Partnership Fund JSC

Consolidated Financial Statements
for the year ended 31 December 2022

Contents

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Independent Auditors' Report

To the Supervisory Board of Patnership Fund JSC

Opinion

We have audited the consolidated financial statements of Partnership Fund JSC (the "Fund") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants 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.

Statement on Management Report

Management is responsible for the Management Report. Our opinion on the consolidated financial statements does not cover the Management Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We do not express any form of assurance conclusion on the Management Report. We have read the Management Report and based on the work we have performed, we conclude that the Management Report:

– is consistent with the consolidated financial statements and does not contain a material misstatement;
– contains the information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' 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 those charged with governance 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Nikoloz Chochua

KPMG Georgia LLC
Tbilisi, Georgia
3 October 2024

LIMITED LIABILITY COMPANY
KPMG
KPMG GEORGIA
404437695

’000 GEL	**Note**	**31 December 2022**	**31 December 2021 restated***	**1 January 2021 restated***
Assets				
Property, plant and equipment	9	118,582	3,223,579	3,279,711
Investment property	10	64,662	112,816	108,085
Prepayments for non-current assets	11	-	90,476	64,758
Investments in equity accounted investees	12	20,010	58,880	57,142
Finance lease receivable	13	-	80,898	79,962
Other investments		10,311	9,076	8,293
Loans receivable		3,002	8,071	9,364
Trade receivables	15	-	12,056	14,514
Exploration and evaluation assets		-	10,836	-
Other non-current assets	11	8,473	57,656	52,866
Non-current assets		**225,040**	**3,664,344**	**3,674,695**
Inventories		7,947	62,318	61,861
Loans receivable		612	204	2,074
Prepayments and other current assets	14	4,476	111,327	101,447
Trade receivables	15	-	374,610	275,048
Receivable from former subsidiary	20	57,770	-	-
Current tax assets		1,695	-	8,161
Dividends receivable		2,913	-	-
Term deposits		-	3,254	-
Cash and cash equivalents	16	35,534	301,144	466,887
Current assets		**110,947**	**852,857**	**915,478**
Total assets		**335,987**	**4,517,201**	**4,590,173**
Equity				
Share capital	17	100,000	100,000	100,000
Owner (distributions)/contribution	17	(55,159)	2,139,213	2,132,991
Retained earnings/(accumulated deficit)		145,356	(657,044)	(829,830)
Equity attributable to owners of the Company		**190,197**	**1,582,169**	**1,403,161**
Non-controlling interests		(1,130)	8,895	12,972
Total equity		**189,067**	**1,591,064**	**1,416,133**
Liabilities				
Loans and borrowings	18	9,852	1,656,069	1,759,498
Payable to former subsidiary	20	47,738	-	-
Advance received from the Government of Georgia		-	46,594	46,594
Payables for non-current assets	19	-	56,198	53,535
Non-current liabilities		**57,590**	**1,758,861**	**1,859,627**
Loans and borrowings	18	57,059	865,466	1,080,242
Trade and other payables	19	32,181	215,964	168,940
Payables for non current assets	19	-	55,148	41,006
Liabilities to the Government of Georgia		-	4,718	4,734
Provisions		90	16,856	19,491
Current tax liabilities		-	9,124	-
Current liabilities		**89,330**	**1,167,276**	**1,314,413**
Total liabilities		**146,920**	**2,926,137**	**3,174,040**
Total equity and liabilities		**335,987**	**4,517,201**	**4,590,173**

*The comparative information is restated on account of correction of errors. See Note 5.

The 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 9 to 54.

'000 GEL	Note	2022	2021 restated*
Continuing operations			
Revenue	7	25,737	33,455
Other investment income	20	40,190	-
Operating expenses		(15,655)	(27,849)
Wages and other employee benefits		(13,179)	(13,144)
Depreciation and amortisation		(13,818)	(13,033)
Share of loss of equity accounted investees	12	(32,884)	(1,814)
Other (expenses)/income		(1,844)	2,571
Impairment loss on loans receivable		(3,759)	(899)
Impairment loss on property, plant and equipment and investment property	9, 10	(47,112)	(2,880)
Impairment loss on investments in equity accounted investees	12	(6,260)	-
Results from operating activities		**(68,584)**	**(23,593)**
Finance income	8	39,934	23,165
Finance costs	8	(14,545)	(15,139)
Net finance income		**25,389**	**8,026**
Loss before income tax		**(43,195)**	**(15,567)**
Income tax expense		(343)	(866)
Loss from continuing operations		**(43,538)**	**(16,433)**
Profit from discontinued operation, net of tax	6	548,142	185,142
Profit and total comprehensive income for the year		**504,604**	**168,709**
Profit and total comprehensive income attributable to:			
Owners		514,629	172,786
Non-controlling interests		(10,025)	(4,077)
		504,604	**168,709**

*The comparative information is restated on account of correction of errors, see Note 5, and discontinued operations, see Note 6.

These consolidated financial statements were approved by management on 3 October 2024 and were signed on its behalf by:

Besik Buglanishvili
Chief Executive Officer

Ioseb Mamukelashvili
Chief Financial Officer

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 54.

’000 GEL	Note	2022	2021 restated*
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	Equity attributable to to owners of the Company					
'000 GEL	**Share capital**	**Owner contributions/ (distributions)**	**Retained earnings/ (accumulated deficit)**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2021 as previously reported	100,000	2,145,965	(832,508)	1,413,457	12,972	1,426,429
Impact of correction of errors	-	(12,974)	2,678	(10,296)	-	(10,296)
Balance at 1 January 2021* (restated)	100,000	2,132,991	(829,830)	1,403,161	12,972	1,416,133
Profit and total comprehensive income for the year* (restated)	-	-	172,786	172,786	(4,077)	168,709
Transactions with owners, recorded directly in equity						
Owner contributions (see note 17(b))	-	7,857	-	7,857	-	7,857
Withdrawal of non-cash assets	-	(1,635)	-	(1,635)	-	(1,635)
Balance at 31 December 2021	**100,000**	**2,139,213**	**(657,044)**	**1,582,169**	**8,895**	**1,591,064**
Balance at 1 January 2022	100,000	2,139,213	(657,045)	1,582,168	8,895	1,591,063
Profit and total comprehensive income for the year	-	-	514,629	514,629	(10,025)	504,604
Transactions with owners, recorded directly in equity						
Owner contributions (see note 17(b))	-	1,340	-	1,340	-	1,340
Withdrawal of non-cash assets (see note 17(b))	-	(2,195,712)	287,772	(1,907,940)	-	(1,907,940)
Balance at 31 December 2022	**100,000**	**(55,159)**	**145,356**	**190,197**	**(1,130)**	**189,067**

*The comparative information is restated on account of correction of errors. See Note 5.

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 9 to 54.

’000 GEL	Note	2022	2021
Cash flows from operating activities			
Profit for the year		505,591	134,902
Adjustments for:			
Depreciation and amortisation		134,818	143,412
Income tax expense		987	1,366
Net finance income/(costs)	8	(343,559)	32,664
Share of loss of equity accounted investees		32,884	1,814
Impairment loss/(recovery) on trade receivables		8,580	(261)
Impairment loss on loan receivables		3,759	529
Impairment loss on property, plant and equipment and investment property		47,112	7,867
Impairment loss on investments in equity accounted investees		6,260	33,705
Other investment income		(40,190)	-
Gain on disposal of property, plant and equipment			(4,192)
Financial assets at FVTPL – net change in fair value		435	(37)
Other non-cash items		(898)	12,896
		355,779	**364,665**
Changes in:			
Inventories		6,463	(2,380)
Trade receivables and prepayments and other current assets		(180,008)	(131,600)
Trade and other payables		191,646	62,816
Taxes other than on income		(19,098)	17,285
Provisions		(309)	(2,635)
Cash flows from operations before income taxes and interest paid		**354,473**	**308,151**
Interest paid	18(b)	(90,951)	(224,782)
Income tax paid		(987)	(866)
Net cash from operating activities		**262,535**	**82,503**
Cash flows from investing activities			
Interest received		41,064	28,909
Repayment of loans issued		-	800
Acquisition of exploration and evaluation assets		-	(9,170)
Acquisition of property, plant and equipment and changes in prepayments for non-current assets and other non-current assets		(144,638)	(102,532)
Proceeds from sale of property, plant and equipment		7,383	2,902
Acquisition of investments in equity accounted investees	12	(274)	(3,552)
Placement of term deposit		(817)	(3,254)
Increase in other investments		(1,670)	(1,263)
Disposal of discontinued operations		(359,284)	-
Net cash used in investing activities		**(458,236)**	**(87,160)**
Cash flows from financing activities			
Proceeds from borrowings	18(b)	205,819	2,741,133
Repayment of borrowings	18(b)	(267,885)	(2,793,616)
Premium on early redemption of issued bonds		-	(115,686)
Other fee on loans		(230)	(10,606)
Net cash used in financing activities		**(62,296)**	**(178,775)**
Net decrease in cash and cash equivalents		**(257,997)**	**(183,432)**
Cash and cash equivalents at 1 January		301,144	466,887
Effect of movements in exchange rates on cash and cash equivalents		(7,613)	17,689
Cash and cash equivalents at 31 December	16	**35,534**	**301,144**

The consolidated statement of cash flow is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 54.

1. Reporting entity

(a) 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 military conflict in Ukraine in 2022 have 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.

(b) Organisation and operations

The Partnership Fund JSC (the "Fund") is a joint stock company domiciled in Georgia. The consolidated financial statements include financial statements of the Fund and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and joint ventures. All significant Group entities are Georgian joint stock and limited liability companies as defined in the "Law of Georgia on Entrepreneurs" and are disclosed in notes 1(c) and 22.

The Fund was established on 28 June 2011 as a wholly state-owned enterprise based on the "Law of Georgia on Partnership Fund JSC". The Fund is a specialised public sector entity established by the State of Georgia, governed by the Supervisory Board chaired by the Prime Minister of Georgia. It was created to support investments in less developed industries of the Georgian economy and to create new employment opportunities in the country.

The Fund's principal activity is to provide equity and debt financing to private and public sector companies operating in Georgia with priority for projects in the energy, agriculture, manufacturing and real estate sectors. The main sources of income are expected to come from dividends.

Till the end of 2022, the principal activities of the Group entities were the import and sale of gas, rental of gas and oil pipelines, oil and gas exploration and extraction, electricity generation, operation of a nationwide railway system providing freight and passenger transportation services and transmission. After withdrawal of the significant subsidiaries from the ownership, principal activities of the Group are related to investing in start-up entities, hospitality and sales of composite aerostructure materials.

The Fund obtained control over the significant subsidiaries following the decrees issued by the Government of Georgia dated 30 July 2012 and 14 August 2012, pursuant to which 100% of ownership interests in Georgian State Electrosystem JSC, Electricity System Commercial Operator JSC and the remaining shares in former associates Georgian Oil and Gas Corporation JSC and Georgian Railway JSC were contributed by the Government of Georgia into the capital of the Fund. However, according to the decision issued on 28 February 2020 by the Government of Georgia, the Government of Georgia reduced the Fund's capital by transferring its ownership interest (100% of shares) in Georgian State Electrosystem JSC and Electricity System Commercial Operator JSC to the Government of Georgia (Ministry of Economy and Sustainable Development of Georgia). Additionally, by decision issued on 29 November 2022, the Government of Georgia further reduced the Fund's capital by transferring its 100% ownership interest in Georgian Oil and Gas Corporation JSC and Georgian Railway JSC to the Government of Georgia.

The Fund's registered office is 6 Vukol Beridze street, 0108, Tbilisi, Georgia and the Fund's registration number is #404404550.

The Fund is wholly owned by the State of Georgia represented by the Government of Georgia (the "Parent", "Owner"). Related party transactions are detailed in note 24.

(c) Group structure

As at 31 December 2022 and 2021 the Fund has direct and indirect ownership interests in the following entities:

Name	Country of incorporation and operation	2022 Ownership/ voting	2021 Ownership/ voting	Principal activities
Georgian Oil and Gas Corporation JSC and its subsidiaries				
Georgian Oil and Gas Corporation JSC	Georgia	-	100%	Oil and gas sales, extraction and exploration and rent of pipelines
Gardabani TPP LLC	Georgia	-	100%	Operation of a combined cycle power plant (CCPP)
Gardabani 2 TPP LLC	Georgia	-	100%	Operation of a combined cycle power plant (CCPP)
Gardabani 3 TPP LLC	Georgia	-	100%	Operation of a combined cycle power plant (CCPP)
Georgian Gas Storage Company LLC	Georgia	-	100%	Construction and operation of underground gas storage
GOGC Trading SA	Switzerland	-	100%	Trade of crude oil, petroleum products, petrochemicals and other commodities
Georgian Natural Gas Transmission Network Owner LLC	Georgia	-	100%	Ownership of natural gas transmission network ownership
Georgian Gas Exchange LLC	Georgia	-	50%	Natural gas market operator
Georgian Railway JSC and its subsidiaries				
Georgian Railway JSC	Georgia	-	100%	Railroad transportation
GR Property Management LLC	Georgia	-	100%	Property Management and development
GR Logistics and Terminals LLC	Georgia	-	100%	Container transportation and terminal services
Georgian Railway Construction JSC	Georgia	-	100%	Construction and other projects
Georgia Transit LLC	Georgia	-	100%	Transportation services
GR Transit LLC	Georgia	-	100%	Transportation services
GR Transit Line LLC	Georgia	-	100%	Transportation services
GR Trans Shipment LLC	Georgia	-	100%	Transportation services
Project LLC	Georgia	100%	100%	Manufacture of spare parts for airplanes
Aerostructure Technologies Cyclone JSC	Georgia	66%	66%	Manufacture of spare parts for airplanes
Tbilisi Logistics Center LLC and its subsidiaries				
Tbilisi Logistics Center LLC	Georgia	100%	100%	Food services
Fruit and Vegetable Export Company LLC	Georgia	100%	100%	Export of fruit and vegetables
Georgian Product LLC	Georgia	100%	100%	Tourism development

Name	Country of incorporation and operation	2022 Ownership/ voting	2021 Ownership/ voting	Principal activities
Black Sea Port LLC	Georgia	100%	100%	Construction and operation of a port
Lagodekhi Trading Company LLC	Georgia	100%	100%	Construction and leasing out of a shopping mall in Lagodekhi
Rukhi Trading Center LLC	Georgia	100%	100%	Construction and leasing out of a shopping mall
Start-up Georgia LLC	Georgia	100%	100%	Venture capital
Imereti Greenery LLC	Georgia	100%	100%	Agriculture/farming
Caucasus Clean Energy I, LLP	United Kingdom	8%	8%	Investment fund
Georgian Industrial and Regional Development Company LLC	Georgia	100%	100%	Investment fund, providing investments in regional developments in Georgia
Likani Residence LLC	Georgia	100%	100%	Renovation of Romanov Palace in Likani
Global Brand LLC	Georgia	100%	100%	Wine export to USA
Infrastructure Development Partnership Company LLC	Georgia	100%	100%	Providing investments in Anaklia Port Project
Tsinandali Estates LLC	Georgia	33.43%	33.43%	Hotel and spa resort in village Tsinandali
Gazelle Fund LP	Canada	29.11%	29.11%	International investment company represented in Georgia and Armenia
Partnership Fund - Green Development LLC and its subsidiaries				
Partnership Fund - Green Development LLC	Georgia	100%	100%	Real estate development
Gino Green City Corporation LLC	Georgia	49%	49%	Real estate development
East West Bridge LLC and its subsidiaries				
East West Bridge LLC	Georgia	100%	100%	Ownership of investment fund
Georgian National Construction Fund Company LLC	Georgia	49%	49%	Dormant
Nenskra Hydro JSC	Georgia	7.38%	7.54%	Development, construction and operation of hydroelectric power plant in Svaneti, Georgia
Caucasian SUS Heritage LLC	Georgia	49.90%	49.90%	Hog farm
Nenskra JSC	Georgia	100%	100%	Construction and operation of hydroelectric power plant
Borjomi Likani International JSC	Georgia	100%	100%	Construction and operation of a hotel
New Technology Impex LLC	Georgia	10%	10%	Dormant
Georgian Natural Products LLC	Belarus	100%	100%	Export of wine and agricultural products
Peace Fund for Better Future NCLE	Georgia	33.33%	33.33%	Investment company

All of the Fund's significant subsidiaries and equity accounted investees are Georgian joint stock and limited liability companies as defined in the "Law of Georgia on Entrepreneurs".

2. Basis of accounting

(a) Statement of compliance

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

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the functional currency of the Fund and of all significant Group entities and the currency in which these consolidated financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousand, except when otherwise indicated.

4. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 is included in the following notes:

- Note 9(a) – impairment of property, plant and equipment;
- Note 10 – impairment of investment property;
- Note 12 – impairment of investments in equity-accounted investees.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 9(a) – impairment of property, plant and equipment: key assumptions underlying recoverable amounts
- Note 10 – impairment of investment property: key assumptions affecting the valuation of investment property;
- Note 12 – impairment of investment in equity accounted investees: key assumptions affecting the valuation of investment in subsidiaries and equity accounted investees.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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 fair value measurement of financial assets and liabilities is included in note 21(a) – fair values of financial assets and liabilities.

5. Correction of errors

(i) Investment in equity accounted investee – classification

During the preparation of the 2022 consolidated financial statements, the Fund decided to correct erroneous classification of investment in Caucasus Clean Energy I, L.P., which was not in accordance with the recognition criteria for equity-accounted investees under IAS 28 "Investments in Associates and Joint Ventures." Specifically, the Fund did not exercise significant influence over Caucasus Clean Energy I, L.P. and, therefore, did not meet the criteria required for equity method accounting. Previously management of the Fund considered misstatement as immaterial, hence it was not corrected in consolidated financial statements in prior years. However, with transfer of significant subsidiaries to the Government of Georgia (see Note 1), the previously uncorrected misstatement has become material. The previously issued consolidated financial statements as at 31 December 2021 and the opening balances as at 1 January 2021 overstated the balance of the investment in the equity-accounted investee and understated balance of investments. Consequently, the consolidated financial statements for the prior periods have been restated to correct the error.

(ii) Property, Plant and Equipment – depreciation

During the preparation of the 2022 consolidated financial statements, the Fund discovered that in prior periods, depreciation expense was incorrectly recognized on construction in progress. As a result, the balances of property and equipment was understated and accumulated losses overstated as at 31 December 2021 and 1 January 2021. In preparing these consolidated financial statements the Fund corrected comparative information.

(iii) Omission of investment property

During preparation of 2022 consolidated financial statements, the Fund discovered that it has not accounted for investment property, which was contributed to the capital of the Fund by the Government of Georgia during 2020. As a result, balance of the investment property and owner contribution as at 31 December 2021 and 1 January 2021 was understated. As a result, the consolidated financial statements for the prior periods have been restated.

(iv) Correction of classification and carrying amount of investment property

During preparation of 2022 consolidated financial statements, the Fund discovered that property located in Kutaisi did not meet the classification criteria for property and equipment, as it was held for long-term capital appreciation. Additionally, the Fund identified that at initial recognition the fair value of the property was not determined appropriately, hence the balance of aforementioned property was overstated as at 31 December 2021 and 1 January 2021. As a result, the consolidated financial statements for the prior periods have been restated.

(v) Investment in equity accounted investee – impairment

During 2022, the Fund discovered that impairment loss on its investment in Nenskra Hydro JSC was incorrectly recognized in the consolidated financial statements as at and for the year ended 31 December 2021. Consequently, the carrying amount of the investment in the equity accounted investees was understated by GEL 33,705 thousand, and accumulated losses overstated by the same amount as at 31 December 2021. In these consolidated financial statements the error has been corrected by restating each of the affected financial statement line items for prior periods.

Consolidated statement of financial position

’000 GEL 1 January 2021	As previously reported	Investment in equity accounted investee - classification	Property, Plant and Equipment - depreciation	Omission of investment property	Correction of classification and carrying amount of investment property	As restated
Assets						
Property, plant and equipment	3,295,897	-	109	-	(16,285)	3,279,721
Investment property	103,457	-	-	2,354	2,274	108,085
Investments in equity accounted investees	64,182	(7,040)	-	-	-	57,142
Other investments	-	8,293	-	-	-	8,293
Non-current assets	**3,684,990**	**1,253**	**109**	**2,354**	**(14,011)**	**3,674,695**
Total assets	**4,600,468**	**1,253**	**109**	**2,354**	**(14,011)**	**4,590,173**
Equity						
Owner (distributions)/contribution	2,145,965	-		2,354	(15,328)	2,132,991
Retained earnings/(accumulated deficit)	(832,509)	1,253	109	-	1,317	(829,830)
Total equity	**1,426,428**	**1,253**	**109**	**2,354**	**(14,011)**	**1,416,133**
Total equity and liabilities	**4,600,468**	**1,253**	**109**	**2,354**	**(14,011)**	**4,590,173**

’000 GEL 31 December 2021	As previously reported	Reversal of impairment of equity accounted investee – JSC Nenskra Hydro	Investment in equity accounted investee - classification	Property, Plant and Equipment - depreciation	Omission of investment property	Correction of classification and carrying amount of investment property	As restated
Assets							
Property, plant and equipment	3,239,072	-	-	438	-	(15,931)	3,223,579
Investment property	108,251	-	-	-	2,316	2,249	112,816
Investments in equity accounted investees	33,515	33,705	(8,340)	-	-	-	58,880
Other investments	-	-	9,076	-	-	-	9,076
Non-current assets	**3,640,832**	**33,705**	**736**	**438**	**2,316**	**(13,683)**	**3,664,344**
Total assets	**4,493,689**	**33,705**	**736**	**438**	**2,316**	**(13,683)**	**4,517,201**
Equity							
Owner (distributions)/contribution	2,152,187	-	-	-	2,354	(15,328)	2,139,213
Retained earnings/(accumulated deficit)	(693,531)	**33,705**	736	438	(38)	1,645	(657,045)
Total equity	**1,567,552**	**33,705**	**736**	**438**	**2,316**	**(13,683)**	**1,591,064**
Total equity and liabilities	**4,493,689**	**33,705**	**736**	**438**	**2,316**	**(13,683)**	**4,517,201**

Consolidated statement of profit or loss and other comprehensive income

'000 GEL		Impact of correction of error					
For the year ended 31 December 2021	**As previously reported**	**Reversal of impairment of equity accounted investee – JSC Nenskra Hydro**	**Investment in equity accounted investee - classification**	**Property, Plant and Equipment - depreciation**	**Omission of investment property**	**Correction of classification and carrying amount of investment property**	**As restated**
Impairment loss on investments in equity-accounted investees	(33,705)	33,705	-	-	-	-	-
Share of losses of equity accounted investees	(1,777)	-	(37)	-	-	-	(1,814)
Other (expenses)/income	-	-	(480)	-	-	-	(480)
Depreciation and amortisation	(143,412)	-	-	328	(38)	330	(142,792)
Profit/(loss) and total comprehensive income for the year	**134,901**	**33,705**	**(517)**	**328**	**(38)**	**330**	**168,710**

There is no impact on the Group's total operating, investing, or financing cash flows for the year ended 31 December 2021.

6. Discontinued operation

According to the decision issued on 29 November 2022 by the Government of Georgia, Government of Georgia reduced the Group's equity by transferring the ownership (100% of shares) of Georgian Oil and Gas Corporation JSC and Georgian Railway JSC to the Government of Georgia.

Above-mentioned subsidiaries were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operations separately from continuing operations.

(a) Results of discontinued operation

'000 GEL	**2022**	**2021**
Revenue	1,875,739	1,662,476
External revenue	**1,875,739**	**1,662,476**
Expenses	(1,664,547)	(1,457,858)
External expense	**(1,664,547)**	**(1,457,858)**
Other income	19,423	21,714
Results from operating activities	**230,615**	**226,332**
Net finance income/(costs)	313,386	(36,047)
Elimination of inter-group finance income/(cost)	4,785	(4,643)
Profit before income tax	**548,786**	**185,642**
Income tax expense	(644)	(500)
Profit from discontinued operations, net of tax	**548,142**	**185,142**

(b) Cash flows from discontinued operations

'000 GEL	**2022**
Net cash from operating activities	268,848
Net cash used in investing activities	(100,406)
Net cash used in financing activities	38,075
Effect of exchange rate fluctuations on cash and cash equivalents	(10,385)
Net cash flows for the year	**196,132**

(c) Effect of disposal on the financial position of the Group

'000 GEL	**2022**
Property, plant and equipment	(3,020,088)
Prepayment for non-current assets	(186,470)
Other receivable	(46,481)
Finance lease receivable	(85,935)
Loans receivable	(184)
Trade receivables	(512,918)
Exploitation and evaluation asset	(10,836)
Other non-current assets	(2,301)
Inventory	(50,045)
Prepayments and other current assets	(161,447)
Current tax assets	(8,303)
Cash and cash equivalents	(359,284)
Loans and borrowings	1,999,707
Advances received from the GoG	46,594
Other non-current liabilities	30,242
Trade and other payables	438,878
Liabilties to GoG	4,712
Provisions	16,218
Net assets and liabilities	**(1,907,941)**
Cash and cash equivalents disposed of	(359,284)
Net cash outflows	**(359,284)**

7. Revenue

’000 GEL	**2022**	**2021 (restated)**
Revenue from hospitality services	14,221	13,019
Sales of composite aerostructure parts	10,203	19,348
Other revenue from contracts with customers	1,313	1,088
	25,737	**33,455**

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by the primary geographical markets, the major revenue streams and timing of revenue recognition.

’000 GEL	**Revenue from hospitality services**		**Sale of composite aerostructure parts**		**Other revenue from contracts with customers**		**Total**	
Primary geographical markets	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Domestic	14,221	13,019	10,203	19,348	566	568	24,990	32,935
Foreign	-	-	-	-	747	520	747	520
Total	**14,221**	**13,019**	**10,203**	**19,348**	**1,313**	**1,088**	**25,737**	**33,455**

(b) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Revenue from hospitality services – includes room revenue, food and beverage revenue and other revenue. Room revenue is recognised at a point in time when the goods have been accepted by customers. The Group recognizes revenue when it transfers control at a point in time for the sale of goods and over time for the provision of services, however services are provided in an insignificantly short period of time. Revenues are recognized in contractual consideration, net of value added tax charged to customers. Food and beverage revenue is recognised at a point in time when the goods have been accepted by customers. The Group recognizes revenue when it transfers control at a point in time for the sale of goods and over time for the provision of services, however services are provided in an insignificantly short period of time. Revenues are recognized in contractual consideration, net of value added tax charged to customers. Other rvenue from hospitality services is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on the works completed, however services are provided in an insignificantly short period of time. Revenues are recognized in contractual consideration, net of value added tax charged to customers.

Sales of composite aerostructure parts – Sale of composite aerorsturcture parts revenue is recognised at a point in time when sale has been made and control over the goods is transferred. Revenue is recognised when the Group satisfies the performance obligation, i.e. at a point in time when the control over the goods has passed to the customer, generally on delivery of the goods.

Other revenue from contracts with customers - Other revenue is recognised at a point in time when sale has occurred and control over the goods was transferred. Revenue is recognised at a point in time when the goods have been accepted by customers at the Group`s warehouse.

8. Finance income and finance costs

’000 GEL	**2022**	**2021 (restated)**
Recognised in profit or loss		
Net foreign exchange gain	34,637	19,430
Interest income under the effective interest method	5,297	3,735
Finance income	**39,934**	**23,165**
Interest expense on financial liabilities measured at amortised cost	(13,161)	(15,139)
Modification loss on financial instruments	(1,384)	-
Finance costs	**(14,545)**	**(15,139)**
Net finance income recognised in profit or loss	**25,389**	**8,026**

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

9. Property, plant and equipment

’000 GEL	Lands, buildings and constructions	Rail track infrastructure	Electricity generating unit	Gas and oil pipelines	Oil wells	Transport, machinery, equipment and other	Under construction and uninstalled equipment*	Total
Cost or deemed cost								
Balance at 1 January 2021	763,657	1,019,853	948,317	430,955	29,839	1,195,716	1,499,827	5,888,164
Impact of restatement	-	-	-	-	-	(17,701)	-	(17,701)
Balance at 1 January 2021, restated	763,657	1,019,853	948,317	430,955	29,839	1,178,015	1,499,827	5,870,463
Additions	9,333	472	5,247	-	-	6,569	71,586	93,207
Disposals and write-offs	(2,889)	(4,441)	-	-	-	(642)	(629)	(8,601)
Transfers/Reclassification	17,960	13,067	(17,465)	-	-	8,989	(22,551)	-
Balance at 31 December 2021	**788,061**	**1,028,951**	**936,099**	**430,955**	**29,839**	**1,192,931**	**1,548,233**	**5,955,069**
Balance at 1 January 2022	788,061	1,028,951	936,099	430,955	29,839	1,192,931	1,548,233	5,955,069
Additions	1073	62	1,132	-	-	24,987	57,103	84,357
Disposals and write-offs	-	(9,662)	-	(69)		(4,641)	(3,580)	(17,952)
Loss of subsidiary control	(6,991)	-	-	-	-	(107)	(1,489)	(8,587)
Transfers/Reclassification	1,231	100,817	958	20,092	-	10,980	(134,078)	-
Disposal of ownership interest in subsidiary	(745,241)	(1,120,168)	(938,189)	(450,978)	(29,839)	(1,092,698)	(1,451,351)	(5,828,464)
Balance at 31 December 2022	**38,133**	**-**	**-**	**-**	**-**	**131,452**	**14,838**	**184,423**
Depreciation and impairment losses								
Balance at 1 January 2021	251,868	650,016	117,679	169,091	27,663	772,334	603,627	2,592,278
Impact of restatement	-	-	-	-	-	(1,526)	-	(1,526)
Balance at 1 January 2021, restated	251,868	650,016	117,679	169,091	27,663	770,808	603,627	2,590,752
Depreciation for the year	3,911	30,093	47,291	19,422	386	37,465	-	138,568
Disposals and write offs	(685)	(4,612)	-	-	-	(400)	-	(5,697)
Impairment	-	-	-	-	-	132	7,735	7,867
Reallocation of depreciation and impairment	1,132	639	(1,136)	-	-	11	(646)	-
Balance at 31 December 2021	**256,226**	**676,136**	**163,834**	**188,513**	**28,049**	**808,016**	**610,716**	**2,731,490**
Balance at 1 January 2022	256,226	676,136	163,834	188,513	28,049	808,016	610,716	2,731,490
Depreciation for the year	3,727	33,746	42,381	10,463	386	39,046	-	129,749
Disposals and write offs	-	(8,086)	-	(30)	-	(314)	(266)	(8,696)
Impairment	-	-	-	-	-	21,674	-	21,674
Disposal of ownership interest in subsidiary	(259,953)	(701,796)	(206,215)	(198,946)	(28,435)	(805,461)	(607,570)	(2,808,376)
Balance at 31 December 2022	**-**	**-**	**-**			**62,961**	**2,880**	**65,841**
Carrying amounts								
At 1 January 2021	511,789	36,9837	830,638	261,864	2,176	407,207	896,200	3,279,711
At 31 December 2021	**531,835**	**352,815**	**772,265**	**242,442**	**1,790**	**384,915**	**937,517**	**3,223,579**
At 31 December 2022	**38,133**	**-**	**-**	**-**	**-**	**68,491**	**11,958**	**118,582**

(a) Impairment of property, plant and equipment (*Aerostructure Technologies Cyclone JSC*)

As at 31 December 2022, the management analyzed impairment indicators (external and internal) according to IAS 36 and concluded that there is a need to perform an impairment test because of the significant changes in market trends during 2022. The management performed impairment test at 31 December 2022. As a result of impairment testing carried out by the management, an impairment loss of GEL 21,674 thousand was recognized by the Group, due to the significant decline in the volumes sold.

The following main key assumptions are used in the estimation of the recoverable amount:

- Cash flows are projected based on actual operating results and cash flow projections for 10 years and a terminal growth rate thereafter.
- Volumes are projected based on the budgeted quantities during 2023. Sales volumes from 2024 to 2026 align with the business plan's revenue projections. From 2027 onwards, revenue forecasts are in line with the dynamics of Global Commercial Fleet Growth, considering the forecasted inflation rate dynamics.
- Capital expenditures for both maintenance and expansion were forecasted based on the business plan for the period of 2023-2028. In the forecast period of 2029-2033 capital expenditures for maintenance were projected as the percentage of revenue based on the average ratio of 2023-2028. In the terminal period, capital expenditures were assumed at the level of RCN/NUL adjusted to cumulative CPI US inflation.
- A pre-tax discount rate of 15.27% is applied in determining the recoverable amount of the investment. The discount rate reflects the required rate of return for the cash flows on the invested capital of similar companies denominated in USD. The long-term growth rate for the terminal period approximates the long-term inflation forecast for USD, which is 2.12%.

The key assumptions to which the impairment indicator analysis is most sensitive include:

- Discount rate – An increase of 1% point in the discount rate used would have resulted in an additional impairment of GEL 5,987 thousand. The analysis assumes that all other variables remain constant.
- Volume decrease – A decrease of 5% in the sale volumes projection used would resulted in an additional impairment of GEL 10,398 thousand. The analysis assumes that all other variables remain constant.
- Terminal growth – A decrease of 1% point in the terminal growth rate would resulted in an additional impairment of GEL 2,085 thousand. The analysis assumes that all other variables remain constant.

(b) Security

At 31 December 2022, property, plant and equipment (land plots and other items) with a carrying amount of GEL 106,769 thousand (2021: GEL 121,614 thousand) are pledged as a security against loans and borrowings from local Georgian banks (see note 18).

(c) Disposal of ownership interest in subsidiary

During 2022, pursuant the decision of the Government of Georgia, owner contribution of the Fund was reduced by transferring ownership of Georgian Railway JSC (100% of shares) and Georgian Oil and Gas Corporation JSC (100% of shares) to the Government of Georgia. Consequently, as a result of the aforementioned transaction, carrying amount of the property, plant and equipment was reduced by GEL 3,020,088 thousand.

(d) Loss of subsidiary control

In August 2022, bankrapcy procedures began for Imerety Greenery LLC, after which the Group lost control. Consequently carrying amount of the property, plant and equipment was reduced by GEL 8,587 thousand.

10. Investment property

’000 GEL	2022	2021 (restated)
Balance at 1 January, as previously reported	112,816	103,457
Impact of restatement	-	4,628
Balance at 1 January, restated	112,816	108,085
Additions	864	6,331
Depreciation for the year	(63)	(62)
Impairment	(25,438)	-
Disposals	(23,517)	(1,538)
Balance at 31 December	**64,662**	**112,816**

Additions in 2022 comprise capital contributions of land plots with a fair value of GEL 864 thousand (2021: capital contributions of land and buildings with a fair value of GEL 6,331 thousand).

As at 31 December 2022 and 2021, investment property is represented by lands, building and properties under construction, which held for undetermined future use.

(a) Fair value of investment property

As at 31 December 2022 management estimated the fair values of investment properties. The fair value of investment property was determined by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued. Management recognized impairment loss of GEL 25,438 thousand for the investment properties for which carrying amount as at 31 December 2022 exceeded respective fair values.

Independent valuator determined fair value for investment properties with carrying amount of GEL 64,662 thousand to amount to GEL 115,850 thousand, which has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The following table shows the valuation techniques used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Property	Valuation technique
Land and Building located in Georgia.	Fair value was determined based on announced asking prices of similar properties in the similar location and physical condition. The significant unobservable inputs related to the differences in the characteristics of the lands and buildings, such as size, location, access to the property and discount achieved through negotiation, for which the management applied 0%-35% adjustments to observed asking prices.

As at 31 December 2021, management estimated that carrying values of investment properties are reasonable approximation of their fair values.

11. Prepayments for non-current assets and other non-current assets

’000 GEL	31 December 2022	31 December 2021
Prepayments for construction of railway infrastructure*	-	87,650
Other prepayments for non-current assets	-	2,826
Total prepayments for non-current assets	**-**	**90,476**
Construction materials for railway infrastructure	-	35,058
Intangible assets	8,473	20,386
Other	-	2,212
Total other non-current assets	**8,473**	**57,656**

*Prepayments for construction of railway infrastructure are mainly related to Tbilisi Bypass project, which was suspended as at 31 December 2021.

12. Investments in equity accounted investees

’000 GEL	**2022**	**2021 (restated)**
Balance at 1 January, restated	**58,880**	**57,142**
Capital contributions	274	3,552
Fund’s share of losses of equity accounted investees (net of income tax) recognized in profit or loss	(32,884)	(1,814)
Impairment loss	(6,260)	-
Balance at 31 December	**20,010**	**58,880**

None of the Group’s equity accounted investees are publicly listed entities and consequently do not have published price quotations.

Following table describes details of the Group’s investments in equity accounted investees’ movements during 2022. Investments in equity accounted investees presented in note 1(c) that have not been disclosed in the below table represent dormant entities that do not carry out business activities and do not generate any form of revenue.

Associate	Ownership 2022	Ownership 2021	Business activity	'000 GEL Balance as at 31 December 2021 (restated)	'000 GEL Contributions	'000 GEL (Loss)/Profit attributable to the Fund	'000 GEL Impairment loss	'000 GEL Balance as at 31 December 2022
Nenskra Hydro JSC	7.38%	7.54%	Development, construction and operation of hydroelectric power plant in Svaneti, Georgia	33,705	-	(29,496)	(4,209)	-
Tsinandali Estates LLC	33.43%	33.43%	Hotel and spa resort in village Tsinandali	9,223	-	(1,032)	-	8,191
Gazzele Fund LP	29.11%	29.11%	International investment company represented in Georgia	15,257	274	(2,384)	(2,051)	11,096
Caucasian SUS Heritage LLC	49.9%	49.9%	Hog farm	695	-	28	-	723
				58,880	**274**	**(32,884)**	**(6,260)**	**20,010**

Associate	Ownership 2021	Ownership 2020	Business activity	'000 GEL Balance as at 31 December 2020 (restated)	'000 GEL Contributions	'000 GEL (Loss)/Profit attributable to the Fund	'000 GEL Impairment loss	'000 GEL Balance as at 31 December 2022
Nenskra Hydro JSC	7.54%	8.07%	Development, construction and operation of hydroelectric power plant in Svaneti, Georgia	34,706	-	(1,001)	-	33,705
Tsinandali Estates LLC	33.43%	33.43%	Hotel and spa resort in village Tsinandali	11,382	-	(2,159)	-	9,223
Gazzele Fund LP	29.11%	29.11%	International investment company represented in Georgia	10,719	3,552	986	-	15,257
Caucasian SUS Heritage LLC	49.9%	49.9%	Hog farm	335	-	360	-	695
				57,142	**3,552**	**(1,814)**	**-**	**58,880**

Despite the fact that the Group held less than 20 percent of the voting power in Nenskra Hydro JSC (the Entity), the management of the Group concluded that due to meaningful representation on the governing body of the Entity (the Supervisory Board of the Entity is composed of 6 members, out of which four members are nominated by K-water and two members by the Group), the Group has the power to participate in the Entity's financial and operating policy decisions and thus had the ability to exercise significant influence over the Entity as at 31 December 2022 and 2021.

(a) Impairment of investment in Nenskra Hydro JSC

At each reporting date, the Group assesses whether there is any indication that the recoverable amount of the investment in Nenskra Hydro JSC has declined below the carrying amount or previously recognized impairment loss is subject to reversal.

On 12 December 2022, the Government of Georgia officially requested from the Nenskra Hydro JSC to decrease energy rate by circa 13% compared to the energy rate that was the highest one that the Fund assumed for the base scenario, as set forth in the Implementation Agreement executed on 31 August 2015, as amended and restated in 2017. Decrease in the energy rate significantly deteriorated profitability of the Project and the management concluded that latter was an impairment indicator. As at 31 December 2022, impairment testing was carried out by the Group. Recoverable amount of the cash generating unit (CGU) was based on its value in use amounting to negative GEL 60,845 thousand (equivalent to USD 22,500 thousand), determined by independent valuer by discounting future cash flows to be generated by the CGU. Fair value less costs of disposal of the CGU was determined to approximate nil, considering the fact that as at 31 December 2022 it is not expected that existing assets, representing mainly Project-specific expenditures capitalized to CIP, are capable of generating future economic benefits, either individually or in combination with other non-current assets. The events and circumstances resulting in recognition of impairment are mostly attributable to the reduction in the energy rate and postponing of the first period of generation, as stipulated by Side Agreement terms negotiated during 2022.

The following key assumptions were used in the estimation of the recoverable amount as at 31 December 2022:

- After-tax cash flows were projected over the forecast period of 54 years and assumes that the HPP will start operations in July, 2028;
- Electricity generation forecasts were based on the results of the technical reports prepared by the Nenskra Hydro JSC's technical advisor, which indicated the total monthly generation and total monthly losses;
- Projected starting energy tariff was set to equal the new energy rate which was under negotiation with GoG as of 31 December 2022 (and was subsequently formally agreed through a Side Agreement later in May, 2023). Impairment model assumes escalation rate of 3% per annum over 15 years starting from the first full generation period;
- An after-tax discount rate of 8.88% is applied in determining the recoverable amount of the CGU. The discount rate reflects the required rate of return for the cash flows on the invested capital of companies operating in similar industries and is denominated in USD;
- CAPEX represents expansionary CAPEX for the years 2023-2028 and maintenance CAPEX is expensed for the entire projection period, with major CAPEX capitalized in 2053. In addition, additional major CAPEX was considered in the terminal period as an adjustment to the terminal value; and
- The terminal growth rate was assessed at 2%.

The key assumptions, to which the impairment analysis is most sensitive to, include:

- Discount rate - a decrease of 1.2% in the discount rate would have resulted in the recoverable amount to be equal to the carrying amount of the CGU. The analysis assumes that all other variables remain constant.
- Tariff rate - an increase in the revised energy rate by 22% would have resulted in recoverable amount to be equal to the carrying amount of the CGU. The analysis assumes that all other variables remain constant.

13. 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 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 that pipeline system that became the property of the Government of Georgia. The ownership of this pipeline was transferred to the Georgian Oil and Gas Corporation in June-July 2010 in the form of contribution to the charter capital. 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 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.

'000 GEL	**2022**	**2021**
Finance lease receivable at 1 January	80,898	79,962
Unwinding of discount on finance lease receivable	5,036	936
Disposal of ownership interest in subsidiary	(85,934)	
Finance lease receivable at 31 December	**-**	**80,898**

14. Prepayments and other current assets

'000 GEL	**31 December 2022**	**31 December 2021**
Prepayments to suppliers*	3,346	110,697
Other receivables	1,130	630
	4,476	**111,327**

*As at 31 December 2021, prepayments to suppliers balance were made mainly to South Caucasus Pipeline Option Gas Company Limited of 84,544 thousand and to Azerbaijan Gas Supply Company Limited (AGSC) of GEL 14,636 thousand for the supply of gas.

15. Trade receivables

'000 GEL	**31 December 2022**	**31 December 2021**
Non-current assets		
Restructured receivables *	-	12,056
	-	**12,056**
Current assets		
Trade receivables	-	603,872
Restructured receivables *	-	2,925
Allowance for trade receivables	-	(232,187)
	-	**374,610**
Total	**-**	**386,666**

*On 16 November 2017 the Group and Georgian Gas Transportation Company LLC (a state-owned entity) signed an agreement on restructuring the receivable related to the rent of the main gas pipeline. The counterparties agreed on a payment schedule, based on which the total amount will be repaid by the end of 2025. The restructuring of the receivable signified a substantial modification of terms, therefore, at the date of the restructuring, the Group derecognized the existing receivable and recognised a new asset according to the new terms. The fair value of the new asset at initial recognition in 2017 was calculated based on the present value of the future payments discounted at the interest rate of 10.86% per annum, which was considered to be at market rate. In 2021, Georgian Gas Transportation Company LLC has made GEL 5,000 thousand payment in accordance with above mentioned payment schedule.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 21.

16. Cash and cash equivalents

'000 GEL	**31 December 2022**	**31 December 2021**
Bank balances	27,474	118,346
Call deposits	8,060	182,757
Petty cash	-	41
Total Cash and cash equivalents	**35,534**	**301,144**

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 by providing notification without incurring significant penalties or loss of interest. Consequently, these term deposits have been classified in accordance with their nature which is that of a call deposit.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

17. Equity

(a) Share capital

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 Fund.

Following the decree of the Government of Georgia dated 8 May 2012, share capital of the Fund was determined as 100,000,000 ordinary shares with a par value of GEL 1.

(b) Owner contributions/(distributions)

During 2022, the Government of Georgia contributed land plots of GEL 1,340 thousand (2021: During 2021, the Government of Georgia contributed land plots of GEL 6,830 thousand and other contributions of GEL 1,027 thousand) in the form of an increase in the Fund's equity as 'Owner contributions'. Carrying amount of the contributed properties was determined to be equal to its fair value.

During 2022, pursuant to the decision of the Government of Georgia, owner contribution of the Fund was reduced by the amount of GEL 2,172,206 thousand by transferring ownership of Georgian Railway JSC (100% shares) and Georgian Oil and Gas Corporation JSC (100% of shares) to the Government of Georgia.

In addition, during 2022, management decided to return some lands and properties to the Government of Georgia. Carrying amount of the transferred lands amounted to GEL 23,506 thousand. Consequently, 'Owner contributions' were reduced by the above-mentioned amounts.

18. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see note 21.

'000 GEL	31 December 2022	31 December 2021
Non-current liabilities		
Unsecured bonds	-	1,540,715
Secured loans from financial institutions	9,852	89,191
Unsecured loans from a related party	-	26,163
	9,852	**1,656,069**
Current liabilities		
Current portion of unsecured bonds	-	8,703
Current portion of unsecured loans from financial institutions	-	819,104
Current portion of secured loans from financial institutions	32,121	32,364
Current portion of unsecured loans from related party	24,938	-
Unsecured loans	-	5,295
	57,059	**865,466**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2022		31 December 2021	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured bonds							
Unsecured bonds-long term	USD	4.00%	2028	-	-	1,546,776	1,543,098
Unsecured bonds-long term	USD	8.50%	On demand	-	-	6,320	6,320
Unsecured loans from financial institutions:							
Unsecured loans from financial institutions	EUR	Euribor+4%	On demand	-	-	113,399	108,101
Unsecured loans from financial institutions	EUR	3.3%	On demand	-	-	716,914	711,003
Unsecured loans from related parties:							
Unsecured loans related parties	USD	Libor+6.0%	2023	24,944	24,938	26,163	26,163
Secured loans from financial institutions:							
Secured loan from financial institution	USD	Libor+6.0%	2027	31,421	31,421	37,469	37,469
Secured loan from financial institution	EUR	5.3%	2026-2034	10,552	10,552	19,777	19,777
Secured loan from Credit Suisse	USD	Libor+1.25%	2026	-	-	67,460	63,734
Secured loan from financial institution	USD	36%	On demand	-	-	171	171
Secured loan from financial institution	GEL	11%	On demand	-	-	404	404
Other:							
Unsecured loans	EUR	6-8%	On demand	-	-	5,295	5,295
Total interest-bearing liabilities				**66,917**	**66,911**	**2,540,148**	**2,521,535**

Collateral for secured loans and borrowings is detailed in note 9.

In September 2021, the Fund acquired a loan from an international bank, Credit Europe Bank, of EUR 32,000 thousand, equivalent to GEL 116,572 thousand. Per contractual terms, the loan is repayable in September, 2023.

As at 31 December 2021, Georgian Oil and Gas Corporation JSC breached its' financial covenant related to the EBRD loan, which was also an event of default (and a potential cause for acceleration) according to the Credit Europe Bank's loan agreement. Additionally, subsequent to the reporting date, the Fund breached another non-financial covenant related to the timing of furnishing the lender with audited IFRS financial statements. Subsequent to 31 December 2021, the Group obtained a waiver from the lender on this covenant. Consequently, total carrying amount of GEL 108,101 thousand of the loan as at 31 December 2021 was reclassed to current liabilities.

In December 2022, the Fund fully repaid loan from Credit Europe Bank in advance. Change in the timing of the cash flows resulted in loss on modification in the amount of GEL 1,384 thousand which was recognised in the consolidated statement of profit or loss and other comprehensive income under finance cost (see Note 8).

(b) Reconciliation of movements of to cash flows arising from financing activities

'000 GEL	**2022**	**2021**
Loans and borrowings as at 1 January	**2,521,535**	**2,839,740**
Proceeds from borrowings	205,819	2,741,133
Repayment of borrowings	(267,885)	(2,793,616)
Transaction costs related to loans and borrowings	-	(10,606)
Total changes from financing cash flows	**(62,066)**	**(63,089)**
Changes arising from (losing)/obtaining control over subsidiaries or other businesses	**(2,010,600)**	**12,190**
The effect of changes in foreign exchange rates	(389,818)	(197,003)
Interest expense	103,415	162,957
Interest expense capitalised as borrowing costs	1,842	914
Interest paid	(90,951)	(224,782)
Modification loss on financial liabilities (see note 18(a))	1,384	-
Additional paid in capital	(7,830)	-
Other	-	(9,392)
Total liability-related other changes	**(381,958)**	**(267,306)**
Loans and borrowings as at 31 December	**66,911**	**2,521,535**

19. Trade and other payables

'000 GEL	**31 December 2022**	**31 December 2021**
Trade payables	-	164,944
Advances received from customers	-	19,507
Other payables	32,181	31,513
	32,181	**215,964**

'000 GEL	**31 December 2022**	**31 December 2021**
Non-current		
Payables for non-current assets	-	56,198
Current		
Payable for non-current assets	-	55,148
	-	**111,346**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

20. Receivables and payable from/to former subsidiary

(a) Receivables from former subsidiary

'000 GEL	31 December 2022	31 December 2021
Receivable from former subsidiary	57,770	-
	57,770	**-**

Based on Government of Georgia decision dated 29 November 2022 and 7 December 2022, Georgian Oil and Gas Corporation JSC (GOGC JSC) was instructed to acquire the remaining 49.092% of Gardabani TPP LLC from the Fund. The purchase price of the Fund's share in Gardabani TPP was determined based on valuation report of Gardabani TPP LLC, which represented the fair value of shares. The acquisition of the 49.092% share, value at EUR 43,259 thousand, was structured as follows: EUR 17,000 thousand, representing 19.292% of the share was paid in cash by the GOGC JSC. Loan given by GOGC JSC to the Fund amounting to EUR 7,123 thousand was offset against the price for 8.084% of the shares. Remaining EUR 19,136 thousand, included in other receivable, is to be paid by GOGC JSC upon the sale of Gardabani TPP by GOGC JSC. Difference between carrying amount of the Funds investment in Gardabani TPP and consideration for was recognized as other investment income in the amount of GEL 40,190 thousand

In case Gardabani TPP LLC is not sold during 2023 year, the GOGC JSC should return 21.716% of the shares in Gardabani TPP LLC to the Fund to settle the outstanding amount (see Note 25).

(b) Payable to former subsidiary

'000 GEL	31 December 2022	31 December 2021
Payable to former subsidiary	47,738	-
	47,738	**-**

On 29 November 2022, terms of loan to the Georgian Railway JSC were amended as follows: currency was changed from USD to EUR, interest accrual was suspended and the parties agreed that the loan will be recovered in 2023 through cash that equals to carrying amount of the loan at modification date, on the basis that by 31 December 2023 the Fund is able to sell its indirect 100% shareholding of Gardabani TPP. In case the GOGC JSC fails to sell Gardabani TPP by 7 December 2023, it will be obligated to transfer 21.716% of Gardabani TPP back to the Fund, which will subsequently transfer it to the Georgian Railway JSC no later than one month from the receipt of Gardabani TPP's shares.

The above was assessed as a substantial modification to the contractual terms of the loan. As a result, on 29 November 2022, the Fund derecognized related party loan of GEL 49,152 thousand and recognised a payable to Georgian Railway JSC of GEL 46,723 The difference between the balance of derecognized loan and recognised payable of GEL 2,429 thousand was recognised directly in equity.

In December 2022, based on Government of Georgia's decision Georgian Oil and Gas Corporation JSC purchased non-controlling interest in Gardabani TPP LLC from the Fund. According to the Government of Georgia decree, outstanding amount of loan was set-off with the purchase price of 8.084% shares of Gardabani TPP.

21. Fair values and risk management

(a) Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Group has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk (see note 21(c));
- liquidity risk (see note 21(d));
- market risk (see note 21(e)).

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Supervisory Boards of the Fund and the Group entities have overall responsibility for the establishment and oversight of the Group entities' risk management framework. The Supervisory Boards oversee how management monitors compliance with the Group entities' risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group entities.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, loans receivable and cash and cash equivalents.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	**Carrying amount**	
'000 GEL		**31 December 2022**	**31 December 2021**
Trade receivables	15	-	386,666
Other receivables		1,130	630
Recevable from former subsidiary		57,770	-
Loans receivable		3,614	8,275
Dividend receivable		2,913	-
Term deposits		-	3,254
Cash and cash equivalents	16	35,534	301,103
		100,961	**699,928**

(ii) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base, including the default risk of the industry and the country, in which customers operate.

Credit risk is managed by requesting prepayments from customers or assessing their creditworthiness prior to extending credit, as well as through monthly monitoring of receivable balances and requiring immediate repayment of debt when the balance approaches specific limits set for each individual counterparty. No collateral in respect of trade receivables is generally required.

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade receivables.

Management believes that the Group is not exposed to significant credit risk relating to the loans issued, as these instruments are not past due as at 31 December 2022 and 2021.

As at 31 December 2022, the Group is not exposed to significant credit risk relating to the trade receivables.

Expected credit loss assessment for corporate customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement regarding customer behaviour. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

Expected credit losses

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2021:

'000 GEL **Customer credit risk grade**	**2021** **Not credit-impaired**	**2021** **Credit-impaired**	**2021** **Total**
Low risk	368,130	-	368,130
Medium risk	15,716	-	15,716
High risk*	-	235,007	235,007
Total gross carrying amount	**383,846**	**235,007**	**618,853**
Loss allowance	(1,248)	(230,939)	(232,187)
	382,598	**4,068**	**386,666**

Low risk - the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term are unlikely reduce the ability of the borrower to fulfil its contractual cash flow obligations. With equivalent to external credit rating of BB- to B (Fitch).

Medium risk - the borrower has restructured contractual cash flow obligations to meet in the near term and adverse changes in economic and business conditions in the longer term are likely to reduce the ability of the borrower to fulfil its contractual cash flow obligations. Restructure receivables are considered to be in stage 2.

High risk - the counterparties have a weak capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term are likely to increase the ability of the counterparties to fulfil their contractual cash flow obligations.

* As at 31 December 2021 the Group has outstanding receivable from the Government of Georgia in the amount of GEL 25,205 thousand recognized as a result of the transfer of property to the GoG, pursuant to the Bypass Project Memorandum of Understanding (MoU). Due to uncertainties associated with the recovery of the above receivable, ECLs have been charged against the entire gross outstanding balance of GEL 25,205 thousand in 2017.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

’000 GEL	**2022**	**2021**
Balance at 1 January	**232,187**	**239,054**
Net recovery during the year	-	(261)
Amounts derecognised due to discontinued operations	(232,187)	-
Net foreign exchange loss	-	(6,606)
Balance at 31 December	**-**	**232,187**

The allowance account in respect of trade receivables is used to record impairment losses until all possible opportunities for recovery have been exhausted; at that point the amounts are written off against the financial asset directly.

(iii) Loans receivable

Management believes that the Group is not exposed to significant credit risk relating to the loans issued, as these instruments are not past due as at 31 December 2022 and 2021.

(iv) Cash and cash equivalents and term deposits

The Group held cash and cash equivalents manly with banks which are rated B or higher based on rating agency Fitch Ratings.

ECLs on cash and cash equivalents have been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

(v) Dividend and other receivables

Management believes that the Group is not exposed to significant credit risk relating to the dividend and other receivables, as these instruments are not past due as at 31 December 2022 and 2021.

(vi) Other receivable from Georgian Oil and Gas Corporation JSC.

As at 31 December 2022, the Fund has receivable from JSC Georgian Oil and Gas Corporation. Management believes that the Fund is not exposed to a significant amount of credit risk relating to the receivable. There are no indications the JSC Georgian Oil and Gas Corporation will fail to meets its obligations when it falls due; furthermore, the Fund has option to receive investment in Gardabani TPP.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. The Group’s liquidity management also involves monitoring the covenants embedded in the loan agreements.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31 December 2022			**Contractual cash flows**			
'000 GEL	**Carrying amount**	**Total**	**On Demand**	**0-12 mths**	**1-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities						
Loans and borrowings	66,911	81,791	-	39,186	34,638	7,967
Payable to former subsidiary	47,738	50,889	-	-	50,889	-
Trade and other payables	32,181	32,181	-	32,181	-	-
	146,830	**164,861**	**-**	**71,367**	**85,527**	**7,967**

31 December 2021			**Contractual cash flows**			
'000 GEL	**Carrying amount**	**Total**	**On Demand**	**0-12 mths**	**1-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities						
Loans and borrowings**	2,521,535	2,915,343	842,142	97,847	349,337	1,626,017
Trade and other payables*	299,327	299,327	-	243,158	56,169	-
	2,820,862	**3,214,670**	**842,142**	**341,005**	**405,506**	**1,626,017**

* Based on the agreement signed between the Group and the construction company responsible for the Modernization Project, there is a specified percentage of each milestone payment to be withheld (retention fee), to protect the Group from the contractor failing to adequately complete its obligations under the contract. Such retention fee is due to be paid within two years after the completion of the project.

** The Group has loans for which there was a breach of financial and non-financial covenants as at 31 December 2021 resulting in the reclassification of the loans to current liabilities. However, considering that the Group is in the process of negotiation to obtain waiver letter from the lender for EBRD loan and has obtained waiver letter for Credit Europe Bank loan subsequent to the reporting period end, the management expects that the repayment of the secured loan will follow the contractual schedule.

Despite net current liability position as at 31 December 2021 of GEL 314,419 thousand, the Group has net current asset position (excluding the loans and borrowings) of GEL 551,047 thousand. The net current liability position as at 31 December 2021 was effectively caused by loans and borrowings, reclassified to current liabilities due to breaches of covenants.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group entities. The functional currencies of all significant Group entities is the Georgian Lari (GEL). The currencies in which these transactions are primarily denominated and are settled are U.S. Dollar (USD) and Euro (EUR).

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

’000 GEL	USD-denominated 2022	EUR - denominated 2022	USD-denominated 2021	EUR - denominated 2021
Cash and cash equivalents	1,997	666	60,756	30
Trade and other receivables	-	-	13,189	-
Receivable from former subsidiary	-	57,770	-	-
Loans receivable	3,615	-	8,076	-
Loans and borrowings	(56,369)	(10,552)	(1,676,955)	(844,176)
Payable to former subsidiary	-	(47,738)	-	-
Trade and other payables	(27,323)	-	(69,660)	-
Net exposure	**(78,080)**	**146**	**(1,664,594)**	**(844,146)**

The following significant exchange rates have been applied during the year:

	Average rate		Reporting date spot rate	
in GEL	**2022**	**2021**	**2022**	**2021**
USD 1	2.9156	3.2209	2.7020	3.0976
EUR 1	3.0792	3.8140	2.8844	3.5040

Sensitivity analysis

A reasonably possible weakening of the GEL, as indicated below, against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. There would be no direct impact on other comprehensive income or equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

’000 GEL	Profit or loss
31 December 2022	
USD (10% weakening)	(7,808)
EUR (10% weakening)	14

’000 GEL	Profit or loss
31 December 2021	
USD (10% weakening)	(166,459)
EUR (10% weakening)	(84,415)

A strengthening of the GEL against the above currencies at 31 December would have had the equal but opposite effect on the above currencies on the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings the Group entities' management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

'000 GEL	Carrying amount	
	2022	2021
Variable rate instruments		
Financial liabilities	(56,359)	(235,467)
	(56,359)	**(235,467)**

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss net of taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
'000 GEL	100 bp increase	100 bp decrease
2022		
Variable rate instruments	(564)	564
Cash flow sensitivity	**(564)**	**564**
2021		
Variable rate instruments	(2,355)	2,355
Cash flow sensitivity	**(2,355)**	**2,355**

(f) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Supervisory Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group's debt to capital ratio at the end of the reporting period was as follows:

'000 GEL	31 December 2022	31 December 2021
Total liabilities	146,921	2,926,138
Less: cash and cash equivalents	(35,534)	(301,144)
Less: term deposits	-	(3,254)
Net debt	**111,387**	**2,621,740**
Total equity	189,067	1,591,064
Debt to capital ratio	**0.59**	**1.65**

There were no changes in the Group's approach to capital management during the year.

Neither the Fund nor any of its subsidiaries are subject to externally imposed capital requirements.

22. Significant subsidiaries

Georgian Railway JSC was established as a state-owned enterprise in December 1998 by the Decree of the President of Georgia # 929 as an entity engaged in the provision of railway transportation services in Georgia. The principal activity of Georgian Railway JSC is the operation of a nationwide railway system providing freight and passenger transportation services, maintenance and development of railway infrastructure and construction of railway lines within Georgia.

On 29 November 2022, the Government of Georgia, reduced the Fund's capital by transferring its 100% ownership interest in Georgian Railway JSC to the Government of Georgia, resulting in a reduction of owner contribution, please see note 17 (b).

Georgian Oil and Gas Corporation JSC 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 principal activities of Georgian Oil and Gas Corporation JSC are the import and sale of natural gas, the rental of gas and oil pipelines, oil and gas exploration and extraction in the territory of Georgia. In December 2006, Georgian Oil and Gas Corporation JSC was granted the status of "National Oil Company" by Presidential decree number 736 and it acts on behalf of the State of Georgia, receives and sells the State's share of extracted oil and gas produced by contractors in the territory of Georgia in accordance with the "Law of Georgia on Oil and Gas" and production sharing agreements signed between the State and the contractors.

On 25 August 2022, Georgian Oil and Gas Corporation JSC declared dividends to the Fund in the amount of GEL 48,148 thousand. On 16 December 2022, pursuant to the decree of Government of Georgia, dividend receivable was converted into capital of Georgian Oil and Gas Corporation JSC, see also Note 6.

On 29 November 2022, the Government of Georgia, reduced the Fund's capital by transferring its 100% ownership interest in Georgian Oil and Gas Corporation JSC to the Government of Georgia, resulting in a reduction of owner contribution, please see note 17 (b).

Gardabani TPP LLC - in October 2013, a new subsidiary, Gardabani TPP LLC, was established by Georgian Oil and Gas Corporation JSC and the Fund with 51% and 49% ownership interest, respectively. The share capital was defined at USD 100,000 thousand. The subsidiary was established for the construction and operation of Gardabani Combined Cycle Power Plant (CCPP). The construction works were completed in July 2015. The Gardabani CCPP began generating revenue from September 2015.

Based on Government of Georgia decision dated 29 November 2022 and 7 December 2022, Georgian Oil and Gas Corporation JSC (GOGC JSC) was instructed to acquire the remaining 49.092% of Gardabani TPP LLC from the Fund (see Note 11). The purchase price of the Fund's share in Gardabani TPP was determined based on valuation report of Gardabani TPP LLC, which represented the fair value of shares. The acquisition of the 49.092% share, value at EUR 43,259 thousand, was structured as follows: EUR 17,000 thousand, representing 19.292% of the share was paid in cash by the GOGC JSC. Loan given by GOGC JSC to the Fund amounting to EUR 7,123 thousand was offset against the price for 8.084% of the shares. Remaining EUR 19,136 thousand, included in other receivable, is to be paid by GOGC JSC upon the sale of Gardabani TPP by GOGC JSC. Difference between carrying amount of the Funds investment in Gardabani TPP and consideration for was recognized as other investment income.

In case Gardabani TPP LLC is not sold during 2023 year, the GOGC JSC should return 21.716% of the shares in Gardabani TPP LLC to the Fund to settle the outstanding amount.

Aerostructure Technologies Cyclone JSC ("ATC") was established in Georgia in March 2015 by Partnership Fund JSC, Project LLC (under 100% ownership of the Group), and Elbit Systems - Cyclone Ltd, with 33.33%, 33.33%, and 33.34% interest, respectively. The parties agreed to incorporate the subsidiary with the authorized share capital of USD 60,000 thousand.

In accordance with the shareholders' agreement, unanimous agreement is required for certain decisions. Management has concluded that the Group has control over the subsidiary because the Group is exposed to (has rights to) variable returns from its involvement with the subsidiary, and has the ability to affect those returns through its power over the subsidiary. The conclusion is based on the percentage of the ownership interest and the significance of decisions defined in shareholders' agreement of the subsidiary, for which only a majority of votes is required.

The subsidiary was established to engage in the development, production, sale and support of composite aero-structure products for the commercial (civil) market.

Borjomi Likani International JSC ("BLI") - In June 2018 the Group acquired 100% interest in KMG Service Georgia LLC. The latter had interest in Borjomi Likani International JSC. Borjomi Likani International JSC was established by Partnership Fund JSC and KMG Group (represented by Kazmunaygas Service LLP and KMG Service Georgia LLC), with the aim to construct high-class hotel at the Likani resort. The hotel opened in 2015. Before the acquisition the Group possessed 50% in Borjomi Likani International JSC.

23. 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) Litigations

In the ordinary course of business, the Fund is subject to legal actions, litigations and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(c) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. 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.

(d) Environmental matters

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

24. Related parties

(a) Parent and ultimate controlling party

As at 31 December 2022 and 2021 the Group was wholly owned by the Government of Georgia.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in wages and other employee benefits.

’000 GEL	**2022**	**2021**
Salaries and bonuses	6,178	6,734

(c) Transactions with Government related entities

The Group transacts in its daily operations with a number of entities that are either controlled/ jointly controlled by 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.

The significant transactions with entities controlled or significantly influenced by the Government of Georgia and balances for these transactions are disclosed below. Management estimates that the aggregate amounts of all other income and expenses and the related balances with government-related entities at the reporting dates are not significant. Transactions with the shareholder are disclosed in note 16.

(i) Revenue

	Transaction value		**Outstanding balance as at 31 December**	
’000 GEL	**2022**	**2021**	**2022**	**2021**
State controlled entities:				
Rent of pipelines (discontinued operations)	42,550	44,567	-	19,357
Income from gas sales (discontinued operations)	13,364	-	-	
Income from electricity generation (discontinued operations)	248,228	251,605	-	64,132
Non-controlling interest:				
Sales of composite aerostructure parts	10,203	19,348	-	2,936

(ii) Expenses

	Transaction value		Outstanding balance as at 31 December	
’000 GEL	**2022**	**2021**	**2022**	**2021**
State controlled entities:				
Transportation of gas (discontinued operations)	9,069	9,455	-	1,511
Non-controlling interest:				
Composite materials	5,075	10,787	15,255	7,127

(iii) Loans

	Interest income/expense		Outstanding balance as at 31 December	
’000 GEL	**2022**	**2021**	**2022**	**2021**
Loans and borrowings:				
Non-controling interest	2,254	2,056	24,938	26,163

The interest rates and maturities of loans from related parties are disclosed in note 18 (a).

25. Subsequent events

- On 15 May 2023, the Fund sold its total shares in Tsinandali Estate LLC to Tsinandali Savane LLC for the consideration of GEL 42,383 thousand.

- On 29 February 2024 Georgian Industrial and Regional Development Company LLC filed for liquidation and it is still ongoing process.

- As a result of reorganization JSC Partnership Fund has changed its name to Development Fund of Georgia JSC since September 2023.

- On 18 January 2023, the Fund entered into a conditional agreement with Georgian Railway JSC, under which the sale price for 21.716% of Gardabani TPP shares was established as EUR 19,135,694. Additionally, parties agreed that in case Option 2 of original agreement is materialized, sale price of Gardabani TPP shares will be settled as follows:

  - Payable to Georgian Railway will be settled via delivery of 21.716% shares of Gardabani TPP;
  - A payment of EUR 1,492,887 will be made to the Fund withing 5 days after transfer of 21.716% of Gardabani TPP shares to the Georgian Railway JSC.

  As at 31 December 2023, sale of the Gardabani TPP failed, hence Gardabani TPP shares (21.715%) were transferred to Partnership Fund JSC to settle outstanding balance (see also Note 20 (a) and subsequently on 1 February 2024, based on conditional agreement were transferred to the Georgian Railway as settlement of payable (see also Note 20 (b).

26. Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

27. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods and all group entities presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Acquisitions from entities under common control

Business combinations arising from the transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for from the date the control is obtained by the Group. The assets and liabilities acquired are recognised at the carrying amounts recognised in the acquiree's financial statements. The equities of the acquired entities are added to the equity of the Group. Pre-acquisition interests are not remeasured. Any cash paid for the acquisition is recognised directly in equity.

(v) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Investments in associates and joint ventures (equity accounted investees)

The Group's interests in equity-accounted investees comprise interest in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost or at the Group's share of the carrying value of the net assets of the investee recognised in the equity accounted investee's financial statements at the date of the acquisition if the acquisition is from an entity under common control. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest including any long-term investments is reduced to zero and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vii) Joint operations

A joint operation is an arrangement carried on by each venture using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(c) Revenue

Information about the Group's accounting policies relating to contracts with customers is provided in Note 7.

(i) Rent of pipelines

Operating lease:

The Group rents its gas pipeline and related infrastructure to Georgian Gas Transportation Company LLC. The rent agreement is non-cancellable and is valid until 1 January 2023.

Revenue from rent of gas pipelines represents fixed rent payment and is recognized in profit or loss on a monthly basis.

(ii) Oil transportation

Oil transportation fees comprise contingent rent received under finance lease arrangement. Revenue is recognized on the basis of the metered oil transferred through the pipelines at the contract rate for barrels of oil.

(d) Finance income and costs

The Group's finance income and finance costs include:

- interest income on bank deposits and loans receivable;
- unwinding of discount on finance lease receivable;
- unwinding of discount on restructured receivable;
- early repayment premiums
- customer late payments penalties;
- interest expense on financial liabilities;
- foreign currency gains and losses on financial assets and financial liabilities.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to GEL at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non- monetary assets and liabilities denominated in foreign currancies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in retranslation are recognised in profit or loss.

(f) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(g) Income tax

Income tax expense comprises current tax. Current tax is recognised in profit or loss.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law will become effective at a later date.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholder as a dividend. However, some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution.

Set off the tax payable on dividends declared and paid is available for the corporate income tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2017 or further years.

The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit. The Group considers the taxation of such transaction as outside of the scope of IAS 12 *Income Taxes* and accounts for the tax on such items as taxes other than on income.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is principally determined on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Maintenance and repair expenses are recognised as follows:

- Rolling stock:

- current maintenance expenses during the useful life of equipment (repair work and replacement of unusable and missing parts) are recognised as operating expenses in profit or loss as incurred;
- expenses under multi-year major overhaul programmes are capitalised as a separate overhaul component and depreciated separately from the main asset;
- overhauls performed near the end of the useful life of an asset, together with refurbishment, are capitalised when they extend the useful life of the underlying asset.

- Fixed installations:

- current maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recognised as operating expenses in profit or loss as incurred;
- labour, materials and other costs (associated with the installation of rails, sleepers and ballast) under multi-year major building or infrastructure maintenance programmes are capitalised through the partial or total replacement of each component concerned;
- costs associated with infrastructure improvements are capitalized to the extent that they enhance the functionality (traffic working speed) of the asset.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

• buildings and constructions	15 - 50 years;
• rail track infrastructure	13 - 25 years;
• gas and oil pipelines	30 - 35 years;
• oil wells	4 - 9 years;
• electricity generating unit	25 years;
• transport, machinery, equipment and other	1 - 25 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

(j) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Recognition and measurement

Investment property is measured at cost less accumulated depreciation and impairment losses. Land is measured at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure

The cost of replacing part of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of investment property are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(k) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Trade and other receivables, loans receivable and cash and cash are classified as measured at amortised cost.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value. 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 significant penalties or loss of interest.

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

– change the currency of the financial asset;
– change in collateral or other credit enhancement;
– change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

– change the currency of the financial liability;
– change in collateral or other credit enhancement;
– inclusion of conversion option;
– change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(l) Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Non-cash owner contributions, except for contributions of interests in associates and subsidiaries constituting a business, are recognised at fair value of the assets contributed at the date of the contribution.

Non-cash distributions are recognized at the carrying amount of the assets distributed if those distributions are out of scope of IFRIC 17 *Distributions of Non-cash Assets to Owners*.

(m) Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and
– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
– the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being more than 90 days past due;
– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Dividends

Dividends on ordinary shares are reflected as an appropriation of retained earnings in the period in which they are declared.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

The Group does not have significant lease agreements where it acts as a lessee as at 31 December 2022 and 2021. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(q) Exploration and evaluation assets

Exploration and evaluation activity involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity include:

- Researching and analysing historical exploration data;
- Gathering exploration data through geophysical studies;
- Exploratory drilling and sampling;
- Determining and examining the volume and grade of the resource; Surveying transportation and infrastructure requirements;
- Conducting market and finance studies.

Expenditures related to the exploration and evaluation activity above are capitalized as exploration and evaluation assets.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate an impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash generating units of production fields that are located in the same geographical region.

28. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 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.

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*