Partnership Fund JSC

Separate Financial Statements
for the year ended 31 December 2021

Contents

KPMG Georgia LLC
5th Floor GMT Plaza
Mtatsminda District, Liberty Square N4 (plot 66/4)
0105 Tbilisi, Georgia
IN 404437695
Telephone +995 322 93 57 13
Internet www.kpmg.ge

Independent Auditors' Report

To the Supervisory Board of Partnership Fund JSC

Qualified Opinion

We have audited the separate financial statements of Partnership Fund JSC (the "Fund"), which comprise the separate statement of financial position as at 31 December 2021, the separate 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, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Fund as at 31 December 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As at 31 December 2021 there were indications that the recoverable amounts of Aerostructure Technologies Cyclone JSC (subsidiary of the Fund) and Nenskra Hydro JSC (Investment in equity accounted investee) might be lower than their carrying amounts stated at GEL 93,246 thousand and GEL 33,705 thousand, respectively. International Financial Reporting Standard IAS 36 *Impairment of Assets* requires that, where such indications exist, management makes a formal estimate of the recoverable amounts. No such estimate has been made. It was impracticable for us to quantify the financial effects of the adjustments to investments in subsidiaries, investments in equity accounted investees and net profit, which would have resulted if an estimate of the recoverable amounts had been made.

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 Separate 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 separate 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 qualified opinion.

Emphasis of Matter – loss of control over significant subsidiaries

We draw attention to Note 26 of the separate financial statements, which describes events subsequent to the reporting period resulting in loss of control over significant subsidiaries. Our opinion is not modified in respect of this matter.

Emphasis of Matter – correction of prior period misstatements

We draw attention to Note 5 of the separate financial statements, which describes that the comparative information presented as at and for the year ended 31 December 2020 has been restated. Our opinion is not modified in respect of this matter.

Other Matter – relating to comparative information

As part of our audit of the separate financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in Note 5 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020 and the separate statement of financial position as at 1 January 2020. In our opinion, the adjustments described in Note 5 are appropriate and have been properly applied.

Statement on Management Report

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

In connection with our audit of the separate financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the separate 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 separate financial statements;
- contains all information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report that fact. As described in *the Basis for Qualified Opinion* section above, the management should have made a formal estimate of the recoverable amounts of investments in Aerostructure Technologies Cyclone JSC and Nenskra Hydro JSC as at 31 December 2021. We have concluded that the Management Report is materially misstated for the same reason with respect to the amounts or other items in the Management Report affected by the failure to estimate recoverable amounts of these investments.

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

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

In preparing the separate financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Fund'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 Fund'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 separate 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 Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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:

Vakhtang Kezheradze

KPMG Georgia LLC
Tbilisi, Georgia
23 January 2023

შეზღუდული პასუხისმგებლობის საზოგადოება
LIMITED LIABILITY COMPANY
KPMG
KPMG GEORGIA
404437695

’000 GEL	**Note**	**31 December 2021**	**31 December 2020 restated***	**1 January 2020 restated***
Assets				
Property and equipment	8	21,542	22,355	22,991
Investment properties	9	88,686	83,893	59,336
Investments in subsidiaries	10	1,283,920	1,285,522	1,474,393
Investments in equity accounted investees	11	67,220	64,182	114,084
Loans receivable	12	24,743	23,676	14,884
Non-current assets		**1,486,111**	**1,479,628**	**1,685,688**
Loans receivable	12	192	559	253
Other assets		916	1,182	888
Dividends receivable		9,285	-	-
Cash and cash equivalents	13	23,128	65,351	11,045
Current assets		**33,521**	**67,092**	**12,186**
Total assets		**1,519,632**	**1,546,720**	**1,697,874**
Equity	14			
Share capital		100,000	100,000	100,000
Owner contributions		2,089,842	2,083,620	2,674,980
Accumulated deficit		(831,841)	(833,016)	(1,250,132)
Total equity		**1,358,001**	**1,350,604**	**1,524,848**
Liabilities				
Loans and borrowings	15	52,275	50,571	40,269
Non-current liabilities		**52,275**	**50,571**	**40,269**
Loans and borrowings	15	108,101	144,484	127,014
Other liabilities		1,255	1,061	5,743
Current liabilities		**109,356**	**145,545**	**132,757**
Total liabilities		**161,631**	**196,116**	**173,026**
Total equity and liabilities		**1,519,632**	**1,546,720**	**1,697,874**

*****The comparative information has been restated on account of correction of errors, see also Note 5.

'000 GEL	**Note**	**2021**	**2020 restated***
Investment income			
Dividend income	6	9,285	42,482
Share of losses of equity accounted investees	7	(1,777)	(24,799)
Other investment income	6(a)	-	6,405
Total investment income		**7,508**	**24,088**
Operating expenses			
Wages and other employee benefits		(3,661)	(3,660)
Depreciation charge	8	(859)	(665)
Impairment loss on investments in subsidiaries	10	(4,634)	(7,554)
Impairment reversal/(loss) on loans receivable	16(c)(ii)	404	(1,633)
Other operating expenses		(1,636)	(1,521)
Other income		1,270	745
Results from operating activities		**(1,608)**	**9,800**
Finance income	7	16,986	10,206
Finance costs	7	(13,337)	(34,264)
Net finance income/(costs)		**3,649**	**(24,058)**
Profit/(loss) before income tax		**2,041**	**(14,258)**
Income tax expense		(866)	(1,693)
Profit/(loss) and total comprehensive income/(loss) for the year		**1,175**	**(15,951)**

*The comparative information has been restated on account of correction of errors, see also Note 5.

These separate financial statements were approved by Management on 23 January 2023 and were signed on its behalf by:

David Saganelidze Chief Executive Officer	Ioseb Mamukelashvili Chief Financial Officer

The separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 43.

'000 GEL	Note	2021	2020 restated*
Investment income			
Dividend income	6	9,285	42,482
Share of losses of equity accounted investees	7	(1,777)	(24,799)
Other investment income	6(a)	-	6,405
Total investment income		**7,508**	**24,088**
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David Saganelidze
Chief Executive Officer

Ioseb Mamukelashvili
Chief Financial Officer

The separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 43.

’000 GEL	**Share capital**	**Owner contributions**	**Accumulated deficit**	**Total equity**
Balance at 1 January 2020, as previously reported.	100,000	2,674,980	(1,211,959)	1,563,021
Impact of correction of errors	-	-	(38,173)	(38,173)
Balance at 1 January 2020* (restated)	**100,000**	**2,674,980**	**(1,250,132)**	**1,524,848**
Loss and total comprehensive loss for the year* (restated)	-	-	(15,951)	(15,951)
Transactions with owners, recorded directly in equity				
Owner contributions (see note 14(b))	-	30,267	-	30,267
Withdrawal of non-cash assets	-	(621,627)	433,067	(188,560)
Balance at 31 December 2020* (restated)	**100,000**	**2,083,620**	**(833,016)**	**1,350,604**
Balance at 1 January 2021	100,000	2,083,620	(833,016)	1,350,604
Profit and total comprehensive income for the year	-	-	1,175	1,175
Transactions with owners, recorded directly in equity				
Owner contributions (see note 14(b))	-	7,857	-	7,857
Distribution of non-cash assets	-	(1,635)	-	(1,635)
Balance at 31 December 2021	**100,000**	**2,089,842**	**(831,841)**	**1,358,001**

*****The comparative information has been restated on account of correction of errors, see also Note 5.

The separate statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 43.

’000 GEL	Note	2021	2020 restated*
Cash flows from operating activities			
Profit/(loss) for the year		1,175	(15,951)
Adjustments for:			
Dividend income	6	(9,285)	(42,482)
Share of losses of equity accounted investees (net of income tax)	11	1,777	24,799
Other investment income	6(a)	-	(6,405)
Depreciation charge	8	859	665
Income tax expense		866	1,693
Net finance (income)/costs	7	(3,649)	24,058
Other non-cash income		(544)	-
Impairment loss on investments in subsidiaries	10	4,634	7,554
Impairment loss on loans receivable	16 (c)(ii)	(404)	1,633
Changes in:		**(4,571)**	**(4,436)**
Other assets		(602)	(1,986)
Other liabilities		194	920
Cash flows used in operations before income taxes and interest paid		**(4,979)**	**(5,502)**
Interest paid	15 (b)	(8,248)	(11,236)
Net cash used in operating activities		**(13,227)**	**(16,738)**
Cash flows from investing activities			
Dividends received		-	38,952
Interest received		3,520	1,278
Repayment of loans issued		800	126
Increase of investments in subsidiaries		(1,648)	(2,640)
Increase of investments in equity accounted investees		(4,815)	(8,922)
Consideration received from sale of equity accounted investees		-	40,430
Net cash (used in)/from investing activities		**(2,143)**	**69,224**
Cash flows from financing activities			
Repayment of borrowings	15 (b)	(137,472)	-
Proceeds from borrowings	15 (b)	116,573	-
Other fees on loans and borrowings	15 (b)	(6,630)	-
Net cash used in financing activities		**(27,529)**	**-**
Net (decrease)/increase in cash and cash equivalents		**(42,899)**	**52,486**
Cash and cash equivalents at 1 January		65,351	11,045
Effect of movements in exchange rates on cash and cash equivalents		676	1,820
Cash and cash equivalents at 31 December	13	**23,128**	**65,351**

*****The comparative information has been restated on account of correction of errors, see also Note 5.

The separate statement of cash flows is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 43.

1. Reporting entity

(a) Business environment

The Partnership Fund's (the "Fund") operations are mainly located in Georgia. Consequently, the Fund is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The COVID-19 coronavirus pandemic and war in Ukraine in 2022 has further increased uncertainty in the business environment.

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

(b) Organisation and operations

The Partnership Fund JSC is a joint stock company domiciled in Georgia.

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 and guarantees 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 and guarantee fees.

The Fund obtained control over the significant subsidiaries following the decrees of 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 equity by transferring the 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).

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 18.

(c) Fund's investment portfolio

As at 31 December 2021 and 2020 the Fund has direct and indirect interests in the following entities:

Name	Country of incorporation and operation	2021 Ownership/ voting	2020 Ownership/ voting	Principal activities
Georgian Oil and Gas Corporation JSC and its subsidiaries				
Georgian Oil and Gas Corporation JSC	Georgia	100%	100%	Oil and gas sales, extraction and exploration and rent of pipelines
Gardabani TPP LLC	Georgia	100%	100%	Operation of a combined cycle power plant (CCPP)
Gardabani 2 TPP LLC	Georgia	100%	100%	Operation of a combined cycle power plant (CCPP)
Gardabani 3 TPP LLC	Georgia	100%	0%	Operation of a combined cycle power plant (CCPP)
Georgian Gas Storage Company LLC	Georgia	100%	100%	Construction and operation of underground gas storage
GOGC Trading SA	Switzerland	100%	100%	Trade of crude oil, petroleum products, petrochemicals and other commodities
Georgian Natural Gas Transmission Network Owner LLC	Georgia	100%	0%	Ownership of natural gas transmission network ownership
Georgian Gas Exchange LLC	Georgia	50%	0%	Natural gas market operator
Georgian Railway JSC and its subsidiaries				
Georgian Railway JSC	Georgia	100%	100%	Railroad transportation
GR Property Management LLC	Georgia	100%	100%	Property Management and development
GR Logistics and Terminals LLC	Georgia	100%	100%	Container transportation and terminal services
Georgian Railway Construction JSC	Georgia	100%	100%	Construction and other projects
Georgia Transit LLC	Georgia	100%	100%	Transportation services
GR Transit LLC	Georgia	100%	100%	Transportation services
GR Transit Line LLC	Georgia	100%	100%	Transportation services
GR Trans Shipment LLC	Georgia	100%	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
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

Name	Country of incorporation and operation	2021 Ownership/ voting	2020 Ownership/ voting	Principal activities
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%	37.65%	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	Georgia	100%	100%	Ownership of investment fund
Nenskra Hydro JSC	Georgia	7.54%	8.07%	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
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 separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The separate financial statements have been prepared in addition to the consolidated financial statements approved by management on 23 January 2023 and in accordance with the Law of Georgia on Accounting, Reporting and Auditing of Financial Statements issued on 24 June 2016.

(b) Going concern

As at 31 December 2021, subsidiary of the Fund Georgian oil and Gas Corporation JSC has breached financial and non-financial covenants in relation to the loan from EBRD, allowing the lender to request repayment of the loan on demand.

Breach of the above mentioned covenants of the EBRD loan has led to a cross default of the loan from Credit Europe Bank N.V. Pursuant to the terms of the loan agreement, when any creditor of Georgian Oil and Gas Corporation JSC (100% subsidiary) or Georgian Railway JSC (100% subsidiary) become entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default, Credit Europe Bank N.V. also becomes entitled to request repayment of the loan on demand.

As a result of the breach, the total outstanding amount of the loan was classified as current leading to an excess of current liabilities over current assets of the Fund by GEL 75,835 thousand as at 31 December 2021.

Subsequent to the reporting period, the Management has obtained a waiver from Credit Europe Bank N.V. for the breached covenants and repayment of the loan in accordance with the initial schedule. As the Fund and its subsidiaries have been generating enough cash inflows to repay the loan in accordance with the agreed schedule.

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

3. Functional and presentation currency

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

4. Use of estimates and judgments

The preparation of separate financial statements in conformity with IFRSs 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 separate financial statements is included in the following notes:

- Note 2 – Going concern;
- Note 10 – existence of impairment indicators related to investments in subsidiaries and 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 16(c) – measurement of ECL allowance for loans receivable.

Measurement of fair values

A number of the Fund'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 Fund 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 Fund 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 16(a) – fair values of financial assets and liabilities.

5. Correction of prior period misstatements

Loans receivables and related impairment charge - loan issued to Borjomi Likani International JSC

In June 2019, significant modification of terms of loan receivable from Borjomi Likani International JSC (a wholly-owned subsidiary of the Fund) took place. As a result, the Fund derecognised previously recognized loan receivable and recognized originated credit-impaired financial asset at its nominal value. The given accounting treatment was not in accordance with IFRS 9 Financial Instruments, as the new financial instrument should have been measured at fair value, at initial recognition. In addition, no subsequent assessment of expected credit losses ("ECLs") related to the loan receivable from Borjomi Likani International JSC was performed as at 31 December 2020 and 31 December 2019, resulting in a qualified opinion on the separate financial statements of the Fund as at and for the years ended 31 December 2020 and 31 December 2019.

During 2021, the Company applied correct accounting treatment under IFRS 9 related to the aforementioned loan. Consequently, errors have been corrected in these separate financial statements by adjusting comparative amounts of loan receivables, interest income, foreign exchange gain or loss and impairment loss on loans receivable.

Separate statement of financial position

'000 GEL	**Impact of correction of error**		
1 January 2020	**As previously reported**	**Adjustments**	**As restated**
Loans receivable	53,310	(38,173)	15,137
Total assets	**1,736,047**	**(38,173)**	**1,697,874**
Total liabilities	**173,026**	**-**	**173,026**
Accumulated deficit	(1,211,959)	(38,173)	(1,250,132)
Total equity	**1,563,021**	**(38,173)**	**1,524,848**

’000 GEL	**Impact of correction of error**		
31 December 2020	**As previously reported**	**Adjustments**	**As restated**
Loans receivable	82,080	(57,845)	24,235
Total assets	**1,604,563**	**(57,845)**	**1,546,728**
Total liabilities	**196,116**	**-**	**196,116**
Accumulated deficit	(775,173)	(57,845)	(833,018)
Total equity	**1,408,447**	**(57,845)**	**1,350,602**

Separate statement of profit or loss and other comprehensive income

’000 GEL	**Impact of correction of error**		
For the year ended 31 December 2020	**As previously reported**	**Adjustments**	**As restated**
Finance income	24,582	(14,377)	10,205
Finance costs	(28,971)	(5,293)	(34,264)
Profit/(loss) and total comprehensive income for the year	**3,719**	**(19,670)**	**(15,951)**

Separate statement of cash flows

’000 GEL	**Impact of correction of error**		
For the year ended 31 December 2020	**As previously reported**	**Adjustments**	**As restated**
Profit/(loss) for the year	3,719	(19,670)	(15,951)
Net Finance costs	4,388	19,670	24,058
Net cash used in operating activities	**(16,738)**	**-**	**(16,738)**

There is no impact on the Fund’s total operating, investing, or financing cash flows for the year ended 31 December 2020.

6. Dividend income

’000 GEL	**2021**	**2020**
Georgian Oil and Gas Corporation JSC	9,285	42,482
Income from dividends	**9,285**	**42,482**

(a) Other investment income

In September 2020, one of the Fund’s equity-accounted investees, Panex JSC, fully redeemed its shares (48.17%) from the Fund for USD 2,055 thousand. As a result of the sale, the Fund has recognised gain in the amount of GEL 5,568 thousand.

In September 2020, the Fund held public auction to fully sell its share of interest (24.53%) in Telasi JSC, equity accounted investee. The winner of public auction was a local company Best Energy LLC. As a result of the sale, the Fund has recognised gain in the amount of GEL 837 thousand.

7. Finance income and finance costs

’000 GEL	**2021**	**2020 (restated)**
Recognised in profit or loss		
Interest income under the effective interest method	5,485	3,627
Net foreign exchange gain	11,501	-
Modification gain on financial assets	-	6,579
Finance income	**16,986**	**10,206**
Interest expense on loans and borrowings	(13,337)	(13,486)
Modification loss on financial liability	-	(1,009)
Net foreign exchange loss	-	(19,769)
Finance costs	**(13,337)**	**(34,264)**
Net finance income/(costs) recognised in profit or loss	**3,649**	**(24,058)**

8. Property and equipment

'000 GEL	Lands	Buildings	Other	Total
Cost or deemed cost				
Balance at 1 January 2020	-	24,172	1,815	25,987
Additions	1,529	7	3,112	4,648
Disposals	(1,529)	-	(3,090)	(4,619)
Balance at 31 December 2020	**-**	**24,179**	**1,837**	**26,016**
Balance at 1 January 2021	-	24,179	1,837	26,016
Additions	675	-	897	1,572
Disposals	(675)	-	(851)	(1,526)
Balance at 31 December 2021	**-**	**24,179**	**1,883**	**26,062**
Depreciation and impairment losses				
Balance at 1 January 2020	-	(1,316)	(1,680)	(2,996)
Depreciation for the year	-	(614)	(51)	(665)
Balance at 31 December 2020	**-**	**(1,930)**	**(1,731)**	**(3,661)**
Balance at 1 January 2021	-	(1,930)	(1,731)	(3,661)
Depreciation for the year	-	(819)	(40)	(859)
Balance at 31 December 2021	**-**	**(2,749)**	**(1,771)**	**(4,520)**
Carrying amounts				
At 1 January 2020	**-**	**22,856**	**135**	**22,991**
At 31 December 2020	**-**	**22,249**	**106**	**22,355**
At 31 December 2021	**-**	**21,430**	**112**	**21,542**

Disposals in 2021 comprise contribution of property and equipment by the Fund into share capital of its subsidiaries of GEL 1,526 thousand (2020: GEL 4,602 thousand).

9. Investment properties

'000 GEL	2021	2020
Balance at 1 January	83,893	59,336
Additions	6,331	24,557
Disposals	(1,538)	-
Balance at 31 December	**88,686**	**83,893**

Additions in 2021 comprise capital contributions of land plots and buildings with a fair value of GEL 6,331 thousand (2020: GEL 24,557 thousand).

In 2021, items reported under investment properties additions represent a land located in Didi Lilo (GEL 4,991 thousand), a land located in Tbilisi (GEL 501 thousand) and building under construction along with the underlying land located in Chakvi (GEL 839 thousand), contributed by the Government of Georgia. In 2020, the main additions represent building under construction and the underlying land located in Tbilisi (GEL 18,472 thousand) contributed by the Government of Georgia. In addition, investment properties include land plots in Kobuleti (GEL 18,711 thousand), acquired as a result of acquisition of Borjomi Likani International JSC in 2018 by the Fund and land plots in Borjomi (GEL 26,255 thousand), withdrawn from investment in a wholly-owned subsidiary Borjomi Likani International JSC during 2019.

Management estimates that carrying values of investment properties are a reasonable approximation of their fair values. The fair value is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments used in the valuation method.

10. Investments in subsidiaries

Investments in subsidiaries as at 31 December 2021 and 2020 are presented as follows:

Subsidiary	Ownership 2021	Ownership 2020	Business activity	’000 GEL Balance as at 31 December 2020	’000 GEL Contribution	’000 GEL Withdrawal	’000 GEL Impairment	’000 GEL balance as at 31 December 2021
Georgian Railway JSC	100%	100%	Railroad transportation	523,951	1,310	(125)	-	525,136
Georgian Oil and Gas Corporation JSC	100%	100%	Oil and gas sale, extraction and exploration and rent of pipelines	552,541	216	-	-	552,757
Gardabani TPP LLC	49%	49%	Operation of Thermal Power Plant	85,617	-	-	-	85,617
Partnership Fund Green Development LLC	100%	100%	Real estate development	19,810	197	-	-	20,007
Tbilisi Logistics Center LLC	100%	100%	Food services	-	328	-	(328)	-
Black Sea Port LLC	100%	100%	Construction and operation of port	-	-	-	-	-
Lagodekhi Trading Company LLC	100%	100%	Construction and leasing out of a shopping mall	278	-	-	-	278
Rukhi Trading Center LLC	100%	100%	Construction and leasing out of a shopping mall	-	-	-	-	-
Aerostructure Technologies Cyclone JSC	66%	66%	Manufacture of spare parts for airplanes	93,246	-	-	-	93,246
Start-up Georgia LLC	100%	100%	Venture capital investing	-	662	-	(662)	-
Georgian Industrial and Regional Development Company LLC	100%	100%	Investment fund, providing investments in regional developments in Georgia	2,889	125	(47)	(2,967)	-
Likani Residence LLC	100%	100%	Renovation of Romanov Palace in Likani	2,610	255	-	-	2,865
Global Brand LLC	100%	100%	Wine export to USA	1,720	-	-	-	1,720
Clinics Development Company LLC	0%	0%	Management of healthcare provider subsidiaries	-	18	-	(18)	-
Georgian Natural Products LLC	100%	100%	Export of wine and agriculture products	2,860	90	-	(656)	2,294
Borjomi Likani International JSC	100%	100%	Operation of a hotel	-	3	-	(3)	-
Imerety Greenery LLC	100%	38%	Agriculture/farming	-	-	-	-	-
Total				**1,285,522**	**3,204**	**(172)**	**(4,634)**	**1,283,920**

Investments in subsidiaries presented in Note 1 not disclosed above are dormant entities that do not carry out active business operations and do not generate any revenue.

(a) 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.

In 2018, as a result of impairment testing carried out by the management, an impairment loss of GEL 718,127 thousand was recognized by the Fund for the investment in Georgian Railway JSC, due to the significant decline in the volumes transported (from 5,899 million metric-ton per kilometer of cargo in 2012 to 2,747 million metric-ton per kilometer of cargo in 2018) and revenue in freight transportation (from GEL 350,749 thousand in 2012 to GEL 241,572 thousand in 2018).

In 2019, in response to the changes on the market, the management reassessed its estimates and conducted a new impairment analysis. As a result, additional impairment loss of GEL 5,905 thousand has been recognized by the Fund for the investment in Georgian Railway JSC.

In 2020, the management revised some of its key assumptions with respect to longer-term prospects of growth as a result of new developments in the market, outside of the control of the Fund. Consequently, the Management conducted an impairment test as at 31 December 2020. As a result, neither additional impairment, nor reversal of previously recognized impairment losses were recognized.

As at 31 December 2021, 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 2021 and considering that the impairment test conducted at 31 December 2020 was sensitive to changes in key assumptions. The management performed a new impairment test at 31 December 2021. As a result, neither additional impairment, nor reversal of previously recognized impairment losses were recognized.

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

- Cash flows are projected based on actual operating results and cash flows for five years and a terminal growth rate thereafter. A long-term growth rate for the terminal period is determined as approximate long-term economy growth forecast for Georgia and the region affecting the Company’s operations.
- Volumes are projected based on the budgeted quantities during 2022, adjusted for the Georgian GDP growth rate of 5.2%-5.8% during projected years. No volume growth is projected from 2026. Tariffs to be applied to the quantities above are projected based on the budgeted tariff per metric-ton per kilometer for 2022, adjusted for the changes in the US CPI forecast. The forecast resulted in an increase of 4.3% and 1.9% during the first two projected years and 2.2% increase during the remaining projected period;
- Cash flows include annual maintenance capital expenditures and payments for the finalization of the Main Line Modernization project. Projected cash outflows include USD 52.1 million associated with the Modernization project above.
- A pre-tax discount rate of 10.76% 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 similar companies denominated in USD. The long-term growth rate for the terminal period approximates the long-term inflation forecast for USD, which is 2.04%.

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 impairment loss of approximately GEL 180,912 thousand;
- Volume growth – A decrease of 5% in the transported volumes projection used would have resulted in impairment loss of approximately GEL 111,778 thousand;
- Terminal growth – A decrease of 1% point in the terminal growth rate used would have resulted in impairment loss of approximately GEL 137,543 thousand.

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. In October 2013, a new subsidiary, Gardabani TPP LLC, was established by Georgian Oil and Gas Corporation JSC and Partnership Fund JSC with 51% and 49% ownership interest, respectively. The share capital was defined at USD 100,000 thousand. The paid in charter capital as at 31 December 2021 amounted to GEL 175,185 thousand (31 December 2020: GEL 175,185 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.

In August 2016, a new subsidiary, Gardabani TPP 2 LLC, with a charter capital of GEL 10,000 thousand, was founded in which Georgian Oil and Gas Corporation JSC holds 100% ownership interest. As at 31 December 2021, the charter capital of Gardabani TPP 2 LLC amounted to GEL 266,909 thousand. (2020: GEL 266,909 thousand).

The major construction works of Thermal Power Plant were finalized on 12 February 2020 and taking over certificate was signed by Gardabani II and the counterparty responsible for the construction of TPP on 28 February 2020. On 25 March 2020, Gardabani TPP 2 LLC obtained a license on operation for an unlimited period from the Georgian National Energy and Water Supply Regulatory Commission (GNERC) and commenced generating revenue in accordance with the deregulated tariffs on electricity market in Georgia.

(b) Less significant subsidiaries

During 2019, the Fund withdrew assets of GEL 46,346 thousand from its investment in subsidiary – Borjomi Likani International JSC. Management concluded that the later transaction was an impairment indicator and performed impairment test of investments in the named subsidiary as at 31 December 2019. As a result of the impairment test, impairment loss of GEL 13,273 thousand was recognized in the separate statement of profit or loss and other comprehensive income and the carrying amount of investment in Borjomi Likani International JSC was reduced to nil as at 31 December 2019. As at 31 December 2021, the management performed review of indicators of reversal of impairment. As a result, no indicators were identified that would lead to reversal of previously recognized impairment losses.

In March 2015 a new subsidiary, Aerostructure Technologies Cyclone JSC, was established in Georgia by the Fund, Project LLC (under 100% ownership of the Fund) and Elbit Systems - Cyclone Ltd, with 33.33%, 33.33%, and 33.34% interest, respectively. The parties agreed to incorporate the subsidiary with 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 Fund has control over the subsidiary because the Fund 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 the shareholders' agreement of the subsidiary for which majority of votes is required.

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

At 31 December 2017 and 2016 the management identified indicators that the investments in the following subsidiaries: Tbilisi Logistics Center LLC, Black Sea Port LLC, Rukhi Trading Center LLC and Start-up Georgia LLC may be impaired due to negative EBITDA and a significant decline in budgeted net cash flows. The recoverable amounts of the investment in the aforementioned subsidiaries were determined to be nil. As a result, an impairment loss of GEL 4,266 thousand was recognized in 2016, GEL 1,036 thousand in 2018 and GEL 844 thousand in 2019 to reduce the carrying amount of the investments down to nil.

In 2021, an additional impairment loss of GEL 990 thousand (2020: GEL 1,067 thousand) was recognized in relation to the contributions made by the Fund in the named subsidiaries during the year.

As at 31 December 2021, no indicators of reversal of previously recognized impairment loss of investments in the abovementioned subsidiaries were identified.

At 31 December 2021, the management identified indicators that the investment in the Georgian Industrial and Regional Development Company LLC may be impaired. During 2021, the management commenced liquidation process of the above-mentioned company, thus impairment loss in the amount of GEL 2,967 thousand was recognized. As at 31 December 2021, carrying amount of the investment has been reduced to nil.

In 2018, the Government of Georgia contributed 116 vacant land plots to the Fund's equity. The land plots (freehold) were located nearby Tbilisi Sea and Olympic Village in Tbilisi. Total area of the properties was 2,693,344 m2. At initial recognition, management recognized the land plots at GEL 63,695 thousand, which was calculated based on normative prices per sq.m as defined by Tbilisi City Municipality, which management believes approximate fair value of the lands as of the date of the capital contribution. Subsequently, the aforementioned lands were contributed to the equity of LLC Partnership Fund Green Development.

During 2020, the management decided to return 67 land plots to the Government of Georgia with a total area of 1,437,424 m2. Carrying amount of the transferred lands amounted to GEL 44,100 thousand. Consequently, investment in LLC Partnership Fund Green Development and the Owner contribution reserve of the Fund was reduced by the above-mentioned amount.

11. Investments in equity accounted investees

'000 GEL	**2021**	**2020**
Balance at 1 January	64,182	114,084
Capital contributions	4,815	8,922
Fund's share of losses of equity accounted investees (net of income tax) recognized in profit or loss	(1,777)	(24,799)
Decrease of the investment in associates	-	(40,431)
Gain on the sale of ownership interest	-	6,406
Balance at 31 December	**67,220**	**64,182**

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

Associate	**Ownership 2021**	**Ownership 2020**	**Business activity**	**'000 GEL Balance as at 31 December 2020**	**'000 GEL Contributions**	**'000 GEL (Loss)/Profit attributable to the Fund**	**'000 GEL Consideration received**	**'000 GEL Gain from the sale of shares**	**'000 GEL Balance as at 31 December 2021**
Nenskra Hydro JSC	7.5%	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
Caucasus Clean Energy I, LLP	8%	8%	Investment fund	7,041	1,263	37	-	-	8,341
Caucasian SUS Heritage LLC	49.9%	49.9%	Hog farm	334	-	360	-	-	694
				64,182	**4,815**	**(1,777)**	**-**	**-**	**67,220**

Investments in equity accounted investees presented in Note 1 not disclosed above are dormant entities that do not carry out business operations and do not generate revenue.

Despite the fact that the Fund held less than 20 percent of the voting power in Nenskra Hydro JSC (the Entity), the management of the Fund 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 Fund) the Fund has the power to participate in the Entity's financial and operating policy decisions and thus has the ability to exercise significant influence over the Entity as at 31 December 2021 and 2020.

12. Loans receivable

'000 GEL	31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)
Non-current assets			
Loan receivable from the subsidiary and state-controlled entity	18,273	15,428	13,097
Loan receivable from a third party	6,470	8,248	1,787
Total non-current	**24,743**	**23,676**	**14,884**
Current assets			
Short term portion of the loan receivable from a third party	192	559	131
Short term portion of the loan receivable from the state-controlled entity	-	-	122
Total current	**192**	**559**	**253**
	24,935	**24,235**	**15,137**

The Fund's exposure to credit and currency risks and impairment losses related to loans receivable are disclosed in note 16.

13. Cash and cash equivalents

'000 GEL	31 December 2021	31 December 2020
Bank balances	23,128	65,351
Total Cash and cash equivalents	**23,128**	**65,351**

The Fund's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.

14. 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 on 8 May 2012 the share capital of the Fund was determined as 100,000,000 ordinary shares with a par value of GEL 1.

(b) Owner contributions

During 2021, the Government of Georgia contributed land plots of GEL 6,830 thousand and other contributions of GEL 1,027 thousand (2020: During 2020, the Government of Georgia contributed land plots of GEL 9,797 thousand, building of GEL 16,419 thousand, gas pipelines of GEL 1,604 thousand, power line of GEL 902 thousand, movable property of GEL 464 thousand and other contributions of GEL 1,081 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 2020, pursuant to the decision of the Government of Georgia, owner contribution of the Fund was reduced by the amount of GEL 577,527 thousand by transferring ownership of Georgia State Electrosystem JSC (100% of shares), Electricity System Commercial Operator JSC (100% of shares) and Clinics Development Company LLC ('CDC LLC') to the Government of Georgia (Ministry of Economy and Sustainable Development of Georgia).

In addition, during 2020, management decided to return 67 land plots to the Government of Georgia with total area of 1,437,424 m2. Carrying amount of the transferred lands amounted to GEL 44,100 thousand. Consequently, 'Owner contributions' were reduced by the above-mentioned amount (see Note 10(b)).

15. Loans and borrowings

This note provides information about the contractual terms of the Fund's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Fund's exposure to interest rate, foreign currency and liquidity risks, see note 16.

'000 GEL	**31 December 2021**	**31 December 2020**
Non-current liabilities		
Unsecured loans from subsidiaries	52,275	50,571
	52,275	**50,571**
Current liabilities		
Unsecured loans from financial institutions	108,101	144,484
	108,101	**144,484**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2021		**31 December 2020**	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured loans							
Unsecured loan from Credit Suisse	USD	Libor+6.5%	2021	-	-	145,281	144,484
Unsecured loan from CEB	EUR	Euribor+4%	2023	113,399	108,101	-	-
Unsecured loans from subsidiaries:							
Georgian Railway JSC	USD	6.5%	2026	31,417	31,417	30,464	30,464
Georgian Oil and Gas Corporation JSC	USD	9.50%	2024	20,858	20,858	20,107	20,107
Total interest-bearing liabilities				**165,674**	**160,376**	**195,852**	**195,055**

In 2015, the Fund obtained a loan from an international bank, Credit Suisse, of USD 150,000 thousand, equivalent to GEL 360,705 thousand. Per initial contractual terms, the loan was repayable in September, 2020. The purpose of the loan was to refinance existing loan exposures.

In September 2020, the terms were amended as follows: fixed part of the interest rate was increased from 5.95% to 6.5%, principal repayment was extended till September 2021 and financial covenants were removed from the agreement. This did not result in substantial modification of the contractual terms and loss on modification in the amount of GEL 1,009 thousand was recognised in the separate statement of profit or loss and other comprehensive income under finance costs (note 6). Termination fee in the amount of GEL 630 thousand was included in the calculation of the effective interest rate of the modified loan. In September 2021, the Fund repaid loan from Credit Suisse.

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, non-financial covenant related to 'cross default' was breached, allowing the lender to request repayment on demand. Cross default was triggered by the breach of a non-financial covenant occurred due to EBRD loan to the Georgian Oil and Gas Corporation JSC. 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. However, the Lender has provided a waiver letter to the Fund.

For more information about the management's assessment of going concern see also Note 2 (b).

In September 2021, terms of Georgian Railway JSC loan were amended as follows: maturity date was extended from March, 2022 to 31 December 2026, interest rate decreased from 9.75% to 6.5% and additional credit line of USD 7,000 thousand was agreed, which was fully utilized in 2022.

In September 2021, terms of the loan from Georgian Oil and Gas Corporation JSC were amended as follows: repayment of principal and accrued interest should be made on the later of 31 May 2024 or the date falling six months after all amounts owed by the Fund to Credit Europe Bank have been paid in full.

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

'000 GEL	**2021**	**2020**
Balance at 1 January	**195,055**	**167,283**
Repayment of borrowings	(137,472)	-
Proceeds from loans and borrowings	116,573	-
Other fees on loans and borrowings	(6,630)	-
Net cash flow used in financing activities	**(27,529)**	**-**
The effect of changes in foreign exchange rates	**(12,239)**	**24,513**
Interest expense	13,337	13,486
Interest paid	(8,248)	(11,236)
Modification loss	-	1,009
Total liability-related other changes	**5,089**	**3,259**
Balance at 31 December	**160,376**	**195,055**

16. 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 Fund 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.

Management believes that the fair values of the Fund's financial assets and liabilities approximate their carrying amounts.

(b) Financial risk management

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

- credit risk (see note 16 (c));
- liquidity risk (see note 16 (d));
- market risk (see note 16 (e)).

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

Risk management framework

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, 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 Fund's activities. The Fund, 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 Board of the Fund has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Supervisory Board oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

(c) Credit risk

Credit risk is the risk of financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's 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 2021**	**31 December 2020 (restated)**	**1 January 2020 (restated)**
Loans receivable	11	24,935	24,237	15,137
Cash and cash equivalents	12	23,128	65,351	11,045
		48,063	**89,588**	**26,182**

Impairment losses on financial assets recognised in profit or loss were as follows.

'000 GEL	**31 December 2021**	**31 December 2020 (restated)**
Impairment recovery/(loss) on loans receivable	404	(1,633)

(ii) Loans receivable

As at 31 December 2021 and 2020, the Fund has loans receivable from related parties and third parties.

Management believes that the Fund is exposed to significant credit risk relating to the loans receivable as at 31 December 2021 and 2020. The following table provides information about the exposure to credit risk and expected credit losses (ECL) for loans receivables as at 31 December 2021 and 2020:

’000 GEL	31 December 2021 12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL -credit-impaired	Total
Customer credit risk grade				
Low risk	8,963	-	-	8,963
Medium risk	-	18,223	-	18,223
High risk	-	-	51,566	51,566
Total gross carrying amount	8,963	18,223	51,566	78,752
Loss allowance	(448)	(1,803)	(51,566)	(53,817)
Carrying amount	**8,515**	**16,420**	**-**	**24,935**

’000 GEL	31 December 2020 (restated) 12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL -credit-impaired	Total
Customer credit risk grade				
Low risk	9,710	-	-	9,710
Medium risk	-	17,182	-	17,182
High risk	-	-	57,845	57,845
Total gross carrying amount	9,710	17,182	57,845	84,737
Loss allowance	-	(2,655)	(57,845)	(60,500)
Carrying amount	**9,710**	**14,527**	**-**	**24,237**

’000 GEL	01 January 2020 (restated) 12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL -credit-impaired	Total
Customer credit risk grade				
Low risk	2,645	-	-	2,645
Medium risk	-	13,514	-	13,514
High risk	-	-	38,173	38,173
Total gross carrying amount	2,645	13,514	38,173	54,332
Loss allowance	-	(1,022)	(38,173)	(39,195)
Carrying amount	**2,645**	**12,492**	**-**	**15,137**

Management has assessed impairment of loans based on individual characteristics of each legal entity. Each company has its own PD based on its financial performance and the future expectations of payments to be made.

The Fund 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 counterparties) and applying experienced credit judgment regarding customer behavior. 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.

An ECL rate is calculated for each counterparty based on delinquency status, external credit rating, current conditions of the counterparties and the Fund’s view of economic conditions over the expected lives of the loans receivables and ways of its repayments.

As at 31 December 2021, 2020 and 2019 credit-impaired loans include loan issued to Borjomi Likani International JSC denominated in foreign currency of GEL 51,566 thousand, GEL 57,845 thousand and GEL 38,173 thousand respectively, which is a POCI financial asset with a carrying amount of nil.

Impairment losses

'000 GEL	31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)
Gross carrying amount	78,752	78,456	67,725
Loss allowance	(53,817)	(54,221)	(52,588)
	24,935	**24,235**	**15,137**

Movements in the allowance for impairment in respect of loan receivables

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

'000 GEL	31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)
Balance at 1 January	54,221	52,588	14,415
(Decrease)/increase during the year	(404)	1,633	38,173
Balance at 31 December	**53,817**	**54,221**	**52,588**

(iii) Cash and cash equivalents

The Fund usually holds funds with banks with good credit ratings. As at 31 December 2021, approximately 84% (31 December 2020: 95%) of the bank balances are held with the largest Georgian banks with short-term default rating of B, rated by Fitch Ratings. None of the balances are overdue or impaired.

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

No impairment allowance was recognised during 2021 and 2020 by the Fund.

The Fund does not expect any counterparty to fail to meet its obligations.

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund'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 Fund's reputation.

To manage the liquidity requirements, the Fund makes short-term forecasts for cash flows based on estimated financial needs determined by the nature of operating activities. Typically, the Fund ensures, that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 December 2021, the net current liability position of GEL 75,835 thousand of the Fund was triggered by a breach of loan non-financial covenant at year end, which resulted in the reclassification of the entire loan balance due to Credit Europe Bank N.V to current liabilities as at 31 December 2021, see note 15.

However, considering that subsequent to reporting period, the Fund obtained a waiver letter from the lender, the management expects that the repayment of the loan will follow the contractual schedule.

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 2021

’000 GEL	Carrying amount	Total	On Demand	0-6 mths	1-5 yrs
Non-derivative financial liabilities					
Unsecured loans from financial institutions	108,101	108,101	108,101		-
Unsecured loan from subsidiaries	52,275	69,993		-	69,993
Other liabilities	1,255	1,255		1,255	-
	161,631	**190,197**	**108,101**	**1,255**	**69,993**

31 December 2020

’000 GEL	Carrying amount	Total	0-6 mths	6-12 mths	1-5 yrs
Non-derivative financial liabilities					
Unsecured loans from financial institutions	144,484	152,729	-	152,729	-
Unsecured loan from subsidiaries	50,571	57,707	-	-	57,707
Other liabilities	1,061	1,061	1,061	-	-
	196,116	**211,497**	**1,061**	**152,729**	**57,707**

(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 Fund’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.

The Fund does not apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Fund is exposed to currency risk on issued loans, cash and cash equivalents and borrowings that are denominated in a currency other than GEL. The currency in which these transactions primarily are denominated is U.S. Dollar (USD) and Euro (EUR).

Exposure to currency risk

The Fund’s exposure to foreign currency risk was as follows:

’000 GEL	USD-denominated 2021	USD-denominated 2020 (rested)	EUR –denominated 2021	EUR –denominated 2020 (restated)
Cash and cash equivalents	1,786	39,866	-	-
Loans receivable	24,935	24,234	-	-
Loans and borrowings	(52,275)	(195,055)	(108,101)	-
Net exposure	**(25,554)**	**(130,955)**	**(108,101)**	**-**

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

in GEL	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
USD 1	3.2209	3.1097	3.0976	3.2766
EUR 1	3.8140	3.5519	3.5040	4.0233

Sensitivity analysis

A reasonably possible weakening of the GEL, as indicated below, against USD and EUR at 31 December 2021 and 31 December 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

’000 GEL	**Profit or loss**
31 December 2021	
USD (10%)	(2,555)
EUR (10%)	(10,810)
31 December 2020	
USD (10%)	(13,096)
EUR (10%)	-

A strengthening of the GEL against the above currencies at 31 December 2021 and 31 December 2020 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 Fund’s exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings the Fund’s management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Fund over the expected period until maturity.

Exposure to interest rate risk

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

’000 GEL	**Carrying amount**	
	2021	**2020 (restated)**
Fixed rate instruments		
Financial assets	31,192	75,061
Financial liabilities	(52,275)	(50,571)
	(21,083)	**24,490**
Variable rate instruments		
Financial assets	16,871	14,527
Financial liabilities	(108,101)	(144,484)
	(91,230)	**(129,957)**

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed-rate financial instruments FVTPL or FVOCI. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

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 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**
2021		
Variable rate instruments	(912)	912
Cash flow sensitivity	**(912)**	**912**
2020		
Variable rate instruments	(1,300)	1,300
Cash flow sensitivity	**(1,300)**	**1,300**

(f) Capital management

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

The Fund manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may adjust the amount of investments made in subsidiaries and equity-accounted investees, dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

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

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

’000 GEL	**2021**	**2020**
Total liabilities	161,631	196,116
Less: cash and cash equivalents	(23,128)	(65,351)
Net debt	**138,503**	**130,765**
Total equity	**1,358,001**	**1,350,604**
Debt to capital ratio at 31 December	**0.10**	**0.10**

The Fund is a wholly state-owned enterprise and its operations are mostly funded by equity financing.

There were no changes in the Fund’s approach to capital management during the year.

The Fund is not subject to externally imposed capital requirements.

17. 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 Fund 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 the Fund property or relating to the Fund operations. Until the Fund obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Fund’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 separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

18. Related parties

(a) Parent and ultimate controlling party

As at 31 December 2021 and 2020 the Fund is wholly owned and ultimately controlled 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	**2021**	**2020**
Salaries and bonuses	**846**	**771**

(c) Transactions with Government related entities

The Fund 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 Fund 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 State 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.

(i) Loans

'000 GEL	**Transaction value**		**Outstanding balance as at 31 December**	
	2021	**2020**	**2021**	**2020**
Loans receivable:				
Subsidiaries and state-controlled entities	-	-	16,871	14,527

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2021 Face value	31 December 2021 Carrying amount	31 December 2020 (restated) Face value	31 December 2020 (restated) Carrying amount
Loans receivable to subsidiaries							
Borjomi Likani International JSC	USD	0.04% daily	2034	78,912	-	71,238	-
Aerostructure Technologies Cyclone JSC	USD	10.75%+ 6 months LIBOR	2023	16,871	16,871	14,527	14,527
				95,783	**16,871**	**85,765**	**14,527**

During 2021, interest income of GEL 1,891 thousand (2020: GEL 1,682 thousand) and impairment reversal in the amount of GEL 1,303 thousand (2020: impairment loss in the amount of GEL 1,633 thousand) was recognised in profit or loss in respect of related party loans.

'000 GEL	Transaction value		Outstanding balance as at 31 December	
	2021	**2020**	**2021**	**2020**
Loans received:				
Subsidiaries	-	-	52,275	50,571

During 2021, interest expense of GEL 4,466 thousand (2020: GEL 4,560 thousand) was recognised in profit or loss in respect of related party loans.

19. Basis of measurement

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

20. Significant accounting policies

(a) The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

A number of new or amended standards and interpretations are effective from 1 January 2021 but they do not have a material effect on the Fund's separate financial statements.

(b) Investment in subsidiaries

Subsidiaries are entities controlled by the Fund. The Fund 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 investments in subsidiaries are accounted at cost in the separate financial statements from the date that control effectively commences until the date that control effectively ceases.

Investments in subsidiaries are accounted at cost less impairment losses.

(c) Investments in associates and joint ventures (equity-accounted investees)

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

Associates are those entities in which the Fund has significant influence, but not control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Fund holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Fund has joint control, whereby the Fund 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 Fund'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 separate financial statements include the Fund'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 Fund, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Fund'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 Fund has an obligation or has made payments on behalf of the investee.

(i) Joint operations

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

(d) Dividend income

Dividend income is recognized when the Fund's right to receive the amount is established.

(e) Expenses

Expenses are recognized on an accrual basis in the accounting period in which the related services are provided.

(f) Finance income and costs

The Fund's finance income and finance costs include:

- interest income on bank deposits and loans receivable;
- interest expense on financial liabilities;
- The gain or loss recognized on modification of contractual terms of financial instruments;
- impairment loss on other financial assets;
- the foreign currency gain or loss 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.

(g) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Fund 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 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.

(h) 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 Fund 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.

(i) Income tax

Income tax expense comprises current tax. Current tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(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 of 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 Company 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.

(j) Property and equipment

(i) Recognition and measurement

Items of Property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment contributed by the shareholder are initially measured at fair value. The cost of Property and equipment at the date of adopting IFRS, 1 January 2015, was determined by reference to its fair value at that date ("deemed cost").

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.

if significant parts of an item of Property and equipment have different useful lives, they are accounted for as separate items (major components) of Property and equipment.

Any gain or loss on disposal of an item of Property and equipment is determined by comparing the proceeds from disposal with the carrying amount of Property 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 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 Fund, 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 and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of Property 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 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 Fund will obtain ownership by the end of the lease term. Land is not depreciated.
The estimated useful lives of significant items of Property and equipment for the current and comparative periods are as follows:

- Buildings 15 - 50 years;
- Other 2 - 10 years.

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

(k) Investment property

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.

(i) 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.

(ii) Subsequent costs

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 Fund 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.

(iii) 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.

(l) Financial instruments

(i) Recognition and initial measurement

Loan receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund 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 Fund 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.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

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 Fund 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 Fund 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 Fund 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 Fund 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 Fund analogizes to the guidance on the derecognition of financial liabilities.

The Fund 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;

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 Fund 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 Fund 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 Fund 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 Fund 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. The Fund 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 Fund 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 Fund 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 Fund derecognizes 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 Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its separate 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 Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognizes 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 statement of financial position when, and only when, the Fund 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.

(m) 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, net of deferred tax, 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*.

(n) Impairment

(i) Non-derivative financial assets

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

The Fund 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 Fund 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 Fund's historical experience and informed credit assessment and including forward-looking information.

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

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

– the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing 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 Fund 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 Fund expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Fund 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 Fund on terms that the Fund would not consider otherwise;
– it is probable that the borrower will enter bankruptcy or other financial reorganization; or
– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the separate 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 Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Fund 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 Fund 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 Fund's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Fund's non-financial assets, other than inventories and tax assets 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The Fund'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. 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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU 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.

(o) Dividends

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

(p) Leases

At inception of a contract, the Fund 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.

The Fund did not have significant lease agreements where it acts as a lessee or lessor as at 31 December 2021 and 2020

21. 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 Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

– *COVID-19-Related Rent Concessions (Amendment to IFRS 16).*
– *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
– *Annual Improvements to IFRS Standards 2018–2020.*
– *Property and equipment: Proceeds before Intended Use (Amendments to IAS 16).*
– *Reference to Conceptual Framework (Amendments to IFRS 3).*
– *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
– *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*
– *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
– *Definition of Accounting Estimates (Amendments to IAS 8).*
– *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).*

22. Subsequent events

In September 2022, the Fund made repayment of the loan from Credit Europe Bank in the amount of EUR 17,291 thousand. Repayment was made in accordance with agreement terms.

According to the decision issued on 29 November 2022 by the Government of Georgia, the Government of Georgia reduced Fund's equity by transferring to the state the ownership (100% of shares) of Georgian Railway JSC, which had total equity of GEL 413,129 thousand and generated revenue of GEL 547,868 thousand for the year ended 31 December 2021 and Georgian Oil and Gas Corporation JSC, which had total equity of GEL 1,045,048 thousand and generated revenue of GEL 1,114,608 thousand for the year ended 31 December 2021, to the Government of Georgia. Carrying amounts of the investments in those subsidiaries are disclosed in note 10.