Georgian Oil and Gas Corporation JSC

Unaudited Interim Consolidated Condensed Financial Statements for the six months ended 30 June 2016

Contents

'000 GEL	**Note**	**30 June 2016**	**31 December 2015**
		Unaudited	**Audited**
Assets			
Property, plant and equipment	13	792,977	764,456
Prepayments for non-current assets		-	2,064
Intangible assets		110	86
Finance lease receivable	14	57,191	55,424
Loans given	15	87,588	61,341
Term deposits	16	56,722	61,074
Deferred tax assets		-	14,381
Equity accountable investees	8	14,902	5,663
Non-current assets		**1,009,489**	**964,489**
Loans given	15	11,464	5,763
Inventories		17,917	8,825
Current tax assets		5,154	3,664
Assets held for distribution		-	1,758
Value added tax recoverable		5,703	5,019
Prepayments for current assets and expenses		53,967	48,147
Trade and other receivables		184,134	181,483
Cash and cash equivalents		260,496	191,088
Current assets		**538,834**	**445,747**
Total assets		**1,548,323**	**1,410,236**
Equity			
Share capital	17	611,868	610,901
Additional paid in capital		71,718	71,718
Fair value adjustment reserve for non-cash owner contributions		(282,181)	(282,181)
Retained earnings		354,384	276,171
Equity attributable to owners of the Company		**755,788**	**676,609**
Non-controlling interests		52,608	43,513
Total equity		**808,396**	**720,122**
Liabilities			
Loans and borrowings	18	681,283	587,172
Deferred tax liabilities		14,203	14,989
Non-current liabilities		**695,486**	**602,161**
Loans and borrowings	18	14,525	13,042
Trade and other payables		21,640	67,807
VAT Payable		-	5,039
Current tax liabilities		6,211	-
Provisions		2,065	2,065
Current liabilities		**44,441**	**87,953**
Total liabilities		**739,927**	**690,114**
Total equity and liabilities		**1,548,323**	**1,410,236**

The interim consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 19.

		Six months ended June	
		2016	**2015**
'000 GEL	**Note**	**Unaudited**	**Unaudited**
Revenue	7	326,612	234,402
Cost of gas		(196,706)	(168,888)
Depreciation and amortization		(16,990)	(9,796)
Personnel costs		(7,255)	(4,794)
Taxes, other than on income		(2,694)	(2,642)
Other expenses	9	(10,731)	(4,904)
Other income	10	15,624	5,147
Results from operating activities		**107,861**	**48,526**
Finance income	11	25,224	1,650
Finance costs	11	(22,628)	(46,657)
Net finance income		**2,596**	**(45,007)**
Profit before income tax		**110,456**	**3,518**
Income tax expense	12	(16,568)	(528)
Profit and total comprehensive income		**93,888**	**2,991**

These condensed consolidated interim financial statements were approved by management on 22 August 2016 and were signed on its behalf by:

David Tvalabeishvili
General Director

Givi Bakhtadze
Financial Director

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 19.

	Attributable to owners of the Company						
'000 GEL	**Share capital**	**Fair value reserve for non-cash owner contributions**	**APIC**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2015	**572,691**	**(282,181)**	**71,718**	**230,420**	**592,648**	**83,316**	**675,964**
Profit and total comprehensive income for 6 months of 2015	-	-	-	2,991	2,991	-	2,991
Contributions and distributions							
Increase in share capital	27,340	-	-	-	27,340	-	27,340
Increase in non-controlling interest in subsidiary	-	-	-	-	-	645	645
Dividends	-	-	-	(29,361)	(29,361)	-	(29,361)
Balance at 30 June 2015	**600,031**	**(282,181)**	**71,718**	**204,049**	**593,616**	**83,961**	**677,578**
Balance at 1 January 2016	**610,901**	**(282,181)**	**71,718**	**276,171**	**676,609**	**43,513**	**720,122**
Profit and total comprehensive income for 6 months of 2016	-	-	-	93,888	93,888	9,095	102,983
Contributions and distributions							
Increase in share capital	967	-	-	-	967	-	967
Distribution of non-cash assets	-	-	-	(2,999)	(2,999)	-	(2,999)
Dividends	-	-	-	(12,676)	(12,676)	-	(12,676)
Balance at 30 June 2016	**611,868**	**(282,181)**	**71,718**	**354,384**	**755,788**	**52,608**	**808,396**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 19.

	Six months ended June	
	2016	**2015**
Cash flows from operating activities		
Cash receipts from customers	354,111	242,194
Cash paid to suppliers and employees	(312,439)	(246,745)
Cash flows from operations before income taxes and interest paid	**41,672**	**(4,551)**
Income tax paid	(15)	(6,112)
Net interest paid	3,949	(18,599)
Cash flows from operating activities	**45,606**	**(29,262)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(17,946)	(35,630)
Investing in other companies	(8,942)	(8,823)
Loans given	(23,423)	
Cash flows used in investing activities	**(50,311)**	**(44,453)**
Cash flows from financing activities		
Proceeds from borrowings	96,573	-
Dividends paid	(12,676)	-
Loan repaid	(5,688)	-
Net cash from/(used in) financing activities	**78,210**	**-**
Effect of exchange rate fluctuations on cash and cash equivalents	(4,097)	29,312
Net increase/(decrease) in cash and cash equivalents	**73,505**	**(73,716)**
Cash and cash equivalents at the beginning of the period	191,088	181,799
Cash and cash equivalents at 30 June	**260,496**	**137,396**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 19.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 19.

1. Reporting entity

(a) Organisation and operations

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

In 2006 and 2007, respectively, Georgian International Oil Corporation JSC and Georgian Gas International Corporation JSC ceased legal existence and the assets and liabilities were transferred to the Company. In November 2007 the shares in Teleti Oil Company JSC were taken over by the Government of Georgia. Related party transactions are detailed in note 26.

The Company's registered office is 21 Kakheti Highway, Tbilisi 0190, Georgia.

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

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

(b) Business environment

The Group's operations are located in Georgia. Consequently, the Group is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The consolidated financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of accounting

(a) Statement of compliance

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

3. Functional and presentation currency

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

4. Use of estimates and judgments

The preparation of consolidated 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.

Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

5. Operating segments

Following the launch of the Gardabani CCPP in July 2015, a new strategic business unit was added to the reportable segments of the Group. The Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units, the Company's General Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Gas Supply*. Includes purchase and sale of gas.
- *Pipeline rental*. Includes rental income earned by the Company from the lease of gas pipelines to Georgian Gas Transportation Company LLC (a related party).
- *Upstream activities*. Includes sale of oil from production sharing arrangements.
- *Oil transportation*. Includes income from transportation of oil through the territory of Georgia.
- *Oil trading*. Includes income from purchase and sale of the oil.
- *Electricity generation and supply*. Includes electricity sales and guaranteed capacity fees.

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

(i) Information about reportable segments

'000 GEL	**Gas supply**		**Pipeline rental**		**Upstream activities**		**Oil transportation**		**Oil trading**		**Electricity generation**		**Total:**	
	6 months ended 30 June		**6 months ended 30 June**		**6 months ended 30 June**		**6 months ended 30 June**		**6 months ended 30 June**		**6 months ended 30 June**		**6 months ended 30 June**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
External revenues	190,125	187,204	31,037	33,458	8,173	4,670	9,125	9,069	2,232		85,920		326,612	234,402
Cost of gas and oil	(160,869)	(168,888)									(35,837)		(196,706)	(168,888)
Reportable segment profit before unallocated costs, net finance cost and income tax	29,256	18,316	31,037	33,458	8,173	4,670	9,125	9,069	2,232		50,083		129,906	65,514

* Product sharing arrangements are considered as joint operations and the revenue from oil sales is recognised only when it is sold to third parties

	Six months ended 30 June	
’000 GEL	**2016**	**2015**
Revenues		
Total revenue for reportable segments	**326,612**	**234, 402**
Profit or loss		
Total profit for reportable segments	129,906	65,514
Unallocated personnel expenses	(7,225)	(4,794)
Unallocated depreciation and amortization expenses	(16,990)	(9,796)
Net finance income/(costs)	2,596	(45,007)
Other net unallocated income/(costs)	2,200	(2,399)
Consolidated profit before income tax	**110,456**	**3,518**

(ii) Geographical information

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

(iii) Major customer

During the 6 months of 2016, one customer in the gas supply segment represented approximately 58% of the Group’s total revenue GEL 326,612 thousand, (2015: 80%, GEL 234, 402 thousand).

6. Seasonality of operations

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

7. Revenue

	Six months ended 30 June	
’000 GEL	**2016**	**2015**
Sales of natural gas	190,125	187,204
Income from electricity generation	85,920	-
Income from rent of gas pipelines	31,037	33,458
Oil transportation fee	9,125	9,069
Income from crude oil sales	8,173	4,670
Oil trading	2,232	-
Total revenues	**326,612**	**234,402**

The Company rents its gas pipeline to Georgian Gas Transportation Company LLC. The rent agreement is valid until 1 January 2020. The lease payments are contingent on the volume of gas transported through the pipeline. Transactions with related parties are disclosed in note 21.

Oil transportation fee is received for the oil transit from Azerbaijan to Turkey through the Baku-Supsa pipeline.

8. Equity accounted investees

On 16 December 2015, the Group contributed 49.99% of the charter capital of Kartli Wind Power Station LLC, a subsidiary of Georgian Energy Development Fund JSC. As at 30 June 2016, the contribution amounted to GEL 14,602 thousand, from this amount GEL 8,942 thousand was invested since 31 December 2015.

Kartli Wind Power Station LLC will construct the first wind power station in Georgia with a capacity of 20.7 MW. The feasibility study of the construction has been completed. The construction is expected to be completed by the end of September 2016.

9. Other expenses

	six months ended 30 June	
'000 GEL	**2016**	**2015**
Banking, consulting and other professional services	(6,718)	(2 708)
Representative and business trip expenses	(559)	(129)
Office and related equipment maintenance	(453)	(250)
Utility costs	(303)	(157)
Transportation, materials and repair and maintenance	(194)	(125)
Communication expenses	(64)	(34)
Other	(2,439)	(1,500)
	(10,731)	**(4 904)**

10. Other income

	six months ended 30 June	
'000 GEL	**2016**	**2015**
Customer penalties for late payment	13,925	4,088
Oil processing	244	435
Rent income	215	218
Other	1,241	406
	15,624	**5,147**

11. Finance income and finance costs

	six months ended 30 June	
'000 GEL	**2016**	**2015**
Recognised in profit or loss		
Interest income on bank deposits	11,595	-
Interest accrued on given loans	3,126	-
Unwinding of discount on finance lease receivable	1,768	1,650
Net foreign exchange gain	8,736	-
Finance income	**25,224**	**1,650**
Interest expense on bonds payable	(22,628)	-
Net foreign exchange loss	-	(46,657)
Finance costs	**(22,628)**	**(46,657)**
Net finance costs recognised in profit or loss	**2,596**	**(45,007)**

During the six months of 2015 the Group capitalised net interest on bonds issued in the amount of GEL 3,186 thousand. This is the net result of interest expense on bonds issued of GEL 19,182 thousand and interest income on bank deposits and loans given of GEL 7,432 thousand and GEL 8,564 thousand, respectively. Interest income was received from funds temporarily invested from the bond issuance proceeds in bank deposits and loans issued.

12. Income tax expense

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim periods. The Group's consolidated effective tax rate for the six month period ended 30 June 2016 was 15 % (six month period ended 30 June 2015: 15 %). The statutory tax rate is 15%.

13. Property, plant and equipment

In thousand GEL	Gas and oil pipelines	Land and Buildings	Electricity Generating Unit	Oil wells	Plant and equipment	Other	CIP	Total
Opening net book amount as at 1 January 2016	**285,684**	**31,833**	**384,498**	**7,324**	**11,710**	**3,901**	**39,506**	**764,456**
Additions	63	1,132	5,278		677	478	46,621	**53,094**
Disposals	(1)	-	(7,927)		(259)	(583)	(771)	**(8,699)**
Depreciation	(5,564)	(351)	(8,270)	(841)	(986)	(174)	-	**(15,026)**
Closing net book amount as at 30 June 2016	**280,182**	**32,614**	**373,579**	**6,483**	**11,142**	**3,622**	**85,356**	**792,977**

14. Finance lease receivable

In 1996 the Government of Georgia entered into a 30 year arrangement with a consortium of oil companies that undertook major rehabilitation of existing pipeline from the border with Azerbaijan to the Georgian Black Sea coast and construction of Supsa oil terminal. The arrangement granted the oil companies the right to transport oil across Georgia through that pipeline. The pipeline infrastructure on Georgian territory, being the property of the Government of Georgia and ownership of this infrastructure was transferred to the Company in June-July 2010 through a contribution to its charter capital with a nominal value of GEL 269,299 thousand. In exchange for the oil company's use of the pipeline, the Group receives a transit fee for each barrel of oil transported through the pipeline. Management has determined that the initial arrangement contained a finance lease at inception.

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

	30 June	**31 December**
'000 GEL	**2016**	**2015**
Balance at the beginning of the year/date of title transfer	55,424	52,041
Unwinding of discount on finance lease receivable	1,768	3,383
Balance at the end of the period	**57,191**	**55,424**

Contingent rents related to oil transportation recognized in the consolidated statement of comprehensive income during six months of 2016 amounted to GEL 9,125 thousand (six months of 2015 GEL 9,069 thousand).

15. Loans given

	30 June	**31 December**
'000 GEL	**2016**	**2015**
Non-current		
Loans given to state controlled entity	85,363	58,919
Loans given to third party	2,225	2,422
Total non-current	**87,588**	**61,341**
Current		
Current portion of loans given to state controlled entity	11,326	5,763
Current portion of loan given to the third party	138	
Total current	**11,464**	**5,763**
	99,052	**67,104**

The unsecured loan given to the state controlled entity, originally bearing a contractual rate of interest of 11% per annum, was restructured in May 2014. As a result the rate of interest was changed to 9.5% and the principal repayments were rescheduled from 2014 to 2017. As at 31 December 2014 100% of shares of a wholly owned subsidiary of the borrower with an estimated fair value approximately the same as the carrying value of the loan were pledged to secure the loan given to the state controlled entity. In February 2015 in accordance with the decision of the Government of Georgia, the key asset of that subsidiary was sold to a third party. The loan to the state controlled entity was not overdue and payments were made in accordance with loan repayment schedule. The management believes that, if required, the State of Georgia (National Agency of State Property of the Ministry of Economy and Sustainable Development) will provide support to the extent permitted by the Georgian legislation to the state controlled entity to enable it to repay the loan.

On 30th of June 2016 the contract on unsecured loan in amount of 10,000 thousand USD was signed between JSC Georgian Oil and Gas Corporation and the state controlled entity JSC Georgian Energy Development Fund. The loan is bearing an 8.5% per annum contractual interest rate and is given with an aim to construct 20.7 MW installed capacity Wind Energy Station near town Gori. The construction process of the station is conducted by the associate Company LTD Kartli Wind Energy Station.

The loan given to a third party bears the contractual rate of interest of 9.5% and matures within 2 years and is secured by the borrowers fixed assets.

16. Term deposits

Terms and conditions of the term deposits are as follows:

				30 June 2016		**31 December 2015**	
’000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Non-current term deposit	USD	7.125%	2017	56,772	56,772	61,074	61,074
				56,772	**56,772**	**61,074**	**61,074**

The Group’s non-current term deposits include GEL 21,947 thousand (2015: GEL 22,483 thousand) which have been pledged as collateral for a loan obtained by a state controlled entity in the agriculture sector. The Ministry of Agriculture of Georgia has confirmed its intent to provide support to the state controlled entity to enable it to repay the loan. The loan was not overdue at 30 June 2016. The management believes that, if required, The Ministry of Agriculture of Georgia will provide support to the extent permitted by the Georgian legislation to the state controlled entity and that there is no impairment risk.

17. Equity

Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	30 June 2016	**31 December 2015**
Par value	GEL 20	GEL 20
On issue at 1 January	30,545,028	28,634,529
Issue of shares in exchange for non-cash assets	48,360	1,910,499
On issue at the reporting date	**30,593,388**	**30,545,028**

Ordinary shares

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

18. Loans and borrowings

In April 2016 the Group carried out the issuance, placement and registration (listing) on the London Stock Exchange of unsecured bonds of USD 250 million and the early redemption of the unsecured bonds of USD 250 million due in 2017 issued by the Group in May 2012 (the 2012 Notes). As a result of the above transaction, the Group has issued USD 250 million 6.875% Notes due 2022 and redeemed 78.62% of the outstanding 2012 Notes with a face value of USD 197 million.

19. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the six months ended 30 June 2016.

20. Contingencies

(a) Insurance

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

(b) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions. 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 six years have passed since the end of the year in which the breach occurred.

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

(c) Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

21. Related party transactions

(a) Control relationships

As at 30 June 2016 Georgian Oil and Gas Corporation JSC is wholly owned by Partnership Fund JSC. The ultimate controlling party of the Group is the Government of Georgia. The Group's parent company produces publicly available financial statements.

(b) Transactions with key management personnel

(i) Key management remuneration

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

	six months ended 30 June	
'000 GEL	**2016**	**2015**
Salaries and bonuses	**526**	**334**

(c) Other related party transactions

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

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

(i) Revenue

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
'000 GEL	**2016**	**2015**	**2016**	**2015**
State controlled entities:				
Rent of pipelines	36,749	33,458	2,972	15,973
Income from electricity generation	85,959	-	11,317	16,754
	122,708	**33,458**	**14,289**	**32,727**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(ii) Expenses

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
'000 GEL	**2016**	**2015**	**2016**	**2015**
State controlled entities:				
Purchase of Gas	13,241	26,439	2	30,307
	13,241	**26,439**	**2**	**30,307**

(iii) Loans given

'000 GEL	Interest accrued for the six months of		Outstanding balance as at	
			30 June	31 December
	2016	**2015**	**2016**	**2015**
State controlled entity	**11,326**	**5,763**	**85,363**	**64,682**
	11,326	**8,564**	**85,363**	**64,682**