Georgian Renewable Power Operations JSC

Consolidated financial statements

for the year ended 31 December 2023
with independent auditor's report

(Amounts expressed in thousands of Georgian Lari)

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Independent auditor's report

To the Shareholder and Supervisory Board of Georgian Renewable Power Operations JSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Georgian Renewable Power Operations JSC (hereinafter, the "Company") and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Analysis of impairment indications for property, plant and equipment</td></tr>
<tr><td>The carrying value of the Group's property, plant and equipment as at 31 December 2023 amounted GEL 242,571, which represents 88% of the total assets. Management annually performs assessment of potential indications of impairment and assesses whether the fair values of the Group's cash-generating units may fall below their carrying values. Significant judgment required in determining whether impairment indications existed as at 31 December 2023 and significance of balance of property, plant and equipment make it a key audit matter.

Information about analysis of impairment indications for property, plant and equipment is included in Note 5 to the consolidated financial statements.</td><td>Our audit procedures in respect of the indications of impairment of property, plant and equipment included:

- understanding the Group's policies and procedures to identify indications for potential impairment of property, plant and equipment;

- obtaining and evaluating management's analysis of external and internal impairment indications criteria listed in IAS 36, Impairment of Assets, focusing on existence of physical damage, market value changes, technological obsolescence, and increase in interest rates;

- inquiry of management and Group's technical staff to assess the key underlying data and assumptions used for the management's assessment;

- analysing internal sources of information, such as the Group's current period performance, annual generation levels and operating expenses, against the budget;

- comparing key market-derived inputs, including sales tariffs, inflation, foreign exchange rates and interest rates, against external data, where available;

- obtaining internal valuation models prepared by the management for each of the identified cash-generating units, assessing those valuations and comparing the estimated fair values to the carrying values of property, plant and equipment within each cash-generating unit;

- assessing the Group's disclosure about analysis of impairment indications for property, plant and equipment.</td></tr>
</table>

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Other information included in the Group's 2023 Management Report

Other information consists of the information included in the Group's 2023 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the 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 the 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 or safeguards applied.

From the matters communicated with the 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.

Report in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- The Management Report includes the information required by Article 7 of the Georgian Law on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

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

Ruslan Khoroshvili (SARAS-A-615243)

On behalf of EY LLC (SARAS-F-855308)

11 March 2024

Tbilisi, Georgia

Consolidated statement of financial position

As at 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	6	242,571	252,011
Right-of-use assets	23	1,056	1,120
Other non-current assets	7	3,311	1,079
Total non-current assets		**246,938**	**254,210**
Current assets			
Inventories		190	335
Trade and other receivables	8	2,484	1,678
Loans issued		-	8
Prepaid taxes other than income tax		693	908
Reimbursement assets	6	2,025	2,022
Prepayments		150	131
Cash and cash equivalents	21	23,821	12,370
Total current assets		**29,363**	**17,452**
Total assets		**276,301**	**271,662**
Equity			
Share capital	9	232	232
Additional paid-in capital	9	148,513	148,513
Accumulated losses		(57,386)	(58,995)
Other reserves		(41,456)	(41,641)
Total equity		**49,903**	**48,109**
Liabilities			
Non-current liabilities			
Borrowings and bonds issued	10	220,006	213,201
Lease liabilities	23	903	990
Other non-current liabilities		420	480
Total non-current liabilities		**221,329**	**214,671**
Current liabilities			
Borrowings and bonds issued	10	3,367	7,512
Trade and other payables	11	1,590	1,173
Lease liabilities	23	112	112
Other current liabilities		–	85
Total current liabilities		**5,069**	**8,882**
Total liabilities		**226,398**	**223,553**
Total liabilities and equity		**276,301**	**271,662**

Approved for issue and signed on behalf of Georgian Renewable Power Operations JSC on 11 March 2024:

Zurab Gordeziani
General Director

Nana Mshvidobadze
Chief Financial Officer

The accompanying notes on pages 5 to 22 are an integral part of these consolidated financial statements

Consolidated statement of financial position

As at 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	*31 December 2023*	*31 December 2022*
Assets			
Non−current assets			
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Zurab Gordeziani
General Director

Nana Mshvidobadze
Chief Financial Officer

The accompanying notes on pages 5 to 22 are an integral part of these consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	***2023***	***2022***
Revenue from electric power sales	12	38,065	42,221
Other income		57	–
Total revenue and gains		**38,122**	**42,221**
Electricity and transmission costs	13	(1,785)	(548)
Salaries and other employee benefits	14	(1,677)	(1,334)
Taxes other than income tax		(1,732)	(2,197)
Other general and administrative expenses		(361)	(353)
Professional fees	15	(530)	(621)
Raw materials, fuel and other consumables		(368)	(371)
Maintenance expenditure		(2,524)	(2,237)
Other operating expenses	16	(1,128)	(1,701)
		(10,105)	**(9,362)**
EBITDA		**28,017**	**32,859**
Finance income		317	898
Finance costs	17	(15,473)	(21,851)
Net foreign exchange (losses)/gains		(204)	26
Depreciation and amortisation	6, 7, 23	(9,464)	(10,566)
Non−recurring items, net	18	(158)	(226)
Rehabilitation works of water channels	19	(1,426)	–
Profit before income tax expense		**1,609**	**1,140**
Income tax expense		–	–
Profit for the year		**1,609**	**1,140**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Exchange differences arising on translation to presentation currency		185	(5,192)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**185**	**(5,192)**
Other comprehensive income/(loss) for the year		**185**	**(5,192)**
Total comprehensive income/(loss) for the year		**1,794**	**(4,052)**

The accompanying notes on pages 5 to 22 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Share capital	*Merger reserve*	*Additional paid−in capital*	*Other reserves*	*Accumulated losses*	*Total equity*
Balance as at 31 December 2021	**–**	**84,664**	**–**	**18,305**	**(60,135)**	**42,834**
Profit for the year	–	–	–	–	1,140	**1,140**
Other comprehensive loss	–	–	–	(5,192)	–	**(5,192)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**(5,192)**	**1,140**	**(4,052)**
Incorporation of the Company (Note 9)	100	(84,664)	–	84,664	–	**100**
Contribution of energy subsidiaries (Note 9)	100	–	226,165	(226,265)	–	**–**
Reduction of share capital (Note 9)	(68)	–	(104,921)	86,847	–	**(18,142)**
Increase of share capital (Note 9)	100	–	27,269	–	–	**27,369**
Balance as at 31 December 2022	**232**	**–**	**148,513**	**(41,641)**	**(58,995)**	**48,109**
Profit for the year	**–**	**–**	**–**	–	1,609	**1,609**
Other comprehensive income	**–**	**–**	**–**	185	–	**185**
Total comprehensive income for the year	**–**	**–**	**–**	**185**	**1,609**	**1,794**
Balance as at 31 December 2023	**232**	**–**	**148,513**	**(41,456)**	**(57,386)**	**49,903**

The accompanying notes on pages 5 to 22 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	*2023*	*2022 (represented)**
Cash flows from operating activities			
Receipts from customers		37,099	43,312
Payments to suppliers		(8,237)	(6,197)
Payments to employees		(1,489)	(1,167)
Taxes paid		(1,281)	(2,158)
Operating cash flows before investments in trading securities		**26,092**	**33,790**
Net investment in securities		–	6,807
Net cash flows from operating activities		**26,092**	**40,597**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(2,669)	(2,725)
Proceeds from sale of property, plant and equipment		44	1,325
Payment of termination bonus		–	(1,306)
Loans issued		–	(10,485)
Interest received		196	681
Net cash used in investing activities		**(2,429)**	**(12,510)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(9)	(63)
Proceeds from borrowings	10	2,618	483,201
Repayment of borrowings	10	–	(500,444)
Interest paid	10	(14,762)	(25,855)
Share capital increase	9	–	100
Share capital decrease	9	–	(6,450)
Net cash used in financing activities		**(12,153)**	**(49,511)**
Effect of exchange rate changes on cash and cash equivalents		(59)	(3,154)
Net increase / (decrease) in cash and cash equivalents		**11,451**	**(24,578)**
Cash and cash equivalents at the beginning of year		12,370	36,948
Cash and cash equivalents at the end of year	21	**23,821**	**12,370**

* Certain amounts do not correspond to the 2022 consolidated financial statements reflecting the adjustments made for voluntary change in accounting policy (Note 4).

Material non−cash transactions are disclosed in Notes 9 and 10.

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

Georgian Renewable Power Operations JSC ("GRPO" or the "Company") is a joint stock company incorporated on 28 June 2022. The Company is a holding entity of a group of companies incorporated and domiciled in Georgia (the "Group"). The registered office of the Company is located at 10 Medea (Mzia) Jugheli Str., 0179, Tbilisi, Georgia. The Company is a part of a larger group − Georgia Capital JSC ("GCAP"), which is a Georgia−based investment entity holding investments in various subsidiaries in Georgia.

The Group's business represents a platform for operating hydro power plants ("HPPs") and wind power plant ("WPP") across the country. The business operates commissioned renewable assets with 71MWs of installed capacity in aggregate: 30MW Mestiachala 2 HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP.

As at 31 December 2023 and 2022, the Company is fully owned by Georgian Renewable Power Holding JSC ("GRPH" or the "Parent"), which is under 100% ownership of GCAP. GCAP is wholly owned by Georgia Capital plc (the "Ultimate Parent"), an entity incorporated in England and listed on London Stock Exchange.

In October 2022 GRPO closed USD 80 million green secured bond offering listed on Georgian Stock Exchange.

2. Basis of preparation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for trading financial assets measured at fair value through profit or loss. The consolidated financial statements are presented in Georgian Lari (the "GEL") and all values are rounded to the nearest thousand, unless otherwise indicated.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023.

Information about subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

	Country of incorporation	*Date of acquisition/ incorporation*	*31 December 2023*	*31 December 2022*
Svaneti Hydro LLC ("SH")	**Georgia**	**20 April 2017**	**100%**	**100%**
Hydrolea LLC ("HYDL"):	**Georgia**	**28 October 2019**	**100%**	**100%**
Geoenergy LLC	Georgia	28 October 2019	100%	100%
Hydro Georgia LLC	Georgia	28 October 2019	100%	100%
Kasleti 2 LLC	Georgia	28 October 2019	100%	100%
Darchi LLC	Georgia	28 October 2019	100%	100%
Qartli Wind Farm LLC ("QWF")	**Georgia**	**31 December 2019**	**100%**	**100%**
GRPC Trade LLC	**Georgia**	**13 May 2022**	**100%**	**100%**

(Amounts expressed in thousands of Georgian Lari)

3. Operating environment

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

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

Georgia's real Gross Domestic Product (GDP) increased by 8.3% year−on−year in December 2023, according to rapid estimates released by the National Statistics Office of Georgia (Geostat) on 31 January 2024. Growth was observed in construction, manufacturing, financial and insurance activities as well as information and communication. Meanwhile, the average real GDP growth amounted to 7% in 2023 compared to the previous year. As published by Geostat, the level of inflation reached 0.4% year−on−year in December 2023.

The war in Ukraine

As a result of the war in Ukraine, many countries have imposed, and continue to impose, new sanctions on specified Russian entities and individuals. Sanctions have also been imposed on Belarus. The situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will directly impact entities that have significant operations or exposures in, or to Russia, Belarus or Ukraine. The war and its direct and indirect consequences may impact entities other than those with direct interests in the involved countries, for instance, as a result of exposure to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn. As the war continues and new sanctions are introduced, it is impossible to reliably assess the impact this may have on the Group's business as there is uncertainty over the magnitude of the impact on the economy in general. The Group's management is monitoring the economic situation in the current environment. The current best estimate of the effects of the war on the Group has been reflected in these consolidated financial statements.

4. Summary of material accounting policies

Change in accounting policy

The Group changed its accounting policy to present its consolidated statement of cash flows. Starting from the annual period ended 31 December 2023, the Group presents cash flows from operating activities using direct method, as opposed to indirect method applied in prior periods. Under direct method, the Group discloses major classes of gross cash receipts and gross cash payments arising from operating activities. The Group considers direct method of presentation of cash flows from operating 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. Comparative consolidated statement of cash flows for the year ended 31 December 2022 was represented to comply with the new presentation.

New and amended standards and interpretations

The Group applied for the first–time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Following amendments and interpretations apply for the first time in 2023:

- *IFRS 17 Insurance Contracts;*
- *Definition of Accounting Estimates – Amendments to IAS 8*;
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*;
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*;
- *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of material accounting policies (continued)

New and amended standards and interpretations (continued)

In accordance with the amendments to IFRSs Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 that became effective on 1 January 2023, the Group revised its disclosure of accounting policies. The revised material accounting policy information focuses on how the Group has applied the requirements of the IFRSs to its own circumstances and includes largely items where the Group chose an accounting policy from one or more options permitted by IFRSs, items subject to significant judgments or estimates, and excludes information that only duplicates or summarizes the requirements of IFRSs, as well as accounting policies about immaterial matters.

Other amendments and interpretations apply for the first time in 2023, but do not have an impact on the Group's consolidated financial statements.

Standards issued but not yet effective

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

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback* – (effective from on or after 1 January 2024).
- *Amendments to IAS 1: Classification of Liabilities as Current or Non–current* – (effective from 1 January 2024).
- *Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7* – (effective from on or after 1 January 2024)

The Group is currently assessing the impact of the revised standards and amendments, but does not expect them to have any material effect on its consolidated financial statements.

Fair value measurement

The Group measures certain financial instruments, such as trading financial assets, at fair value at each balance sheet date.

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.

Financial assets

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

The Group does not have any financial assets measured at either FVOCI or FVPL, except for trading 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.

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.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of material accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss includes financial assets held for trading.

The Group classifies a financial asset as held for trading if acquired or originated principally for the purpose of generating a profit from short−term fluctuations in price or dealer's margin or if it is part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short−term profit−taking.

Financial assets held for trading include debt securities acquired by the Group with the intention of making a short−term profit from price or dealer's margin. Gains or losses on instruments held for trading are recognised in the profit or loss.

Impairment of trade 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 trade 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.

Financial liabilities

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

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost of property, plant and equipment, including assets under construction, includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Directly attributable costs include professional services provided by technical, environmental and other relevant experts, including an allocation of internal employee benefits. 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. Property tax incurred over the course of construction and 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
Buildings	60 years
Energy infrastructure assets[1]	10−50 years
Fixtures and fittings	5−10 years
Vehicles	5−10 years

[1] Energy infrastructure assets include the immediate parts of the power plant, including the generator, reservoir (in the case of a hydroelectric power plant), turbine and powerhouse.

Contingencies

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.

(Amounts expressed in thousands of Georgian Lari)

4. Summary of material accounting policies (continued)

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight−line basis over their estimated useful lives (3−5 years) from the date the asset is available for use.

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. Starting from 1 January 2016 changes were introduced in Georgian legislation on the rules of tax settlement. Based on new rules, Revenue Service of Georgia monitors taxpayers' net indebtedness towards to the State by introducing a consolidated accounts of taxpayer. Therefore, the Group presents assets and liabilities related to all taxes payables or receivables by each entity on a net basis.

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 and cash equivalents

Cash and cash equivalents comprise cash at banks and short–term highly liquid investments (such as bank deposits or high–quality debt securities) with a maturity of three months or less at origination.

Share capital and merger reserve

The amount of the Company's authorised share capital is defined by the Company's charter. The difference between par value and actual contribution received is recognized in additional paid−in capital in the consolidated statement of changes in equity. For the purposes of these consolidated financial statements, the Group eliminated and replaced merger reserve with share capital and other reserves upon incorporation of GRPO in 2022.

Debt to equity swaps with shareholders

When the Group's financial liabilities are converted to equity in a debt to equity swap transaction with the Parent or entities under common control, the Group records the value of resulting equity instruments issued at carrying value of the extinguished financial liability so that no profit or loss is recognized.

Dividends

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

(Amounts expressed in thousands of Georgian Lari)

4. Summary of material accounting policies (continued)

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. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of prepaid taxes other than income tax or taxes payable other than income tax in the consolidated statement of financial position.

Non−recurring income and 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.

Functional currencies and foreign currency translation

The functional currency of the Company and entities comprising the Group is US Dollars ("USD") considering following circumstances:

- The electricity tariff is set in USD in Georgia, hence the Group's revenue is denominated in USD;
- Capital contributions from as well as distributions to the shareholders were largely in USD;
- The Group's financing structure is USD denominated.

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 2023 and 2022 were GEL 2.6894 and 2.7020 to 1 USD, respectively.

In accordance with statutory requirement the Group's presentation currency is GEL.

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, finance income, finance costs, net foreign exchange gain/(loss) impairment expense, non−recurring expenses, net and other items of one–off nature.

Operating segment

As at 31 December 2023, the chief operating decision maker evaluates the whole Group as a single operating segment, renewable energy business. The chief operating decision maker evaluates performance based on revenue, profit before tax and net profit measured in accordance with IFRS as presented in these consolidated financial statements.

The Group produces and sells electricity to a limited number of customers mainly on the local market within Georgia. From 2023,the Group started export of electricity to Turkey, which amounted to 15% of the Group's revenue for 2023. . There were three external customers (Electricity System Commercial Operator JSC ("ESCO"), one local customer for local sales and one foreign customer for export sales) that individually accounted for more than 10% of the Group's total revenue for 2023 (2022: one external customer: ESCO):

	2023	*2022*
Revenue from electric power sales to ESCO	22,469	25,987
Revenue from a local customer	7,375	–
Revenue from a foreign customer	5,840	–
Total revenue from individually significant customers	**35,684**	**25,987**
Share in the Group's total revenue	94%	62%

(Amounts expressed in thousands of Georgian Lari)

4. Summary of material accounting policies (continued)

Income and expense recognition

Revenue from electric power sales

The Group sells electric power which is generated by their own wind and hydro power plants. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is recognised net of value added tax. Revenues are measured at the fair value of the consideration received or receivable.

The electric power is sold in separate identified contracts and sale of electric power is the only performance obligation. The performance obligation is satisfied and the revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally upon delivery of electricity at an agreed measurement meter.

The revenue is measured at the transaction price agreed under a contract per unit of electricity supplied by the Group. The consideration is due after forming an act of acceptance following electric power transmission. Customers are usually obliged to pay the respective balances by a following month end.

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 amortized 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.

5. 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. In addition to the significant judgments made in determination an appropriate basis of preparation of these consolidated financial statements as disclosed in Note 2, judgements that have the most significant effect on the amounts recognized 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:

Assessment of indications for impairment of property, plant and equipment

As at 31 December 2023, the Group analysed external and internal impairment indicators of property, plant and equipment for each of its cash–generating units (defined at the level of individual hydro and wind power plant), focusing on existence of physical damage, market value changes, technological obsolescence, and increase in interest rates. The Group also assessed internal sources of information, such as the current period performance of each cash–generating unit against the budget in terms of annual generation levels, average prices and operating expenses. The qualitative analysis was supplemented by a comparison of the results of the fair valuation of each cash–generating unit prepared for internal managerial purposes using a discounted cash flow model against the carrying value of each of the cash–generating unit's assets, which in each case demonstrated significant headroom. As the result of that assessment, which involved significant judgment, the management found no indications of potential impairment of property, plant and equipment as at 31 December 2023.

(Amounts expressed in thousands of Georgian Lari)

5. Significant accounting judgements and estimates (continued)

Recognition and measurement of reimbursement assets

Significant judgment is required to assess whether an insurance reimbursement for a loss event is virtually certain and whether recognition of respective insurance claim receivable is appropriate, as well as in the measurement of the insurance claim receivable at the reporting date. Information about impairment losses and the respective insurance reimbursement recognised as at 31 December 2023 and 2022 is disclosed in Note 6.

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.

6. Property, plant and equipment

	Land plots	*Buildings*	*Energy Infrastruc-ture assets*	*Vehicles*	*Fixtures and fittings*	*Construc-tion in progress*	*Total*
Gross carrying amount							
31 December 2021	**1,255**	**74,974**	**281,738**	**822**	**1,381**	**4,441**	**364,611**
Additions	–	47	190	119	49	2,122	**2,527**
Disposals	–	–	(38,963)	(25)	(207)	(29)	**(39,224)**
Currency translation	(160)	(9,575)	(33,040)	(114)	(177)	(740)	**(43,806)**
31 December 2022	**1,095**	**65,446**	**209,925**	**802**	**1,046**	**5,794**	**284,108**
Additions	–	138	348	19	69	1,580	**2,154**
Disposals and write–offs	–	(3)	–	–	(348)	(523)	**(874)**
Transfer between categories	–	800	1,263	7	–	(2,070)	**–**
Currency translation	(7)	(424)	(1,361)	(6)	(6)	(38)	**(1,842)**
31 December 2023	**1,088**	**65,957**	**210,175**	**822**	**761**	**4,743**	**283,546**
Accumulated depreciation and impairment							
31 December 2021	**–**	**5,828**	**57,986**	**67**	**133**	**–**	**64,014**
Depreciation charge	–	2,196	8,253	24	40	–	**10,513**
Disposals	–	–	(36,305)	–	–	–	**(36,305)**
Currency translation	–	(903)	(5,192)	(10)	(20)	–	**(6,125)**
31 December 2022	**–**	**7,121**	**24,742**	**81**	**153**	**–**	**32,097**
Depreciation charge	–	2,742	6,560	65	45	–	**9,412**
Currency translation	**–**	(118)	(412)	(1)	(3)	**–**	**(534)**
31 December 2023	**–**	**9,745**	**30,890**	**145**	**195**	**–**	**40,975**
Net book value							
31 December 2022	**1,095**	**58,325**	**185,183**	**721**	**893**	**5,794**	**252,011**
31 December 2023	**1,088**	**56,212**	**179,285**	**677**	**566**	**4,743**	**242,571**

As at 31 December 2023 and 31 December 2022, the Group pledged all its property, plant and equipment, except assets of Darchi LLC, as collateral for its bonds issued. As at 31 December 2023, subsidiary of the Group, Darchi LLC has remaining contractual obligation for acquisition of turbines, generators and electrical equipment amounting to GEL 8,664 (EUR 2,912) (31 December 2022: GEL 10,393 (EUR 3,603)) and for design, construction and supervision of tunnel works amounting to GEL 661 (EUR 222) (31 December 2022: GEL 688 (EUR 238). In 2023 the Group has written off office equipment amounting to GEL 134, which was included in as non–recurring items.

In July 2021, flood event occurred in the valley of Kasleti river, causing damage to the Kasleti 2 HPP. As a result, to the flood event, Kasleti 2 stopped operating for one month, but resumed generations in September 2021. As at 31 December 2023 and 2022, the negotiations with the insurance company was ongoing. In relation to the loss event, the Group recognized a reimbursement asset (insurance claim receivable) from an insurance company, an entity under common control, in the amount of GEL 2,025 as at 31 December 2023 (31 December 2022: GEL 2,022).

(Amounts expressed in thousands of Georgian Lari)

6. Property, plant and equipment (continued)

On 20 June 2022, the Group signed a sale and purchase agreement (SPA) with a third party to dispose the assets of Mestiachala 1 HPP with net book value of GEL 2,448 (comprising of gross book value of GEL 38,753 and accumulated depreciation and impairment of GEL 36,305) for total consideration of USD 3 million, out of which USD 0.3 million (GEL 877) was transferred at the signing date of the SPA. The rest of receivables from the sale of Mestiachala 1 with outstanding carrying value of USD 0.6 million (GEL 1,789) was transferred to a related party (entity under common control) in 2022 (Note 9). As the result of those transaction, net gain of GEL 218 was included in non−recurring items in the consolidated statement of profit or loss and comprehensive income for 2022 in respect of Mestiachala 1 HPP disposal (Note 18).

7. Other non−current assets

	31 December 2023	*31 December 2022*
Prepayments for non−current assets	2,833	624
Intangible assets	423	428
Other non−current assets	55	27
Total other non−current assets	**3,311**	**1,079**

In 2023 the Group made additional GEL 2,037 (EUR 715) (2022: GEL 539 (EUR 189)) prepayment for non–current assets for Darchi project hydro turbines.

Historical cost of intangible assets and accumulated amortization as at 31 December 2023 amounted to GEL 549 and GEL 126, respectively (2022: GEL 601 and GEL 173, respectively).

In 2022, the Group written–off intangible assets related to Mestiachala 1 HPP with net book value of GEL 300 (Note 18).

Intangible assets amortization charge, including software licenses, was GEL 19 in 2023 (2022: GEL 21).

8. Trade and other receivables

	31 December 2023	*31 December 2022*
Current		
Trade receivables from electric power sales	2,484	1,678
Total trade and other receivables, net	**2,484**	**1,678**

As at 31 December 2023 and 31 December 2022, carrying amounts of trade receivables approximate fair values due to their short−term maturities. All trade and other receivables are current and related to revenue from electric power sales. Expected credit losses are immaterial as at 31 December 2023 and 2022.

9. Equity

Share capital and merger reserve

In accordance with the Group's accounting policy (Note 4), until incorporation of GRPO certain equity movements are presented within merger reserve. Share capital movements were presented as follows:

Merger reserve	*Nominal amounts*
31 December 2021	**84,664**
Incorporation of GRPO (a)	(84,664)
28 June 2022	**–**

(Amounts expressed in thousands of Georgian Lari)

9. Equity (continued)

Share capital and merger reserve (continued)

Share capital	***Nominal amounts***	***Number of shares***
28 June 2022	**–**	**–**
Incorporation of GRPO (a)	100	100,000
Contribution of Energy Subsidiaries (b)	100	100,000
Reduction of share capital (c)	(49)	(49,000)
Reduction of share capital (d)	(19)	(19,000)
Increase of share capital (e)	100	100,000
31 December 2022	**232**	**232,000**
31 December 2023	**232**	**232,000**

Authorized share capital of the Company comprised of 200,000,000 (2022: nil) ordinary shares as of 31 December 2023 and 31 December 2022. Each share has a nominal value of 1 (one) GEL. Issued share capital of the Company comprised of 232,000 ordinary shares as of 31 December 2023 and 31 December 2022. Each share has a nominal value of 1 (one) GEL.

(a) On 28 June 2022, GRPO was incorporated issuing 100,000 shares with nominal value of GEL 100 for cash consideration of GEL 100. At incorporation date, accumulated merger reserve of GEL 84,664 was eliminated with balancing increase in other reserves.

(b) On 20 September 2022, the Parent legally contributed Energy Subsidiaries to GRPO, in exchange for 100,000 shares issued with total par value of GEL 100. Additional paid−in capital of GEL 226,165 was recognized representing the difference between the par value of shares issued and the statutory fair value of the contributed subsidiaries. Accordingly, balancing decrease in other reserves of GEL 226,265 was recognized at the point of contribution.

(c) On 23 September 2022, the Parent resolved to decrease GRPO's equity by total notional amount of GEL 86,847 by cancelling 49,000 shares with total par value of GEL 49, for no consideration. In accordance with its accounting policy (Note 4), GRPO recognized reduction in share capital by GEL 49 and balancing decrease in additional paid−in capital by GEL 86,798 in respect of this transaction.

(d) On 7 October 2022, the Parent resolved to decrease GRPO's equity by GEL 18,142 by cancelling 19,000 shares with total par value of GEL 19, partially in exchange for cash consideration of GEL 6,450 paid by GRPO and partially for non−cash consideration of GEL 11,692, comprising of the Group's outstanding loans issued to related party (entity under common control) with carrying value of GEL 9,903 and the outstanding receivable from sale of Mestiachala 1 assets with carrying value of USD 0.6 million (GEL 1,789) (Note 6). In accordance with its accounting policy (Note 4), the Group recognized reduction in share capital by GEL 19 and balancing decrease in additional paid−in capital by GEL 18,123 in respect of this transaction.

(e) On 2 September 2022, GCAP issued intercompany loan of USD 90 million (GEL 261,324) to GGU Energy Segment to redeem the renewable business' portion of GGU's USD 250 million Eurobond. After incorporation of GRPO and contribution of energy business subsidiaries to the Company, intercompany loan from GCAP was partially repaid by the Group to GCAP out of proceeds from USD 80 million Green bond (Note 10), while the outstanding USD 10 million (GEL 27,369) of the intercompany loan was converted into the Group's equity in a debt to equity swap transaction via exchange to 100,000 issued shares with total notional amount of GEL 100 and balancing increase in additional paid−in capital by GEL 27,269.

Dividends

In 2023 and 2022 no dividends were declared and paid.

Other reserves

Other reserves reflect unrealised gains/(losses) from transactions with owners of non−controlling interests in existing subsidiaries, foreign currency translation reserve and the effect of the Group formation and contribution of energy business subsidiaries to the Company transactions to the extent not reflected in share capital and additional paid−in capital. Movements in other reserves for the years ended 31 December 2023 and 2022 are attributed to other comprehensive loss for the year related to currency translation reserve, as well as the results of the Group formation and contribution of energy business subsidiaries to the Company as presented in "Share capital and merger reserve" section above.

(Amounts expressed in thousands of Georgian Lari)

9. Equity (continued)

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 were no changes in the objectives, policies or processes for managing capital in 2023 and 2022.

10. Borrowings and bonds issued

	31 December 2023		*31 December 2022*	
	Current liabilities	***Non−current liabilities***	***Current liabilities***	***Non−current liabilities***
Green bonds issued	3,367	212,703	3,363	213,201
Loans from related parties	–	7,303	4,149	–
Total borrowings	**3,367**	**220,006**	**7,512**	**213,201**

On 12 October 2022, GRPO issued US Dollar 80 million Green bonds. The bonds are US Dollar−denominated with a 5−year non−call 2−year bullet maturity and carry a 7.00% coupon rate. The Green bonds are listed on the Georgian Stock Exchange.

The bonds were issued and sold at par value. The Green bonds are secured by all of the Group's property except property of Darchi LLC. The proceeds of the bonds were fully used to refinance the shareholder loan from GCAP in amount of USD 90 million (GEL 261,324), provided in 2022 for redeeming the Energy Segment's portion of GGU's USD 250 million (of which attributed to Energy Segment: USD 95.4 million) 7.75% Eurobond in September 2022.

Part of the shareholder loan from GCAP in the amount of USD 10 million (GEL 27,369) was converted to share capital of GRPO on 29 November 2022 in a debt to equity swap transaction (Note 9).

As of 31 December 2023, the Group's borrowings from related parties (represented by an entity under common control) are denominated in USD with a fixed interest rate of 10% and with average maturity of 2 years (31 December 2022: with average maturity of 1 year). The Group withdrew additional GEL 2,618 (USD 1,000) (2022: GEL 1,572 (USD 547)) from credit limit in 2023. As at 31 December 2023 no undrawn loan commitment is left available to the Group (31 December 2022: the Group has undrawn loan commitment of GEL 1,351 (USD 500)). The borrowing is related to the development of the Darchi HPP project.

In 2023, the Group incurred borrowings costs of GEL 15,830 (2022: GEL 21,785) of which GEL 470 has been capitalized to property, plant and equipment (2022: GEL 312).

(Amounts expressed in thousands of Georgian Lari)

10. Borrowings and bonds issued (continued)

Changes in liabilities arising from financial activities

	Borrowings	*Eurobonds Issued allocated*	*Shareholder's loan*	*Green Bond Issued*	*Lease liabilities*	*Total*
Carrying amount at 31 December 2021	**2,704**	**304,624**	–	–	**1,309**	**308,637**
Foreign currency translation	(439)	(19,204)	(11,307)	(7,152)	(144)	**(38,246)**
Cash proceeds	1,572	–	261,324	220,305	–	**483,201**
Cash repayments	–	(277,372)	(223,072)	–	(63)	**(500,507)**
Interest accrued	312	15,655	2,407	3,411	169	**21,954**
Interest paid	–	(23,703)	(1,983)	–	(169)	**(25,855)**
Debt to equity swap (Note 9)	–	–	(27,369)	–	–	**(27,369)**
Carrying amount at 31 December 2022	**4,149**	**–**	**–**	**216,564**	**1,102**	**221,815**
Foreign currency translation	(41)	–	–	(1,092)	(78)	**(1,211)**
Cash proceeds	2,618	–	–	–	–	**2,618**
Cash repayments	–	–	–	–	(9)	**(9)**
Interest accrued	577	–	–	15,214	146	**15,937**
Interest paid	–	–	–	(14,616)	(146)	**(14,762)**
Carrying amount at 31 December 2023	**7,303**	**–**	**–**	**216,070**	**1,015**	**224,388**

11. Trade and other payables

	31 December 2023	*31 December 2022*
Trade payables	1,492	1,162
Payables to employees	98	11
Total trade and other payables	**1,590**	**1,173**

Trade and other payables are non−interest bearing and are normally settled within 60 days. Trade payables include GEL 1,129 payable for wind power plant maintenance (2022: GEL 676).

12. Revenue from electric power sales

	2023	*2022*
Revenue from electric power sales to ESCO	22,469	25,987
Revenue from electric power sales to legal entities:	15,596	16,234
- Local sales	9,756	16,234
- Export sales	5,840	–
Total revenue from electric power sales	**38,065**	**42,221**

13. Electricity and transmission costs

	2023	*2022*
Electricity and transmission costs of export sales	1,179	–
Electricity and transmission costs of domestic sales	606	548
Total electricity and transmission costs	**1,785**	**548**

(Amounts expressed in thousands of Georgian Lari)

14. Salaries and other employee benefits

	2023	*2022*
Salaries	1,409	1,183
Bonuses	268	151
Total salaries and benefits	**1,677**	**1,334**

15. Professional fees

	2023	*2022*
Consulting expenses	369	442
Legal and other professional fees	161	179
Total professional fees	**530**	**621**

Fees for the audit of the Group's consolidated financial statements for the year ended 31 December 2023 comprised GEL 139 (2022: GEL 113). No non–assurance services were provided to the Group by its external auditor.

16. Other operating expenses

	2023	*2022*
Insurance expense	749	1,148
Charity expenses	121	76
Maintenance expenditure	117	264
Rent expenses related to short–term leases	37	168
Other operating expenses	104	45
Total other operating expenses	**1,128**	**1,701**

17. Finance costs

	2023	*2022*
Interest expenses on borrowings, bonds issued and allocated Eurobonds measured at effective interest rate method	15,321	21,473
Interest expenses on lease liability	146	169
Bank fees and charges	6	5
Loss from sale of trading securities	–	204
Total finance costs	**15,473**	**21,851**

18. Non−recurring items, net

	2023	*2022*
Non−current assets write−off (Note 6, 7)	134	300
Non−recurring gain related to Mestiachala 1 disposal (Note 6)	–	(218)
Termination−related cash−based employee compensation	–	121
Other	24	23
Total non−recurring items, net	**158**	**226**

19. Rehabilitation works of water channels

The Group incurred GEL 1,426 in expenses under the agreement with Georgian Amelioration about rehabilitation works for the irrigation channels used by the Group's HPPs.

(Amounts expressed in thousands of Georgian Lari)

20. Commitments and contingencies

Commitments

As at 31 December 2023 and 2022, certain entities of the Group (Qartli Wind Farm LLC, Svaneti Hydro JSC, Kasleti 2 LLC, Hydro Georgia LLC – expired in December 2023) have active agreements with ESCO on the guaranteed purchase of electric power generated by these entities for the period from eight to fifteen years. Hydro Georgia HPP power purchase agreement has expired in December 2023 and Geoenergy HPP power purchase agreement has expired in February 2022, since then these companies sell generated electricity on the open market. In accordance with the agreements, the companies are obliged to sell the produced electricity to ESCO during winter months, except for Qartli Wind Farm LLC, which on top of this obligation has an option of sell electricity to ESCO for a full year. The expiration dates for respective power purchase agreements are as follows:

- Mestiachala 2 HPP− April 2034
- Kasleti 2 HPP− September 2028
- Qartli Wind Farm WPP− January 2030.

Guaranteed prices vary from 5.5 to 6.5 USD cents per 1 kWh.

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. The Group does not have any decommissioning, restoration or similar obligations.

In assessing the existence of indicators of impairment of the Group's non−current assets, the management considered known and estimable effects of climate risks.

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.

21. Financial instruments

Financial instruments overview

Cash and cash equivalents

Cash at bank as at 31 December 2023 and 2022 includes the funds placed on current accounts in Georgian banks and short–term highly liquidity securities with remaining maturity at origination of less than three months:

	31 December 2023	*31 December 2022*
Cash at bank	9,865	12,370
US Treasuries with remaining maturity of less than three months at origination	13,956	–
Cash and cash equivalents	**23,821**	**12,370**

All cash and cash equivalents are classified as current and not impaired. Expected credit losses are assessed as immaterial as at 31 December 2023 and 2022.

Trade receivables

Trade receivables as at 31 December 2023 and 2022 are represented by short−term receivables from sales of electricity, due from ESCO and Georgian corporate customers. All trade receivables are classified as current and not impaired.

(Amounts expressed in thousands of Georgian Lari)

21. Financial instruments (continued)

Financial instruments overview (continued)

Trading securities

In January 2022 the Group acquired a corporate bond issued by a Georgian issuer, quoted on Georgian Stock Exchange. As at 31 December 2022 both bonds were sold. The Group recognized GEL 204 loss from sale of trading securities presented in finance costs and GEL 385 interest income from trading securities presented in finance income for the year ended 31 December 2022.

Fair value measurement

Fair value measurement of all financial instruments held by the Group as at 31 December 2023 and 2022, is performed using a valuation technique with quoted prices in active and non−active markets and market observable inputs.

The fair values of other instruments 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.

Fair values analyzed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

		31 December 2023		*31 December 2022*	
	Level	***Carrying value***	***Fair value***	***Carrying value***	***Fair value***
Financial assets					
Reimbursement asset (Note 6)	Level 3	2,025	2,025	2,022	2,022
Financial liabilities					
Borrowings and bonds issued (Note 10)	Level 2	223,373	210,096	220,713	207,786
Lease liabilities	Level 2	1,015	1,015	1,102	1,102
Trade and other payables	Level 2	1,590	1,590	1,173	1,173

The following methods and assumptions were used to estimate the fair values:

- the fair values of reimbursement asset and trade and other payables are approximated by their carrying amounts due to the short−term maturities of these instruments;
- the fair value of fixed rate borrowings and lease liabilities is estimated by discounting future cash flows using the prevailing market rates at the reporting dates;
- the fair value of bonds issued is estimated with reference to bid prices at inactive markets.

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 does not have any floating interest rate financial instruments and as such is not exposed to interest rate risk. The Group's management oversees the management of these risks.

Currency risk

As at 31 December 2023 and 2022 currency risk arises from the EUR and GEL denominated cash at banks, trade and other payables and borrowings.

As at 31 December 2023, the effect of reasonably possible change is disclosed in below table:

Currency	***Increase/ decrease in %***	***Effect on profit***
GEL	18.84%	497
GEL	–18.84%	(497)

Currency	***Increase/ decrease in %***	***Effect on profit***
EUR	10.24%	51
EUR	–10.24%	(51)

(Amounts expressed in thousands of Georgian Lari)

21. Financial instruments (continued)

Risk arising from financial instruments (continued)

As at 31 December 2022, the effect of reasonably possible change is disclosed in below table:

Currency	***Increase/ decrease in %***	***Effect on profit***
GEL	18.92%	381
GEL	−18.92%	(381)

Currency	***Increase/ decrease in %***	***Effect on profit***
EUR	11%	316
EUR	−11%	(316)

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 2023 and 2022, the Group has no other significant financial assets subject to credit risk except for:

- Cash and cash equivalents: as at 31 December 2023 total cash and cash equivalents of GEL 9,865 (31 December 2022: GEL 12,370) was kept with Georgian banks having rating of “BB/bb−” from Fitch Ratings and invested in US treasuries in amount of GEL 13,956 (31 December 2022: nil) having credit rating of AA+;
- Trade and other receivables (Note 8).

All cash and cash equivalents and trade and other receivable balances are classified as current and are not impaired. Due to short−term and (in respect of cash and cash equivalents) highly liquid nature of these financial assets, the Group has assessed corresponding expected credit losses to be immaterial. Therefore, no impairment is recognized for cash and cash equivalents and trade and other receivables under IFRS 9. The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. There are no financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired. The Group does not have an internal credit rating system for evaluation of credit rating of its trade and other receivables.

As at 31 December 2023 and 2022 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, bonds issued and trade and other payables.

The table below shows financial liabilities as at 31 December 2023 and 2022 based on contractual undiscounted repayment obligations.

	Less than 1 year	***1−3 years***	***3−5 years***	***Over 5 years***	***Total***
As at 31 December 2023					
Long−term and short−term borrowings	15,061	30,122	230,213	–	**275,396**
Trade and other payables	1,590	–	–	–	**1,590**
Lease liabilities	112	224	224	3,427	**3,987**
Total future payments	**16,763**	**30,346**	**230,437**	**3,427**	**280,973**
As at 31 December 2022					
Long−term and short−term borrowings and bonds issued	15,131	30,262	246,422	−	**291,815**
Trade and other payables	1,173	−	−	−	**1,173**
Lease liabilities	112	225	225	5,158	**5,720**
Total future payments	**16,416**	**30,487**	**246,647**	**5,158**	**298,708**

(Amounts expressed in thousands of Georgian Lari)

21. Financial instruments (continued)

Risk arising from financial instruments (continued)

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 and interest payments due on the Green bonds and other borrowings (Note 10).

The Group issued a performance guarantee to the entity under common control for the total notional amount of GEL 855 (USD 317) as at 31 December 2023 related to obtaining rights from the Ministry of Economy and Sustainable Development of Georgia to build, own and operate the wind powered plant in the Municipality of Tkibuli. The Group does not expect to make any payments in respect of those guarantees and evaluated liability in relation to these guarantees to be immaterial as at 31 December 2023.

22. 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.

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 2023	***31 December 2022***
	Entities under common control	***Entities under common control***
Assets		
Reimbursement asset (Note 6)	2,025	2,022
Borrowings as at 1 January	**4,149**	**2,704**
Proceeds from borrowings and interest and foreign currency translation accrued during the year	3,154	1,445
Borrowings as at 31 December	**7,303**	**4,149**

	2023	***2022***
Income and expenses		
Revenue from electric power sales[1]	–	1,285
Finance cost due to the Parent	–	(2,540)
Finance cost due to the entities under common control (Note 10)	577	312
Finance income from the Parent	–	260
Other operating expenses due to entities under common control[2]	(30)	(937)

1. Revenue from electricity supply to GGU subsidiary company GETC.

2 Other operating expenses mostly comprises of insurance expense for the year, including reassessment of reimbursement asset.

In addition, the Group entered in a number of debt and equity transactions with related parties in 2023 and 2022 (including a debt to equity swap), as detailed in Notes 9 and 10. The Group also issued performance guarantees to entities under common control with notional amount of GEL 855 (Note 21).

Key management personnel remuneration amounted to:

	2023	***2022***
Salaries and other short−term employee benefits	140	162
Cash bonus	59	62
Termination benefits	–	121

(Amounts expressed in thousands of Georgian Lari)

23. Leases

Group as a lessee

The Group has lease contracts for various items of land and building used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets without due consents from respective lessors. Some lease contracts include extension and termination options and variable lease payments, which are further discussed below. The Group applies the 'short–term lease' and 'lease of low–value assets' recognition exemptions for these leases.

Carrying amounts of right–of–use assets (mostly in relation to leases of land) recognised and the movements during the period comprise:

	2023	*2022*
At 1 January	**1,120**	**1,254**
Depreciation expense	(33)	(32)
Currency translation	(31)	(102)
At 31 December	**1,056**	**1,120**

Carrying amounts of lease liabilities and the movements during the period comprise:

	2023	*2022*
At 1 January	**1,102**	**1,309**
Interest expense on lease liabilities	146	169
Interest paid	(146)	(169)
Payments of lease liabilities	(9)	(63)
Foreign exchange rate movements	(78)	(144)
At 31 December	**1,015**	**1,102**
Current	112	112
Non–current	903	990

The following are the amounts recognised in profit or loss:

	2023	*2022*
Depreciation expense of right–of–use assets	(33)	(32)
Interest expense on lease liabilities	(146)	(169)
Expense relating to leases (included in other operating expenses)	(37)	(168)
Total amount recognized in profit or loss	**(216)**	**(369)**

Total lease payments including low–value and short–term leases during the year was GEL 192 (2022: GEL 400).

The Group has several lease contracts that include extension and termination options. These options were negotiated to provide flexibility in managing the leased–asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. As at 31 December 2023 future lease payments of GEL 3,875 are included to the lease term in respect of termination options (2022: 5,608).

24. Events after the end of reporting period

In 2024, the Group repurchased and subsequently redeemed 511 of own issued Green bonds with principal amount of GEL 13,679 (USD 5,110).

Georgian Renewable Power Operations JSC

Management Report

For the year ended 31 December 2023

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1. Corporate information

Georgian Renewable Power Operations JSC ("GRPO" or the "Company") is a joint stock company incorporated on 28 June 2022. The Company is a holding entity of a group of companies incorporated and domiciled in Georgia (the "Group"). The registered office of the Company is located at 10 Medea (Mzia) Jugheli Str., 0179, Tbilisi, Georgia.

The Company is a part of a larger group – Georgia Capital JSC ("GCAP"), which is a Georgia–based investment entity holding investments in various subsidiaries in Georgia.

The Group's business represents a platform for operating hydro power plants ("HPPs") and wind power plant ("WPP") across the country. The business operates commissioned renewable assets with 71MWs of installed capacity in aggregate: 30MW Mestiachala 2 HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP.

As at 31 December 2023, the Company is fully owned by Georgian Renewable Power Holding JSC ("GRPH" or the "Parent"), which is under 100% ownership of GCAP. GCAP is wholly owned by Georgia Capital plc (the "Ultimate Parent"), an entity incorporated in England and listed on London Stock Exchange.

As at 31 December 2023 the subsidiaries of the Group are presented in the table below:

	Country of incorporation	***Date of acquisition/ incorporation***	***31 December 2023***
Svaneti Hydro LLC ("SH")	Georgia	20 April 2017	100%
Hydrolea LLC ("HYDL"):	Georgia	28 October 2019	100%
Geoenergy LLC	Georgia	28 October 2019	100%
Hydro Georgia LLC	Georgia	28 October 2019	100%
Kasleti 2 LLC	Georgia	28 October 2019	100%
Darchi LLC	Georgia	28 October 2019	100%
Qartli Wind Farm LLC ("QWF")	Georgia	31 December 2019	100%
GRPC Trade LLC	Georgia	13 May 2022	100%

2. Operating environment

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

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

3. Business overview

The Group's business represents a platform for operating hydro power plants ("HPPs") and wind power plant ("WPP") across the country. The business operates commissioned renewable assets with 71MWs of installed capacity in aggregate: 30MW Mestiachala 2 HPP, 20MW Hydrolea HPPs and 21MW Qartli WPP. The latter two assets represent successful acquisitions made by the business at the end of 2019, while the Mestiachala 2 HPP was built and commissioned by GCAP's renewable energy business in 2019. Mestiachala 2, Qartli WPP and one of three Hydrolea (Kasleti 2 HPP) HPPs benefit from long–term power purchase agreements (the "PPAs") formed with the Electricity System Commercial Operator ("ESCO"), resulting in predictable dollar–linked cash flows, as PPAs are fixed in US dollars.

4. Definitions of key financial indicators

The main source of revenue of the Group is the production and sale of electricity. During FY 2023 revenue from electricity sales decreased by 9.8% compared to the previous year, reaching 38,065 thousand GEL (in USD down y–o–y by 0.9%, reaching 14,437 thousand USD) mainly due to GEL's appreciation against USD. Revenue decrease in USD was mainly attributable to 5.3% y–o–y decrease in electricity generation in FY23 due to the rehabilitation works at Hydrolea HPPs. Electricity generation of the Group power plants reached 254,038 MWh in 2023. In 2023 average electricity selling prices increased by 4.6% y–o–y, reaching 56.8 US$/ MWh, This reflects the export of 32.3 GWh of electricity to Turkey in May–July 2023, with an average export price of 68.4 US$/MWh. During 2023, around 59% of electricity sales were covered by PPA contracts.

Generations during 2023 and 2022 are presented below:

In MWh	***2023***	***2022***
30MW Mestiachala HPP		
PPA	25,956	31,608
Non–PPA	73,741	72,800
	99,697	**104,408**
21MW Qartli wind farm		
PPA	86,033	87,321
Non–PPA	–	–
	86,033	**87,321**
20MW Hydrolea HPPs		
PPA	26,900	27,794
Non–PPA	41,408	48,805
	68,308	**76,599**
Total	**254,038**	**268,328**

In 2023 operating expenses incurred by the Group increased by 8% (to 10,105 thousand GEL) mainly reflecting electricity and transmission costs incurred due to electricity export in Turkey. EBITDA in 2023 decreased by 14.7% (reaching 28,017 thousand GEL), mainly due to decreased generation and increased electricity transmission costs.

Revenues during 2023 and 2022 are presented below:

In thousands GEL	***2023***	***2022***
30MW Mestiachala HPP		
PPA	3,801	4,923
Non–PPA	10,670	9,639
	14,471	**14,562**
21MW Qartli wind farm		
PPA	14,706	16,466
Non–PPA	–	–
	14,706	**16,466**
20MW Hydrolea HPPs		
PPA	3,964	4,594
Non–PPA	4,924	6,599
	8,888	**11,193**
Total	**38,065**	**42,221**

Corporate governance reporting

5. Governing body and management

Under the Law on Entrepreneurs and the Charter, shareholders are authorised to pass resolutions, inter alia, on the following issues at a General Meeting of Shareholders (“GMS"):

- changing the share capital of the Issuer;
- approval of amendments to the Charter;
- liquidation of the Issuer;
- any merger, division or transformation of the Issuer into another legal entity;
- full or partial cancellation of pre–emptive rights during an increase of share capital;
- approval of proposals by Supervisory Board and/or General Director regarding distributions of profits;
- election and dismissal of the members of the Supervisory Board and determination of its members' term of service;
- approval of the reports of the Supervisory Board and the General Director;
- acquisition, sale, transfer, exchange or encumbrance (whether through a single transaction or a series of related transactions) of the Issuer's assets, with a value exceeding GEL 20,000,000 (twenty million);
- approval of the annual accounts of the Issuer;
- election and/or dismissal of an external auditor; and
- other matters provided by the Law on Entrepreneurs and the Charter.

Supervisory Board

The Supervisory Board shall consist of at least three members, each of whom is elected by shareholders at the GMS. The Supervisory Board members are required to act in the best interests of the Issuer and its business when performing their duties.

The responsibilities of the Supervisory Board, inter alia, include:

- appointing and dismissing the General Director and controlling his/her activities;
- approving and amending the Issuer's policies and other regulatory documentation;
- inspecting the Issuer's accounts and property, personally or with the help of invited experts;
- requesting reports of the Issuer's activities from the General Director (including information concerning related companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;
- convening extraordinary general meetings, if necessary;
- reviewing annual reports and the proposals on profit distribution;
- approving the annual budget;
- other matters provided by the Law on Entrepreneurs and the Charter.

In accordance with the Law of Georgia on the Securities Market, GRPO, as a reporting entity, has set up an audit committee that controls accuracy of financial reports of the Issuer and ensures the efficiency of internal control systems. The audit committee was established on 23 September 2022, the chairperson of which is independent member of the Supervisory Board of the Issuer.

6. The process of preparing consolidated financial statements

The reporting and budgeting department is responsible for the preparation of consolidated financial statements. The department should provide not only a presentation of the Group's financial performance, but also a description of its activities, operating environment and accounting policies. The consolidated financial statements of the Group are approved by the financial and general directors. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023.

A non–financial report

7. Non–financial indicators

During FY23, the wind and hydropower plants included in the Group produced a total of 254,038 megawatt hours of electricity. During 2023 operational hydro power plants of the Group showed exceptional availability of more than 99%. This metric shows how efficiently the power plant is operating and how often are there unscheduled stoppages over a period of time. Availability– is calculated based on the power plant hours worked divided by the full working time (excluding time spent due to planned maintenance). From the table below we see that unplanned stoppages are less than 1% for the Group's power plants.

Availability factor table

	2023	*2022*
HPPs		
Mestiachala 2	98.7%	99.7%
Akhmeta	99.5%	99.9%
Debeda	99.2%	99.2%
Kasleti 2	98.8%	99.2%
WPP		
Qartli wind farm	97.9%	96.4%

8. Credit, market, liquidity and cash flow risks and mechanisms for their management

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company 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 2023 and 2022, the Group has no other significant financial assets subject to credit risk except for:

- Cash and cash equivalents: as at 31 December 2023 total cash and cash equivalents of GEL 9,865 (31 December 2022: GEL 12,370) was kept with Georgian banks having rating of "BB/bb−" from Fitch Ratings and invested in US treasuries in amount of GEL 13,956 (31 December 2022: nil) having credit rating of AA+;
- Trade and other receivables.

All cash and cash equivalents and trade and other receivables balances are classified as current and are not impaired.

Due to short−term and (in respect of cash and cash equivalents) highly liquid nature of these financial assets, the Group has assessed corresponding expected credit losses to be immaterial. Therefore, no impairment is recognized for cash and cash equivalents and trade and other receivables under IFRS 9. The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. There are no financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired. The Group does not have an internal credit rating system for evaluation of credit rating of its trade and other receivables.

As at 31 December 2023 and 2022 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 Company's cash flows on a monthly basis. The Company seeks to maintain a stable funding base primarily consisting of borrowings and bonds issued.

In managing liquidity risk, the management of the Company considers the Company will be able to settle the liabilities falling due by applying cash proceeds from operations towards the upcoming coupon and interest payments due on the green bond and other borrowing.

The Group issued a performance guarantee to the entity under common control for the total notional amount of GEL 855 (USD 317) as at 31 December 2023 related to obtaining rights from the Ministry of Economy and Sustainable Development of Georgia to build, own and operate the wind powered plant in the Municipality of Tkibuli. The Group does not expect to make any payments in respect of this guarantee and evaluated liability in relation to this guarantee to be immaterial as at 31 December 2023.

Currency risk

Volatility of the exchange rate of the national currency, GEL, against USD/other currencies of economically related countries may have a material adverse effect on the Group's activities. Given its mode of activities, the Group has a sort of natural protection against currency risks related to loan liabilities, because its revenues, much like its loan liabilities, are largely denominated in USD (Financial assets/liabilities per currency is shown in subsection "Financial Condition"). At the same time, the Group's revenue under its Power Purchase Agreements ("PPA") is denominated in USD.

In addition, sales to third parties on the open market are typically conducted in USD rather than Georgian GEL. This effectively provides the Group with a hedge against GEL depreciation, which is particularly valuable given 2023 fluctuations in the USD/GEL exchange rate. In addition, sale to third party in open market is denominated in USD or is tied to ESCO balancing price which is dependent on import denominated in USD and PPA prices. In 2023, 16% of Groups revenue comes from export sales of electricity to Turkey. In 2022 the Group did not export electricity and 100% of sale happened in local market. In accordance with Georgian legislation, local transactions are executed in GEL, although every agreement is directly or indirectly denominated in USD. As interest–bearing liabilities are denominated in foreign currency, namely in USD, financial expenses are also in USD.

Market risks

The Group sells electricity mainly to ESCO in terms of long–term Power Purchase Agreements ("PPA"), but in months which PPA does not cover, the Group takes market risks, which can be expressed in two sub–risks, which are 1) risk of finding off–taker and 2) market price risk.

In the non–PPA period, power plants may sell electricity via a bilateral agreement to any off–taker or sell to ESCO as balancing electricity. After the start of operation of DAM and the Intraday market ("IDM"), the power plants will have two additional channels for power sales, and off–taker risk will be almost fully eliminated. Currently if the power plant neither has PPA nor a bilateral agreement, according to applicable market rules, ESCO pays them the lowest regulated HPP price during the summer months (May to August) or the highest TPP price in winter months (September to April). Enguri HPP has the lowest regulated price of 2.412 Tetri/kWh among regulating HPPs set for the 2024–27 period – in case of non–existence of the bilateral agreement, this would be the ESCO settlement price. Considering the deficit in recent years, the Group always managed to sell the electricity according to the direct contract and sale to ESCO was less than 0.1%. As mentioned above, the volumes can easily be traded on these markets after the launch of DAM and IDM. The launch of DAM and IDM will not affect PPAs with ESCO – the tariff, other terms of payment, term of agreement will remain the same.

Ability to generate, distribute and supply electricity is dependent upon the Georgian transmission system. The distribution of electricity to the Group's distribution networks, as well as the distribution of electricity to customers, is dependent upon the infrastructure of the transmission systems in Georgia. The Group has no control over the operation of the transmission system and it is entirely reliant on the System Operator, which is a state–owned entity. Any failure in the transmission system in Georgia, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent the Group from distributing electricity to its end customers. As a result, any failure in the transmission system could in turn have an adverse effect on the Group's business, results of operations and financial condition.

Environmental, health and safety laws

The Group is subject to various environmental and health and safety laws and regulations governing, among other things, pollution caused by the Group's operations and the health and safety of the Group's employees. The Group is also required to obtain environmental and safety permits from various governmental authorities for its operations.

Although environmental laws and regulations have an increasing impact on the Group's activities, it is impossible to predict accurately the effect of future developments in such laws and regulations on the Group's business. While the Group has budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

9. Corporate–social responsibilities

The Group is aware of its corporate responsibility and believes that it can contribute to the sustainable development of society. The Group considers key stakeholders (customers, shareholders, employees, creditors) to develop business strategies and improve operations.

Within the framework of social responsibility, the Group conducts full environment and social monitoring process on regular bases; reports any social related issues and taking corrective actions. The Group cooperates with central and local government bodies, with non–government organizations and supports and finances cultural, educational and sport activities in areas Group operates.

The Group is subject to various environmental, health and safety laws and regulations that regulate, among other things, the pollution caused by Group operations and the health and safety of Group employees. The Group is also required to obtain environmental and safety permits from various government agencies for its operations.

The Group has established environmental standards that apply to its operations. Although, as of the date of this Management Report, the Group is in compliance with all applicable Georgian environmental, health and safety regulations in all material respects. It cannot guarantee that all requirements will be met in the future. If the Group does not comply with these regulations, it can be held responsible for sanctions and/or the consequences of breaching contractual obligations.

10. Protection of human rights

Basic human rights, including labor rights, are protected fully in the Group. Explanations about the mentioned rights are given extensive space in the labor regulations of the subsidiaries, which together with the labor code are available to all employees of the companies.

The Group offers equal employment opportunities to all candidates regardless of race, religion, gender, nationality, age, etc. This policy applies to all employment situations, including: hiring, promotion, contracting, compensation, training and other employment law actions.

11. Corruption

The Group conducts its business activities in compliance with ethical principles, as well as in accordance with applicable domestic and international anti–corruption requirements and international practices. The Group's anti–bribery and anti–corruption policy is based on Georgian legislation and regulations and international standards.

The Group's Anti–Bribery and Anti–Corruption Policy prohibits the transfer or offer of any benefit of value to any person, as well as the acceptance or encouragement of any benefit from any person with a corrupt motive, such as giving an undeserved reward or favor to a public official or to obtain an illegal business advantage for a private person.

12. Training, qualification and career development

The Group pays great attention to train and raise the qualifications of its personnel. These training consist of not only their field related and technical, but also cross–segment and HS&E related qualifications. As a result of these trainings employees are able to deepen their field knowledge and widen their Social & Environmental overview. Skilled and well performed employees are given opportunity to develop and get promoted in the Group. By training employees, the Group creates professionals with the help of which it plans to implement various projects.

13. Caring for the safety of employees

Trainings are often conducted on how to maintain a safe working environment. In order to protect safety for employees, contractors, visitors and any other stakeholders, the Group implements standards that are stipulated in agreed occupational Health & Safety Policy. The Group implements safety hazard and near miss reporting system and conducts monthly safety reporting. All the incidents and accidents and investigated and corrective action items are set with responsible parties fully involved.

14. Major risks and uncertainties

Under normal business conditions, the Group has the risk that the demand for electricity in the country reduce and accordingly affect the market prices. Demand for electricity is mainly determined by the level of economic activity in Georgia. Since the functional currency of the Group is USD, the Group is also exposed to depreciation of US Dollar against the GEL.

15. Strategies and future developments

The Georgian Renewable Power Holding JSC ("GRPH" or "Parent") plans to develop 194MW installed capacity power plants in the medium term: Zoti HPP (46MW), Tbilisi and Kaspi WPPs (130MW) and Darchi HPP (18MW). The business aims to establish a renewable energy platform with growing dollar–linked cash flows and profitability.

The Group was not involved in Research and Development (R&D) activities in 2023.

Approved for issue and signed on behalf of Georgia Renewable Power Operations JSC on 11 March 2024:

Zurab Gordeziani
General Director

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