each material currency and enters into foreign currency derivatives transactions as necessary.

As at 31 December 2020 and 2019, currency risk arises from the USD and EUR denominated borrowings and derivative financial liabilities.

Currency	***Increase/ decrease in % 2020***	***Effect on profit 2020***
USD	15.00%	70,702
USD	-7.00%	(32,994)
EUR	16.00%	62
EUR	-8.00%	(31)
GEL	10.00%	398
GEL	-5.00%	(186)

(Amounts expressed in thousands of Georgian Lari)

27. Financial instruments (continued)

Risk arising from financial instruments (continued)

Currency	*Increase/ decrease in % 2019*	*Effect on profit 2019*
EUR	11.00%	16,268
EUR	-8.00%	(8,926)
GEL	10.00%	1,207
GEL	-5.00%	(603)

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. In 2019, the Group had floating interest rate borrowings linked to EURIBOR and NBG refinancing rates and was therefore exposed to interest rate risk. The following table demonstrates sensitivity to a reasonable possible change of 2019 year. In 2020, the Group is not exposed to material interest rate risk, as it's financial assets and liabilities are at the fixed rate.

Currency	*Increase/ decrease in % 2019*	*Effect on profit 2019*
GEL	-2.00%	(2,932)
GEL	2.00%	2,932
USD	0.35%	277
USD	-0.35%	(277)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or 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 2020 and 2019, the Group has no other significant financial assets subject to credit risk except for:

- Cash at bank and restricted cash: as at 31 December 2020 out of total cash at bank of GEL118,839 (2019: GEL 53,387), GEL 118,796 (2019: GEL 47,598) was kept with banks having ratings of "BB-/bb-" from Standard & Poor's, "B1/NP" (FC) & "Ba3/NP" (LC) from Moody's and "BB-/bb-" from Fitch Ratings;
- Trade and other receivables (Note 11).

The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. In respect of trade and other receivables, the management monitors credit quality based on days past due information. As at 31 December 2020 and 2019, carrying values of financial instruments best represent their maximum exposure to the credit risk.

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 2020 and 2019 based on contractual undiscounted repayment obligations.

	Less than 1 year	*1-3 years*	*3-5 years*	*Over 5 years*	*Total*
As at 31 December 2020					
Long-term and short-term borrowings and bonds issued	49,376	152,029	945,336	219	**1,146,960**
Trade and other payables	13,027	–	–	–	**13,027**
Lease liabilities	286	409	193	3,960	**4,848**
Total future payments	**62,689**	**152,438**	**945,529**	**4,179**	**1,164,835**
As at 31 December 2019 (restated)					
Long-term and short-term borrowings and bonds issued	77,109	214,858	175,934	458,886	**926,787**
Trade and other payables	13,601	–	–	–	**13,601**
Lease liabilities	285	637	178	3,772	**4,872**
Derivative financial liabilities	1,919	–	–	–	**1,919**
Total future payments	**92,914**	**215,495**	**176,112**	**462,658**	**947,179**

In managing liquidity risk, the management of the Group considers the Group will be able to settle the liabilities falling due by applying cash proceeds from operations towards the upcoming coupon payments due on the bonds (Note 13).

(Amounts expressed in thousands of Georgian Lari)

28. Related parties disclosures

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

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

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

	31 December 2020		***31 December 2019 (restated)***	
	Parent company	***Entities under common control***	***Parent Company***	***Entities under common control***
Assets:				
Trade and other receivables	–	1,311	–	1,822
Prepayments[1]	–	113	2,474	420
Reimbursement asset (Note 8)	–	2,808	–	46,457
Borrowings as at 1 January	**35,531**	**–**	**–**	**–**
Proceeds from borrowings and interest accrued during the year	2,580	2,565	65,126	–
Repayment of borrowing including interest during the year	(38,111)	(2,565)	(29,595)	–
Borrowings as at 31 December	**–**	**–**	**35,531**	**–**
Liabilities:				
Advances received	–	471	–	106
Trade and other payables	–	146	–	216
Derivative financial liabilities	–	–	1,919	–

[1] Prepayments towards the Parent in 2019 represents advances made in compensation of settlement of share-based payment awards

	2020	***2019 (restated)***
Income and expenses		
Revenue from water supply	1,483	1,745
Revenue from technical support	–	47
Other revenue	38	7
Business interruption reimbursement[1]	4,252	10,047
Other income[4]	24	1,032
Gain from sale of non-core assets[2]	–	2,364
(Loss)/Income from insurance reimbursement[3]	(988)	36,706
Maintenance expenditure	(55)	–
Finance cost	(2,384)	(36)
Other operating expenses	(2,086)	(636)

[1] *Business interruption reimbursement income in 2020 and 2019 represents the business interruption insurance reimbursement.*

[2] *In 2019, the Group sold non-core assets to an entity under common control, classified as investment property and property, plant and equipment in the consolidated statement of financial position. Carrying amount of assets disposed amounted to GEL 4,522 and the consideration received was GEL 6,886, of which GEL 861 is outstanding as receivable as at 31 December 2019. The Group presented gain from sale of those assets as gain from sale of non-core assets in the Consolidated statement of profit and loss and other comprehensive income.*

[3] *Other non-recurring items represents netting-off salvage value of written-off property with reimbursement asset from an insurance company under common control in the amount of GEL 575, together with GEL 413 reversal of insurance income.*

[4] *In 2020, several land plots were sold to related party near the cost of GEL 223, resulting net income of GEL 2 included in other income.*

(Amounts expressed in thousands of Georgian Lari)

28. Related parties disclosures (continued)

Directors' compensation

The Group's key management personnel in 2020 and 2019 included non-executive Directors of GGU, executive Chairman of the Supervisory Board of GWP and members of executive management board of GWP. Compensation paid to key executive management personnel (including the executive Chairman of the Supervisory Board and 6 members of executive management board of GWP) for their services in full time executive management positions is made up of salary, employee share-based compensations and performance bonuses depending on financial performance of GWP. Total compensation paid to key management amounted to GEL 6,638 and GEL 9,244 for the years ended 31 December 2020 and 2019, respectively as follows:

	2020	*2019 (restated)*
Salaries and benefits	2,025	1,936
Bonuses	1,385	1,323
Employee share-based compensation (Note 24)	3,228	3,123
Termination payments towards executive management personnel (Note 25)	–	2,862
Total management compensation	**6,638**	**9,244**

29. Acquisitions of subsidiaries

Acquisition of Hydrolea LLC

On 29 October 2019, Georgia Energy Holding LLC acquired 100% equity interest in Hydrolea LLC, operator of three HPPs with an aggregate 21MW installed capacity. The management considered that substantially all of the fair value of gross assets of Hydrolea LLC is concentrated in a single group of assets, being HPPs and the related land and facilities. Accordingly, this acquisition was accounted for as an asset acquisition by recognizing financial instruments acquired at their fair values and allocating the remaining consideration paid to other non-financial acquired assets and liabilities proportionally to their fair values.

Assets and liabilities of Hydrolea LLC recognized by the Group as at the date of acquisition were as follows:

	Values recognised on acquisition
Cash and cash equivalents	3,137
Amounts due from credit institutions	250
Accounts receivable	1,266
Inventories	52
Property and equipment	107,980
Intangible assets	17
Other assets	1,129
	113,831
Borrowings	47,882
Accounts payable	316
Other liabilities	381
	48,579
Total net assets	**65,252**
Purchase consideration [1]	**65,252**

[1] Purchase consideration comprises of GEL 65,252, which consists of cash payment of GEL 59,600 and deferred consideration with a fair value of GEL 5,652, presented in Other current liabilities in the consolidated statement of financial position as at 31 December 2019. The amount of GEL 6,008 was paid in 2020.

(Amounts expressed in thousands of Georgian Lari)

29. Acquisitions of subsidiaries

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(59,600)
Cash acquired with the subsidiary	3,137
Net cash outflow	**(56,463)**

Acquisition of Qartli Wind Farm LLC

On 30 December 2019, Georgia Wind Company LLC acquired 100% equity interest in Qartli Wind Farm LLC. The management considered that substantially all of the fair value of gross assets of Qartli Wind Farm LLC is concentrated in a single group of assets, being wind power plants and related land and facilities. Accordingly, this acquisition was accounted for as asset acquisition.

Assets and liabilities of Qartli Wind Farm LLC recognized by the Group as at the date of acquisition were as follows:

	Values recognised on acquisition
Cash and cash equivalents	9,772
Amounts due from credit institutions	6,337
Accounts receivable	1,271
Property and equipment	74,578
Other assets	306
	92,264
Borrowings	50,312
Accounts payable	630
	50,942
Total net assets	**41,322**
Purchase consideration	**41,322**

The net cash outflow on acquisition was as follows:

	31 December 2019
Cash paid	(41,322)
Cash acquired with the subsidiary	9,772
Net cash outflow	**(31,550)**

30. Events after the reporting period

On 30 March 2021, based on the decision of the shareholder, the management of the Company purchased its own placement of 4,738,440 shares for the consideration of GEL 4,738 and cancelled it upon the transaction. The payment was made on the following day. As of the financial statements release date, the decision is officially registered in United Securities Registrar of Georgia.