GEORGIAN OIL & GAS CORPORATION

Unaudited Interim Consolidated Condensed Financial Statements for the six months ended 30 June 2022

Contents

'000 GEL	Note	30 June 2021	31 December 2021
		Unaudited	Audited
Assets			
Property, plant and equipment	12	1,207,004	1,232,781
Prepayments for non-current assets	13	2,828	2,826
Intangible assets		53	57
Finance lease receivable	14	83,465	80,898
Loans given	15	20,772	20,990
Trade and other receivables	16	12,767	12,056
Exploration and evaluation asset		10,836	10,836
Equity accountable investees		2,155	2,155
Non-current assets		**1,339,880**	**1,362,599**
Loans given	15	6	13
Inventories		20,088	17,900
Prepayments	13	206,210	103,039
Current Tax assets		4,340	-
Trade and other receivables	16	161,984	360,873
Cash and cash equivalents	17	47,714	56,280
Current assets		**440,342**	**538,105**
Total assets		**1,780,222**	**1,900,704**
Equity			
Share capital	18	646,260	646,260
Additional paid in capital		59,797	59,797
Fair value adjustment reserve for non-cash owner contributions		(282,181)	(282,181)
Retained earnings		506,225	503,408
Equity attributable to owners of the Company		**930,101**	**927,284**
Non-controlling interests		136,212	117,764
Total equity		**1,066,313**	**1,045,048**
Liabilities			
Loans and borrowings	19	695,385	711,003
Trade and other payables	20	12,476	134,478
Dividend Payable		3,983	
Current tax liabilities		-	8,110
Provisions		2,065	2,065
Current liabilities		**713,909**	**855,656**
Total liabilities		**713,909**	**855,656**
Total equity and liabilities		**1,780,222**	**1,900,704**

The interim consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 23.

		Six months ended June 30	
		2022	2021
'000 GEL	**Note**	**Unaudited**	**Unaudited**
Revenue	8	689,568	606,078
Cost of gas		(685,555)	(549,569)
Depreciation and amortization		(31,785)	(33,858)
Personnel costs		(15,395)	(14,978)
Taxes, other than on income		(5,770)	(6,819)
Impairment loss on trade receivables and contract assets		(214)	(301)
Other expenses	9	(8,089)	(9,832)
Other income	10	6,457	9,047
Results from operating activities		**(50,783)**	**(232)**
Finance income	11	93,735	70,033
Finance costs	11	(12,704)	(30,276)
Net finance income		**81,031**	**39,757**
Share of profit of equity accounted investee		-	-
Profit before income tax		**30,248**	**39,525**
Income tax expense		-	-
Profit and total comprehensive income		**30,248**	**39,525**
Profit and total comprehensive income attributable to:			
Owners of the Group		2,817	22,258
Non-controlling interests		27,431	17,267
		30,248	**39,525**

These condensed consolidated interim financial statements were approved by management on 30 September 2022 and were signed on its behalf by:

Giorgi Chikovani
General Director

Ekaterine Sisauri
Financial and Property Management Director

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 23.

	Attributable to owners of the Company						
'000 GEL	**Share capital**	**Fair value reserve for non-cash owner contributions**	**APIC**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2021	**646,044**	**(282,181)**	**59,797**	**402,749**	**826,409**	**80,856**	**907,265**
Profit and total comprehensive income for 6 months of 2021	-	-	-	22,258	22,258	17,267	39,525
Contributions and distributions							
Increase in share capital	216				216		216
Balance at 30 June 2021	**646,260**	**(282,181)**	**59,797**	**425,007**	**848,883**	**98,123**	**947,006**
Balance at 1 January 2022	**646,260**	**(282,181)**	**59,797**	**503,408**	**927,284**	**117,764**	**1,045,048**
Profit and total comprehensive income for 6 months of 2022	-	-	-	2,817	2,817	27,431	30,248
Contributions and distributions							
Dividends to equity holders	-	-	-	-	-	(8,983)	(8,983)
Balance at 30 June 2022	**646,260**	**(282,181)**	**59,797**	**506,225**	**930,101**	**136,212**	**1,066,313**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 23.

	Six months ended 30 June	
	2022	**2021**
Cash flows from operating activities		
Cash receipts from customers	975,433	709,957
Cash paid to suppliers and employees	(1,071,927)	(825,479)
Value added tax refund from the State	34,186	8,589
Cash flows from operations before income taxes and interest paid	**(62,308)**	**(106,933)**
Interest paid	(13,680)	(44,538)
Interest received	3,781	3,030
Cash flows from operating activities	**(72,207)**	**(148,441)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,341)	(19,476)
Cash flows used in investing activities	**(4,341)**	**(19,476)**
Cash flows from financing activities		
Loan repaid	(93,320)	(888,048)
Loans received	167,763	1,008,345
Dividends paid (Note 18 (a))	(5,000)	-
Net cash from/(used in) financing activities	**69,442**	**120,297**
Effect of exchange rate fluctuations on cash and cash equivalents	(1,205)	31,899
Net increase/(decrease) in cash and cash equivalents	**(7,106)**	**(47,620)**
Cash and cash equivalents at the beginning of the period	56,280	74,034
Cash and cash equivalents at 30 June	**47,714**	**58,313**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 23.

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 23.

1. Reporting entity

(a) Organisation and operations

Georgian Oil and Gas Corporation JSC (the "Company") and its subsidiaries (the "Group") comprise Georgian Joint Stock and Limited Liability Companies as defined in the Law of Georgia on Entrepreneurs. The Company was established as a 100% state-owned enterprise by the order of the Ministry of Economy of Georgia on 21 March 2006, on the basis of three Georgian state-owned companies: Georgian International Oil Corporation JSC, Georgian Gas International Corporation JSC and Teleti Oil Company JSC.

The Company's registered office is 21 Kakheti Highway, Tbilisi 0190, Georgia. The Company has been registered by Tbilisi Tax Inspection and the registration number is # 4346/007.

The Group's principal activities are natural gas import, electricity generation and supply, rent of gas pipelines and oil and gas exploration and extraction in Georgia. Following the completion of the Gardabani Combined-Cycle Power Plant (CCPP) construction in July 2015, electricity generation was added to the Group's principal activities. On 7 September 2015, Gardabani CCPP obtained a license on operation for an unlimited period from the Georgian National Energy and Water Supply Regulatory Commission (GNERC) and commenced generating revenue in accordance with the deregulated tariffs on the electricity market in Georgia. In accordance with the Government of Georgia order # 475 dated 14 September 2015 Gardabani CCPP was granted the status of guaranteed capacity operator until 1 October 2040.

In 2017 the Company started construction of Gardabani II Combined-Cycle Thermal Power Plant (TPP). The major construction works of the Thermal Power Plant (TPP) were finalized on 12 February 2020 and taking over certificate was signed by Gardabani II and the counterparty responsible for the construction of TPP on 28 February 2020. On 25 March 2020, Gardabani II obtained a license on operation for an unlimited period from the Georgian National Energy and Water Supply Regulatory Commission (GNERC) and commenced generating revenue in accordance with the deregulated tariffs on the electricity market in Georgia.

From December 2006, when the Company was granted the status of National Oil Company on behalf of the State of Georgia, the Company receives and sells the State's share of extracted oil and gas in Georgia in accordance with Production Sharing Agreements signed between the State and investors.

On 16 March 2018 the Company and investors, participating in Production Sharing Agreements, executed the "Loan and Pledge Agreement" according to which, in exchange for the loan borrowed by investors from the Company, Georgian Oil and Gas Corporation JSC was granted an option to acquire a 22% interest in Production Sharing Agreements for a net payment of USD 3,500,000 in aggregate. On 23 July 2021, investors and the Company entered into a non-binding Memorandum of understanding, according to which investors expressed their willingness to transfer to the Company 22% of the Contractor's participating interest in Production Sharing Agreements covering specified license areas. On 6 December 2021 the Government of Georgia issued order # 2147 and consented to exercise the option by the Company to acquire 22% of the investor's participating interest in the mentioned Production Sharing Agreements. The transaction of acquisition of the participating interest was conducted on 29 December 2021, when the Company and investors entered into a joint operation agreement on the specified license areas. As a result of this transaction exploration and evaluation asset of GEL 10,836 thousand has been recognised.

The New law of Georgia on Energy and Water Supply ("The Law") was introduced and entered in force on 27 December 2019. The Law requires adoption of a number of by-laws, such as electricity market concept design ("EMCD") and natural gas market concept design ("NGMCD"), accompanied

by certain institutional developments. The Group will follow the schedule set forth by the Law, which was not intended to have immediate effect on the Georgian electricity and gas markets and their participants (including the Group).
Based on the decree N89 by the Government of Georgia dated 28 February 2022, legislative changes in the market concept were postponed again until 1 September 2022.

Natural gas market concept design (NGMCD) was approved in September 2021. The regulation obliged the Company and Georgian Gas Transportation Company LLC (GGTC) to establish a natural gas market operator, with the purpose to form a liquid competitive market for natural gas. However, NGMCD do not restrict the Company from selling natural gas through two-way agreements signed directly with customers.

On 15 October 2021, Georgian Oil and Gas Corporation JSC together with the Georgian Gas Transportation Company LLC (GGTC), with the participating interest of 50% each, established natural gas market operator “Georgian Gas Exchange LLC” according to the requirements of the NGMCD. The commencement of the operations of the natural gas market operator is planned in 2023-2024 year.

Therefore, from the Group’s perspective, the latter will not have effect on the Group’s operations till 2023.

Electricity operations

The management of the Group believes that operations of Gardabani TPP LLC and Gardabani TPP 2 LLC will not be affected by the adoption of the Law under discussion, such as EMCD as their activities and performance results are backed by the respective implementation agreements entered into by the Company, its respective subsidiaries, the Government of Georgia and JSC Electricity System Commercial Operator (“ESCO”) and power purchase agreements (“PPAs”) concluded with the latter.

Main gas pipelines system of Georgia

Based on the Law and governmental resolution No. 129 of 25 March 2021 “On approval of the action plan for unbundling of Georgian transmission system operator” an independent system operator model was selected. Pursuant to the said model, the Company remains indirect owner of the main gas pipeline system of Georgia (“MGPS”). MGPS was transferred to a wholly owned subsidiary of the Company, Georgian Natural Gas Transmission Network Owner LLC, which was assigned the Company’s rights and interests to MGPS in the rent agreement with Georgian Gas Transportation Company LLC (GGTC).

Unbundling does not have an effect on the Group’s operations (on the Group level), as the company to which MGPS is transferred is a 100% subsidiary of the Georgian Oil and Gas Corporation JSC. For more information about the Company’s significant subsidiaries, see note 23.

As at 31 December 2021 and 2020 the Group is wholly owned by Partnership Fund JSC (100% owned by the Georgian Government). The ultimate controlling party of the Group is the Government of Georgia. Related party transactions are disclosed in note 26.

(b) Business environment

The Group’s operations are primarily located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The COVID-19 coronavirus pandemic and war in Ukraine has further increased uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Going Concern

Reduction of the financial burden for the populace of Georgia, by maintaining low gas sale prices, have impacted the Company, resulting in a breach of financial and non-financial covenants in relation to the loan from EBRD, allowing the lender to request repayment of the loan on demand. As a result of the breach, the total outstanding amount of the loan was classified as current leading to an excess of current liabilities over current assets of the Group by GEL 317,551 thousand as at 31 December 2021. Notwithstanding the above, these financial statements have been prepared on a going concern basis, which the management considers to be appropriate due to the following reasons:

Management is in the process of negotiations with the lender to obtain a waiver for the breached loan covenants and repayment of the loan in accordance with the initial schedule. As the Group has been generating enough cash inflows to repay the loan in accordance with the agreed schedule, management believes that it is reasonable to assume that the lender will not exercise its right of early repayment of the whole amount of the outstanding loan.

Management is discussing with Government of Georgia ("GoG") a change in gas sale prices in order not to breach the covenant for the loan in the future. Additionally, GoG has issued a support letter, stating that it is willing to provide, for the foreseeable future, support as is necessary to allow the Group to continue its operational existence. As the Group is of a strategic importance to the GoG, Management believes that in case of early repayment of the loan, GoG will support the Group until another source of financing is obtained.

Based on the above, the management of the Group concluded that there is no material uncertainty that may cast significant doubt on the Groups' ability to continue as a going concern.

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's and its subsidiaries' functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousands, except when otherwise indicated.

4. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and carry a significant risk of resulting in a material adjustment within the next financial year is included in Note 22 – measurement of ECL allowance for financial assets;
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

– Note 22 - measurement of ECL allowance for financial assets;
– Note 25 - recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
-

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 22 (a) – accounting classifications and fair values.

5. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately. For each of the strategic business units, the Company's General Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

– *Gas supply:* Includes purchase and sale of natural gas.
– *Electricity generation and supply:* Includes electricity sales and guaranteed capacity fees.
– *Pipeline rental:* Includes rental income earned by the Group from the lease of gas pipelines to a related party, Georgian Gas Transportation Company LLC (see note 26).

- *Oil transportation:* Includes income from transportation of oil through the territory of Georgia.
- *Upstream activities:* Includes sale of oil from production-sharing arrangements.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before depreciation, personnel costs, net finance costs, other income/expenses and income and other taxes, as included in the internal management reports that are reviewed by the Group's General Director. The management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. The Company's General Director does not monitor segment assets or liabilities.

(i) Information about reportable segments

'000 GEL	Gas supply		Pipeline rental		Upstream activities		Oil transportation		Electricity generation		Total	
	six months ended 30 June		**six months ended 30 June**		**six months ended 30 June**		**six months ended 30 June**		**six months ended 30 June**		**six months ended 30 June**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
External revenues	454,886	406,969	22,281	22,284	10,161	7,116	6,276	14,137	195,963	155,572	689,568	606,078
Cost of gas and oil	(596,931)	(469,569)			(1,326)				(87,297)	(80,000)	(685,555)	(549,569)
Reportable segment profit before unallocated costs, net finance cost and income tax	(142,045	(62,600)	22,281	22,284	8,835	7,116	6,276	14,137	108,655	75,572	4,013	56,509

	Six months ended 30 June	
'000 GEL	**2022**	**2021**
Revenues		
Total revenue for reportable segments	**689,568**	**606,078**
Profit or loss		
Total profit for reportable segments	4,013	56,509
Unallocated personnel expenses	(15,395)	(14,978)
Unallocated depreciation and amortization expenses	(31,785)	(33,858)
Net finance income/(costs)	81,031	39,757
Other net unallocated income/(costs)	(1,631)	(7,905)
Consolidated profit before income tax	**30,248**	**39,525**

(ii) Geographical information

All of the Group's revenues are generated in Georgia and all non-current assets are located in Georgia.

(iii) Major customer

During the 6 months of 2022, one customer in the gas supply segment represented approximately 48% of the Group's total revenue GEL 332,405 thousand, (2021: 38%, GEL 229,013 thousand).

7. Seasonality of operations

Gas supply and pipeline rental revenues follow a seasonal pattern with an annual base-load of gas and a large heating peak occurring during the winter season. Natural gas obtained from suppliers is utilized to meet the peak heating season requirements. The Group's other revenues remain relatively stable during the year.

8. Revenue

	Six months ended 30 June	
'000 GEL	**2022**	**2021**
Revenue from contracts with customers:		
Sales of natural gas	454,886	406,969
Income from electricity generation	195,963	155,572
Income from crude oil sales	10,161	7,116
Revenue from contracts with customers	**661,010**	**569,657**
Other revenue		
Income from rent of gas pipelines	22,281	22,284
Oil transportation fee under finance lease	6,276	14,137
Total other revenues	**28,558**	**36,421**
Total revenues	**689,568**	**606,078**

Income from electricity generation and supply includes the income from guaranteed capacity fees of GEL 71,569 thousand (2021: GEL 55,874 thousand) and income from electricity generation of GEL 124,394 thousand (2021: GEL 99,698 thousand).

The Group rents its main gas pipeline system and related infrastructure to Georgian Gas Transportation Company LLC (GGTC).

The rent agreement with GGTC is non-cancellable and is valid until 1 January 2023. From 1 September 2017 until March 2019 the rent fee was fixed at GEL 3,500 thousand per month (excluding VAT) and from 1 March till 31 December 2019 the monthly rent fee was fixed at GEL 3,600 thousand per month (excluding VAT). From 1 January till 31 December 2020 the fixed rent fee is GEL 43,065 thousand per annum (excluding VAT). From 1 January 2021 the fixed rent fee equals to GEL 44,500 thousand per annum (excluding VAT). GGTC is responsible for all costs related to the repair, maintenance, operation and security of the main gas pipeline system. The Group is responsible for capital expenditures only. Transactions with related parties are disclosed in note 26.

9. Other expenses

	Six months ended 30 June	
'000 GEL	**2022**	**2021**
Transportation, materials and repair and maintenance	(1,968)	(4,886)
Utility costs	(846)	(1,120)
Regulatory fees	(1,841	(1,100)
Consultancy services	(351)	(417)
Insurance costs	(354)	(296)
Write off/disposal/transfer of assets	(141)	(175)
Professional services	(43)	(109)
Representative and business trip expenses	(74)	(5)
Other	(2,491)	(1,714)
	(8,109)	**(9,832)**

10. Other income

	Six months ended 30 June	
'000 GEL	**2022**	**2021**
Penalty income*	1,897	5,613
Income from bad debt recovered		2,312
Excess inventory identified through stock count		169
Rent income	282	306
Oil processing	492	477
Other	1,037	170
	3,708	**9,047**

*The most significant part of penalty income in 2022 was attributable to the contractual penalties accrued on overdue Trade receivables of Thermal Power plant.

11. Finance income and finance costs

	Six months ended 30 June	
’000 GEL	**2022**	**2021**
Recognised in profit or loss		
Interest income under the effective interest method at amortized cost	4,214	4,051
Unwinding of discount of finance lease receivable	2,565	2,537
Unwinding of discount on restructured receivable from related party	803	962
Net foreign exchange gain	86,152	62,483
Finance income	**93,735**	**70,033**
Interest expense on loans and borrowings	(12,704)	(30,276)
Finance costs	**(12,704)**	**(30,276)**
Net finance costs recognised in profit or loss	**81,031**	**39,757**

12. Property, plant and equipment

’000 GEL	Gas and oil pipelines	Land and Buildings	Electricity Generating Unit	Oil wells	Plant and equipment	Other	CIP	Total
Opening net book amount as at 1 January 2022	**242,093**	**59,595**	**719,795**	**1,777**	**3,872**	**6,430**	**199,219**	**1,232,781**
Additions	-		-	-	-	1,092	4,689	5,782
Capitalised borrowing costs	-	-	-	-	-	-	374	374
Disposals	(69)	-	-	-	-	-	(78)	(148)
Depreciation for 6 months	(8,277)	(854)	(19,538)	(193)	(1,542)	(1,381)	-	(31,785)
Closing net book amount as at 30 June 2022	**233,747**	**58,741**	**700,257**	**1,584**	**2,330**	**6,141**	**204,204**	**1,207,004**

13. Prepayments

’000 GEL	**30 June 2022**	**31 December 2021**
Non-current assets		
Prepayments for non-current assets	2,828	2,828
Current assets		
Prepayments	206,210	103,039
	209,038	**105,865**

Non-current portion of prepayments mainly relates to advances paid for services to be provided in connection with construction of Gardabani 3 TPP.

Current portion of the prepayments balance were made mainly to South Caucasus Pipeline Option Gas Company Limited of GEL 194,531 thousand (31 December 2021: GEL 84,544 thousand) and to Azerbaijan Gas Supply Company Limited (AGSC) of GEL 4,514 thousand (31 December 2021: GEL 14,636 thousand) for the supply of gas.

14. Finance lease receivable

In 1996, the Government of Georgia entered into a 30-year arrangement with a consortium of oil companies that undertook the construction and development of an oil pipeline system from the Georgian-Azerbaijan state border to the Supsa oil terminal on the Georgian Black Sea coast. The arrangement granted the oil companies the right to transport oil across the territory of Georgia through a pipeline system that became the property of the Government of Georgia. The ownership of this pipeline was transferred to the Company in June-July 2010 as a contribution to the charter capital of the Company at a nominal value of GEL 269,299 thousand. In exchange for the oil companies using the pipeline, the Group receives a transit fee for each barrel of oil transported. Management has determined that the initial arrangement contained a finance lease at the inception date, as the lease agreement transferred substantially all of the risks and rewards incidental to ownership to the lessee.

The Group has recognized the finance lease receivable of GEL 39,229 thousand at the date when the title of the pipelines was transferred to the Group. The finance lease receivable is the present value of the net investment in the lease comprising the present value of the assets' unguaranteed residual value at the end of the lease term discounted at the interest rate implicit in the lease. The difference of GEL 230,070 thousand between the nominal and the present value of the net investment in the lease has been recognised in equity as a fair value adjustment for non-cash owner contributions.

	30 June	**31 December**
'000 GEL	**2022**	**2021**
Balance at the beginning of the year/date of title transfer	80,898	79,962
Unwinding of discount on finance lease receivable	2,565	936
Balance at the end of the period	**83,464**	**80,898**

Contingent rents related to oil transportation recognized in the consolidated statement of comprehensive income during six months of 2022 amounted to GEL 6,276 thousand (six months of 2021 GEL 14,137 thousand).

15. Loans given

	30 June	31 December
’000 GEL	**2022**	**2021**
Non-current assets		
Loan given to shareholder	20,583	20,790
Loan given to third party	189	200
Total non-current	**20,772**	**20,990**
Current assets		
Loan given to third party	6	13
	6	**13**
Total current	**20,778**	**21,003**

The loan given to the shareholder, JSC Partnership Fund, is an unsecured subordinated loan denominated in USD (USD 4,500 thousand) and bears a contractual interest rate of 9.5% per annum.

Per loan agreement, repayment of principal and accrued interest should be made on the later of 31 May 2021 or the date falling six months after all amounts owing by JSC Partnership Fund to Credit Suisse (lender of JSC Partnership fund) have been paid in full. JSC Partnership Fund covered its contractual liabilities toward Credit Suisse in September 2021, through refinancing it with a loan from Credit Europe Bank. Therefore, the loan agreement of the Company and JSC Partnership Fund was amended. Per amendment repayment of principal and accrued interest should be made on the later of 31 May 2024 or the date falling six months after all amounts owing by JSC Partnership Fund to Credit Europe Bank (new lender of JSC Partnership Fund) have been paid in full.

16. Trade and other receivables

’000 GEL	**June 30**	**December 31**
	2022	**2021**
Non-current assets		
Restructured receivables	12,767	12,056
Total non-current	**12,767**	**12,056**
Current assets		
Trade receivables	158,745	357,657
Restructured receivables	2,925	2,925
Other receivables	314	291
Total current	**161,984**	**360,873**
	174,751	**372,929**

17. Cash and cash equivalents balances

	30 June	31 December
’000 GEL	**2022**	**2021**
Bank balances	47,713	40,793
Call deposits	-	15,487
Cash and cash equivalents	**47,713**	**56,280**

Call deposits represent term deposits with banks, with maturities greater than three months from the acquisition date but for which the Group has the unilateral right to withdraw the deposits within a few days of providing notification without incurring penalties or significant loss of interest. Consequently, these term deposits have been classified in accordance with their nature which is that of a call deposit.

18. Equity

Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	30 June 2022	**31 December 2021**
Par value	GEL 20	GEL 20
On issue at 1 January	**32,313,000**	32,302,200
Issue of shares in exchange for non-cash assets	-	10,800
On issue at the reporting date	**32,313,000**	**32,313,000**

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

(a) Dividends and other distribution to shareholders

During 6 monthes of 2022 year Gardabani TPP LLC declared Dividends of GEL 18,000 thousand out of which GEL 5,000 thousand was paid to non-controlling interest holder JSC Partnership fund.

19. Loans and borrowings

	30 June	31 December
’000 GEL	**2022**	**2021**
Current liabilities		
Loan from EBRD	596,129	711,003
Loans from Georgian Banks	99,256	-
	695,385	**711,003**
	695,385	**711,003**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 June 2022		31 December 2021	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
EBRD loan	EUR	4.203%	2031	601,334	596,129	716,914	711,003
Loans from Georgian Banks	USD	6.75-8%	2022-2023	99,256	99,256		
Total interest-bearing liabilities				**700,590**	**695,385**	**716,914**	**711,003**

As a result of extensive negotiations with the EBRD, the Company signed a EUR 217 million 10-year unsecured loan agreement in September 2020 to refinance the amount payable on outstanding USD 250 million corporate Eurobond debt and accrued coupon.

The USD 250 million corporate Eurobond debt principal and coupon due was fully repaid in April 2021 by utilizing the loan facility from EBRD amounting to GEL 853,734 thousand.

In 2018 the Company signed a loan agreement of EUR 150 million with KfW for financing construction of first underground gas storage in Georgia.

In 2020, due to the financial difficulties caused by the outbreak of COVID -19 pandemic globally, the Ministry of Finance of Georgia issued a letter, dated 23 April, 2020, according to which, a decision has been made to redirect the unused loan facility from KFW, designated for construction of Underground Gas Storage, in the amount of EUR 120 million out of EUR 150 million, into the State Budget of Georgia in order to support government programs aimed at prevention of the pandemic and its impact.

Therefore, as at 31 December 2020 the loan agreement between the Company and KfW was revised and reduced from EUR 150 million to EUR 30 million. As at 31 December 2021 no tranche was withdrawn/utilized and the Company paid a commitment fee of GEL 204 thousand recognized in finance cost (2020: GEL 904 thousand). As at 31 December 2021 financial covenant related to Net Financial Debt to EBITDA was breached, subsequent to 31 December 2021 the Group obtained a waiver from the lender on this covenant.

As at 30 June 2022 the Company has unused credit lines from Georgian banks (credit line limits amounted to USD 48,000 thousand). For the date when these consolidated financial statements are authorized for issue both credit lines unused amount is USD 14,225 thousand.

As at 30 June 2022 financial covenants related to Interest Coverage Ratio and Net Financial Debt to EBITDA on the EBRD loan were breached, allowing the lender to request repayment on demand. Additionally, subsequent to the reporting date the Group breached non-financial covenant related to the timing of furnishing the lender with audited IFRS financial statements. The group is in process of obtaining a waiver.

20. Trade and other payables

'000 GEL	**June 30 2022**	**December 31 2021**
Trade payables	11,889	133,462
Payables for non-current assets	264	264
Other payables	320	752
Total payables	**12,474**	**134,478**

21. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated and separate financial statements as at and for the twelve months ended 31 December 2021.

22. Contingencies

(a) Insurance

The insurance industry in Georgia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

The taxation system in Georgia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are more significant than in other countries with more developed taxation systems. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized 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.

23. Related party transactions

(a) Control relationships

As at 30 June 2022 Georgian Oil and Gas Corporation JSC is wholly owned by Partnership Fund JSC. The ultimate controlling party of the Group is the Government of Georgia. The Group's parent company produces publicly available financial statements prepared in accordance with IFRSs.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs:

	Six months ended 30 June	
'000 GEL	**2022**	**2021**
Salaries and bonuses	**1,376**	**1,264**

(c) Other related party transactions

The Group transacts in its daily operations with a number of entities that are either controlled, jointly controlled or under significant influence of the Government of Georgia. The Group has opted to apply the exemption in IAS 24 *Related Party Disclosures* that allows the presentation of reduced related party disclosures regarding transactions with government-related entities.

Management estimates that the aggregate amounts of other income and expenses and the related balances with Government-related entities, except as disclosed below are not significant.

(i) Revenue

	Transaction value for the six months ended 30 June		Outstanding balance as at 30 June	Outstanding balance as at 31 December
'000 GEL	**2022**	**2021**	**2022**	**2021**
State controlled entities:				
Rent of pipelines	22,281	22,284	20,160	19,357
Income from electricity generation	152,236	126,093	29,854	64,132
	174,517	**148,377**	**50,014**	**83,489**

(ii) Expenses

	Transaction value for the six months ended 30 June		Outstanding balance as at 30 June	Outstanding balance as at 31 December
'000 GEL	**2022**	**2021**	**2022**	**2021**
State controlled entities:				
Transporation of gas	4,785	4,588	196	1,511
	4,785	**4,588**	**196**	**1,511**

(iii) Loans

	Transaction value for the six months ended 30 June		Outstanding balance as at 30 June	Outstanding balance as at 31 December
	Interest accrued		Outstanding balance	
'000 GEL	**2022**	**2021**	**2022**	**2021**
Loans given:				
Shareholder	1,002	960	20,583	20,790
	1,002	**960**	**20,583**	**20,790**

(iv) Prepayments

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
	Interest accrued		Outstanding balance	
'000 GEL	**2022**	**2021**	**2022**	**2021**
State controlled entities:				
Advances paid for non-current assets	-	2,826	2,826	2,826
	-	2,826	**2,826**	**2,826**

24. New standards and interpretations not yet adopted

Standards and interpretations

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group`s consolidated financial statements:

- _Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)._
- _Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)._
- _COVID-19-Related Rent Concessions (Amendment to IFRS 16)._
- _Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)._
- _Reference to Conceptual Framework (Amendments to IFRS 3)._
- _Classification of Liabilities as Current or Non-current (Amendments to IAS 1)._
- _IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts._
- _Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)._
- _Definition of Accounting Estimates (Amendments to IAS 8)._
- _Annual Improvements to IFRS Standards 2018–2020_