GEORGIAN OIL & GAS CORPORATION

Unaudited Interim Consolidated Condensed Financial Statements for the six months ended 30 June 2020

Contents

'000 GEL	Note	30 June 2020	31 December 2019
		Unaudited	**Audited**
Assets			
Property, plant and equipment	12	1,280,278	1,175,484
Prepayments for non-current assets	13	3,767	97,170
Intangible assets		1,103	1,421
Finance lease receivable	14	77,464	73,134
Receivable from Parent		1,831	-
Loans given	15	17,719	16,154
Trade and other receivables	16	16,861	15,718
Equity accountable investees		2,021	2,021
Non-current assets		**1,401,045**	**1,381,102**
Loans given	15	1,757	1,692
Inventories		36,348	20,475
Taxes other than on income		8,367	437
Prepayments	13	133,908	66,198
Trade and other receivables	16	265,567	281,628
Restricted cash		-	60
Cash and cash equivalents	17	40,379	135,815
Current assets		**486,326**	**506,305**
Total assets		**1,887,370**	**1,887,407**
Equity			
Share capital	18	645,284	642,905
Additional paid in capital		59,797	59,797
Fair value adjustment reserve for non-cash owner contributions		(282,181)	(282,181)
Retained earnings		548,355	531,422
Equity attributable to owners of the Company		**971,255**	**951,943**
Non-controlling interests		117,980	104,728
Total equity		**1,089,235**	**1,056,671**
Liabilities			
Loans and borrowings	19	751,225	705,122
Contract liability	8	4,621	4,621
Non-current liabilities		**755,846**	**709,743**
Loans and borrowings	19	19,383	16,902
Trade and other payables	20	14,688	95,477
Current tax liabilities		6,153	6,549
Provisions		2,065	2,065
Current liabilities		**42,288**	**120,993**
Total liabilities		**798,134**	**830,736**
Total equity and liabilities		**1,887,370**	**1,887,407**

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

		Six months ended June 30	
		2020	2019
'000 GEL	**Note**	**Unaudited**	**Audited**
Revenue	8	486,612	433,803
Cost of gas		(351,142)	(309,722)
Depreciation and amortization		(25,228)	(19,253)
Personnel costs		(11,004)	(9,674)
Taxes, other than on income		(7,300)	(4,856)
Impairment loss on trade receivables and contract assets		627	-
Other expenses	9	(7,856)	(10,604)
Other income	10	15,309	1,188
Results from operating activities		**100,018**	**80,801**
Finance income	11	11,365	17,679
Finance costs	11	(66,198)	(66,983)
Net finance income		**(54,833)**	**(49,306)**
Share of profit of equity accounted investee		-	668
Profit before income tax		**45,185**	**32,243**
Income tax expense		-	-
Profit and total comprehensive income		**45,185**	**32,243**
Profit and total comprehensive income attributable to:			
Owners of the Company		31,933	24,716
Non-controlling interests		13,252	7,527
		45,185	**32,243**

These condensed consolidated interim financial statements were approved by management on 25 August 2020 and were signed on its behalf by:

Givi Bakhtadze
General Director

Omar Ogbaidze
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 23.

	Attributable to owners of the Company						
'000 GEL	**Share capital**	**Fair value reserve for non-cash owner contributions**	**APIC**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2019	**626,595**	**(282,181)**	**71,718**	**480,665**	**896,797**	**91,560**	**988,357**
Profit and total comprehensive income for 6 months of 2019	-	-	-	24,715	24,715	7,528	32,243
Contributions and distributions							
Increase in share capital	1,133	-	-	-	1,133	-	1,133
Distribution of non-cash assets	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Balance at 30 June 2019	**627,728**	**(282,181)**	**71,718**	**505,381**	**922,646**	**99,088**	**1,021,733**
Balance at 1 January 2020	**642,905**	**(282,181)**	**59,797**	**531,442**	**951,943**	**104,728**	**1,056,670**
Profit and total comprehensive income for 6 months of 2020	-	-	-	31,993	31,933	13,252	45,185
Dividends to equity holders (Note 18 (a))	-	-	-	(15,000)	(15,000)	-	(15,000)
Contributions and distributions							
Increase in share capital	2,379	-	-	-	2,379	-	-
Balance at 30 June 2020	**645,284**	**(282,181)**	**59,797**	**548,355**	**971,255**	**117,980**	**1,089,235**

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

	Six months ended June	
	2020	**2019**
Cash flows from operating activities		
Cash receipts from customers	566,379	464,108
Cash paid to suppliers and employees	(578,662)	(446,364)
Value added tax refund from the State	6,468	4,000
Cash flows from operations before income taxes and interest paid	**(5,815)**	**21,744**
Income tax paid	-	-
Interest paid	(26,788)	(22,765)
Interest received	3,503	8,112
Cash flows from operating activities	**(29,100)**	**7,091**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(56,195)	(168,223)
Loans given	-	(152)
Cash flows used in investing activities	**(56,195)**	**(168,375)**
Cash flows from financing activities		
Loan repaid	343	-
Reduction of capital in equity accounted investee	-	3,592
Dividends paid (Note 18 (a))	(15,000)	-
Net cash from/(used in) financing activities	**(14,657)**	**3,592**
Effect of exchange rate fluctuations on cash and cash equivalents	4,455	(201)
Net increase/(decrease) in cash and cash equivalents	**(99,952)**	**(157,692)**
Cash and cash equivalents at the beginning of the period	135,875	354,202
Cash and cash equivalents at 30 June	**40,379**	**196,309**

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

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1. Reporting entity

(a) Organisation and operations

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

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

The Group's principal activities are natural gas import 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.

Since 2017 the Company started construction of Gardabani II Combined-Cycle Thermal Power Plant. The construction of Gardabani II Combined-Cycle Thermal Power Plant was finalized in December 2019. Electricity generation license was issued to Gardabani II by Georgian National Energy and Water Supply Regulating Commission on 25 March 2020. As a result, Gardabani II Thermal Power Plant started operation in 2020.

As at 30 June 2020 and 31 December 2019 the Group is wholly owned by Partnership Fund JSC (100% owned by the Georgian Government). The ultimate controlling party of the Group is the Government of Georgia. Related party transactions are disclosed in note 23.

(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").

This is the first set of the Group's condensed consolidated interim financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 5.

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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

– Note 8 (a) – Material right given to the customer under IFRS 15 - Recognition of contract liability;
– Note 14 – Finance lease receivables – determination of whether the initial arrangement contains a finance lease and the present value of the unguaranteed residual value at the end of the lease term;

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. Changes in significant accounting policies

IFRS 16

The Group initially applied IFRS 16 Leases from 1 January 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

The Group does not have high value lease contracts where it acts as a lessee as at 1 January 2019 and 31 December 2019, as well as at 30 June 2020. Consequently, the Group used practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group did not recognise right-of-use assets and liabilities for leases of low value assets.

(c) As a lessor

The Company leases out gas pipeline and related infrastructure, its own property, to a related party, Georgian Gas Transportation Company LLC (see note 23). The Group has classified the named lease as an operating lease, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

In addition to the gas pipeline lease, the Company leases out oil pipeline and receives a transit fee for each barrel of oil transported. Management has determined that the initial arrangement contained a finance lease at inception date, as the lease agreement transferred substantially all of the risks and rewards incidental to ownership to the lessee. The Group has classified the named lease as a finance lease (see note 14).

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group is not involved in a sub-lease transactions.

(d) **Impact on financial statements**

On transition to IFRS 16, the Group has not recognized either additional right-of-use assets or additional lease liabilities. Consequently, there was no impact on the consolidated financial statements of the Group on transition date.

Amendments to IAS 23 *Borrowing Costs*

The Group has adopted amendments to IAS 23 *Borrowing Costs* issued by the International Accounting Standards Board as part of Annual Improvements to IFRS Standards 2015–2017 Cycle from 1 January 2019 and apply them to borrowing costs incurred on or after that date. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Therefore, the Group treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Borrowings that were intended to specifically finance qualifying assets which are now ready for their intended use or sale – or any non-qualifying assets – the Group includes in its general pool.

There was no additional borrowing costs capitalised by the Group during 2019 and 6 months of 2020 as a result of this revised approach.

A number of other new standards and amendments to the existing standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements, except those described above.

6. Operating segments

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

- *Gas supply:* Includes purchase and sale of natural gas.
- *Pipeline rental*: Includes rental income earned by the Group from the lease of gas pipelines to a related party, Georgian Gas Transportation Company LLC
- *Upstream activities*: Includes sale of oil from production-sharing arrangements.
- *Oil transportation: Includes income from transportation of oil through the territory of Georgia.*
- *Electricity generation: 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 depreciation, personnel costs, net finance costs, other income/expenses and income and other taxes, as included in the internal management reports that are reviewed by the 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		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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External revenues	320,483	288,590	21,532	21,428	6,698	4,326	13,064	9,691	124,835	109,767	486,612	433,803
Cost of gas and oil	(299,437)	(264,639)							(51,705)	(45,083)	(351,142)	(309,722)
Reportable segment profit before unallocated costs, net finance cost and income tax	21,045	23,951	21,532	21,428	6,698	4,326	13,064	9,691	73,130	64,684	135,470	124,081

* 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	**2020**	**2019**
Revenues		
Total revenue for reportable segments	**486,612**	**433,803**
Profit or loss		
Total profit for reportable segments	135,470	124,801
Unallocated personnel expenses	(11,004)	(9,674)
Unallocated depreciation and amortization expenses	(25,228)	(19,253)
Net finance income/(costs)	(54,833)	(49,306)
Other net unallocated income/(costs)	780	(14,272)
Share of income/(loss) of equity accounted investees*	-	668
Consolidated profit before income tax	**45,185**	**32,243**

* In December 2019 the Company disposed its share (49.99%) in its associate Kartli Windfarm.

(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 2020, one customer in the gas supply segment represented approximately 52% of the Group’s total revenue GEL 251,218 thousand, (2019: 65%, GEL 259,572 thousand).

7. Seasonality of operations

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

8. Revenue

	Six months ended 30 June	
'000 GEL	**2020**	**2019**
Revenue from contracts with customers:		
Sales of natural gas	320,483	288,590
Income from electricity generation	124,835	109,767
Income from crude oil sales	6,698	4,326
Revenue from contracts with customers	**452,016**	**402,684**
Other revenue		
Income from rent of gas pipelines	21,532	21,428
Oil transportation fee under finance lease	13,064	9,691
Total other revenues	**34,596**	**31,119**
Total revenues	**486,612**	**433,803**

Income from electricity generation and supply includes the income from guaranteed capacity fees of GEL 73,163 thousand (2019: GEL 63,355 thousand) and income from electricity generation of GEL 51,673 thousand (2019: GEL 46,412 thousand).

The Company rents its gas pipeline to Georgian Gas Transportation Company LLC. The lease payments were contingent on the volume of gas transported through the pipeline. Since 1 September 2017 the rent fee was fixed at GEL 3,500 thousand per month. From 1 January 2020 fee increased to GEL 3,583 thousand per month. Transactions with related parties are disclosed in Note 23.

(a) Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	30 June	31 December
'000 GEL	**2020**	**2019**
Receivables, which are included in 'trade and other receivables'	249,332	271,478
Contract liabilities	(4,621)	(4,621)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

According to the contract with the most significant customer for gas supply, the customer should make discount of USD 15 for each thousand cubic meters of so called “social gas” (gas to be consumed by the population of Georgia) sold until the end of the year 2020 (“Facilitation period”). On its part, the Group undertook obligation to provide USD 15 discount for each thousand cubic meters of natural gas for the same volume of gas sold by the customer to the population of Georgia during the Facilitation Period. Gas sales at discounted price by the Group to the customer will take place during 2021-2025 years (“Compensation period”).

The management, considering the requirements of IFRS 15 – Revenue from contracts with customers, concluded that the option given by the Group to the customer to purchase additional gas at a discount from the price stipulated in the original contract, gives the customer the right to acquire additional goods at a price that does not reflect the stand-alone selling price. Consequently, management concluded that the option is a material right which gives rise to a performance obligation.

9. Other expenses

	Six months ended 30 June	
'000 GEL	**2020**	**2019**
Transportation, materials and repair and maintenance	(2,645)	(2,106)
Regulatory fees	(930)	(467)
Professional services	(927)	(3,457)
Utility costs	(711)	(408)
Consultancy services	(393)	(1,000)
Insurance costs	(303)	(448)
Natural resources' fee	(303)	(297)
Write off/disposal/transfer of assets	(289)	(1,098)
Representative and business trip expenses	(47)	(322)
Other	(1,307)	(1,002)
	(7,856)	**(10,604)**

10. Other income

	Six months ended 30 June	
'000 GEL	**2020**	**2019**
Penalty from delay in service provision	12,681	-
Income from currency conversion	1,184	-
Excess inventory identified through stock count	577	605
Rent income	280	281
Oil processing	179	86
Other	409	216
	15,309	**1,188**

The construction of Gardabani II CCPP per EPC contract should have been finalized by the end of September 2020. However, taking over certificate was signed by the parties only on 20th February

2020. As a result of delay penalty of GEL 12,681 thousand was recognized by the Group in its financial statements.

11. Finance income and finance costs

	Six months ended 30 June	
’000 GEL	**2020**	**2019**
Recognised in profit or loss		
Interest income under the effective interest method at amortized cost	5,894	15,296
Unwinding of discount of finance lease receivable	4,330	2,334
Unwinding of discount on restructured receivable from related party	1,143	-
Customer late payment penaly	-	49
Finance income	**11,365**	**17,679**
Interest expense on bonds payable	(20,218)	(19,421)
Loss on derecognition of financial asset	-	(2,450)
Net foreign exchange loss	(45,980)	(45,112)
Finance costs	**(66,198)**	**(66,983)**
Net finance costs recognised in profit or loss	**(54,833)**	**(49,306)**

12. 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 2020	**252,366**	**39,921**	**317,252**	**8,309**	**6,049**	**7,378**	**544,209**	**1,175,484**
Transfers	-	2,069	443,409	-	106	-	(445,585)	-
Additions	1,604	775	6,390	-	11	91	114,429	**123,300**
Capitalised borrowing costs	-	-	-	-	-	-	8,755	**8,755**
Disposals	-	-	-	-	-	-	(2,057)	**(2,057)**
Depreciation for 6 months	(9,406)	(438)	(13,539)	(293)	(892)	(637)	-	**(25,204)**
Depreciation on disposal	-	-	-	-	-	-	-	-
Closing net book amount as at 30 June 2020	**244,564**	**42,327**	**753,511**	**8,016**	**5,274**	**6,832**	**219,753**	**1,280,278**

13. Prepayments

’000 GEL	30 June 2020	31 December 2019
Non-current assets		
Prepayments for non-current assets	3,767	97,170
Current assets		
Prepayments	133,908	66,198
	137,674	**163,368**

On 28 September 2016 the agreement was signed on engineering, procurement and construction of Gardabani II Combined-Cycle Thermal Power Plant, between Gardabani TTP 2 LLC and China Tianchen Engineering Corporation. As at 31 December 2019 advance payment of GEL 89,953 thousand was made to China Tianchen Engineering Corporation in accordance with the above agreement.

The construction of Gardabani II Combined-Cycle Thermal Power Plant was finalized in December 2019. Electricity generation license was issued to Gardabani II by Georgian National Energy and Water Supply Regulating Commission on 25 March 2020. Therefore, advance payment made to China Tianchen Engineering Corporation was fully utilized.

Current portion of the prepayments balance were made mainly to South Caucasus Pipeline Option Gas Company Limited of GEL 107,989 thousand (31 December 2019: GEL 42,933 thousand) and to Azerbaijan Gas Supply Company Limited (AGSC) of GEL 6,734 thousand (31 December 2019: GEL 13,332 thousand) for the supply of gas.

14. Finance lease receivable

In 1996 the Government of Georgia entered into a 30 year arrangement with a consortium of oil companies that undertook 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	**2020**	**2019**
Balance at the beginning of the year/date of title transfer	73,134	67,854
Unwinding of discount on finance lease receivable	4,330	5,280
Balance at the end of the period	**77,464**	**73,134**

Contingent rents related to oil transportation recognized in the consolidated statement of comprehensive income during six months of 2020 amounted to GEL 13,064 thousand (six months of 2019 GEL 9,691 thousand).

15. Loans given

	30 June	**31 December**
'000 GEL	**2020**	**2019**
Non-current assets		
Loan given to shareholder	17,719	15,983
Loan given to third party	-	170
Total non-current	**17,719**	**16,154**
Current assets		
Loan given to third party	1,757	1,692
Total current	**1,757**	**1,692**

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

Repayment of principal and accrued interests should be done on maturity 31 May 2021.

In March 2018 the Company issued a loan to Georgian Oil and Gas Limited (non-related party) of USD 500 thousand. The loan bears contractual interest rate of 9.5% per annum. GOGL paid interest on outstanding loan and maturity on the repayment of principal was prolonged until 31 December 2020.

16. Trade and other receivables

'000 GEL	**June 30 2020**	**December 31 2019**
Non-current assets		
Restructured receivables*	16,861	15,718
Total non-current	**16,861**	**15,718**
Current assets		
Trade receivables	261,297	275,677
Restructured receivables*	4,233	4,296
Other receivables	37	1,655
Total current	**265,567**	**281,628**
	282,428	**297,346**

17. Cash and cash equivalents balances

'000 GEL	**30 June 2020**	**31 December 2019**
Cash and cash equivalents	40,379	71,141
Call deposits	-	64,674
Cash and cash equivalents in the consolidated statement of cash flows and in the consolidated statement of financial position	**40,379**	**135,815**

Call deposits represent callable deposits with maturities of three months or less from the acquisition date.

18. Equity

Share capital

Number of shares unless otherwise stated	Ordinary shares	
	30 June 2020	**31 December 2019**
Par value	GEL 20	GEL 20
On issue at 1 January	32,145,250	31,329,768
Issue of shares in exchange for non-cash assets	118,955	815,482
On issue at the reporting date	**32,264,203**	**32,145,250**

Ordinary shares

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

(a) Dividends and other distribution to shareholders

During six months of 2020 the Company made dividend payments of GEL 15,000 thousand to JSC Partnership Fund. Remaining dividends (GEL 27,482 thousand) will be paid by the Company to its Parent by the end of 2020.

19. Loans and borrowings

’000 GEL	30 June 2020	31 December 2019
Non-current liabilities		
Unsecured bond issue	751,225	705,122
	751,225	**705,122**
Current liabilities		
Current portion of unsecured bond issue	19,383	16,902
	19,383	**16,902**
	770,608	**722,024**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 June 2020		31 December 2019	
’000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured bond issue	USD	6.75%	2021	763,800	770,608	716,925	722,024
Total interest-bearing liabilities				**763,800**	**770,608**	**716,925**	**722,024**

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 part redemption of the 2012 Bonds. In 2017 the Group repaid outstanding part of 2012 Bonds. As a result as of today, the Group has remaining issued USD 250 million 6.75% bonds due in 2021.

Due to COVID-19 outbreak and significant turbulence on international financial markets the Company's plans to reissue Eurobonds in April 2020 were delayed. To repay Euronds on due date the Company intends to raise finance from international financial institution. Respective loan facility to fully refinance the outstanding 2021 Eurobonds has already passed the initial stages of approval. The Company expects the loan facility agreement to be signed in the third quarter of 2020.

In 2018 the Company signed loan agreement of EUR 150 million with KfW for financing construction of first underground gas storage in Georgia. Per the loan agreement the Company will receive the EUR 150 million in 2 tranches. As at 31 December 2019 no tranche was withdrawn/utilized and the Company paid management fee and commitment fee of EUR 1,350 thousand and EUR 27.5 thousand, respectively.

On 23 April 2020, the Ministry of Economy and Sustainable Development of Georgia launched an initiative introduced by the Minister of Finance of Georgia to reallocate to the state budget EUR 120,000 thousand committed by KfW under the loan agreement with the Company for financing of the Project, with the purpose of supporting government programs aimed at the prevention of the COVID-19 pandemic and mitigation of the outcomes thereof.

On 24 August 2020, KfW and the Company signed a restatement agreement to amend the Original Loan Agreement reducing the original loan amount of EUR 150,000 thousand to EUR 30,000 thousand. Maturity date and all other key terms were unchanged.

20. Trade and other payables

'000 GEL	**June 30 2020**	**December 31 2019**
Trade payables	11,064	69,612
Payables for non-current assets	2,098	23,072
Other payables	1,526	2,793
Total payables	**14,688**	**95,477**

21. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated and separate financial statements as at and for the twelve months ended 31 December 2019.

22. 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.

23. Related party transactions

(a) Control relationships

As at 30 June 2020 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	**2020**	**2019**
Salaries and bonuses	**524**	**851**

(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	**2020**	**2019**	**2020**	**2019**
State controlled entities:				
Rent of pipelines	21,532	21,428	24,398	24,264
Income from electricity generation	112,073	86,382	28,319	11,991
Associate of Parent:				
Income from electricity generation	12,763	23,385	-	4,318
	146,367	**131,196**	**52,717**	**40,572**

(ii) Expenses

	Transaction value for the six months ended 30 June		Outstanding balance as at	
			30 June	31 December
'000 GEL	**2020**	**2019**	**2020**	**2019**
State controlled entities:				
Purchase of Gas	2,854	2,678	83	887
	2,854	**2,678**	**83**	**887**

24. New standards and interpretations not yet adopted

Standards and interpretations

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

– *Amendments to References to Conceptual Framework in IFRS Standards.*
– *Definition of a Business (Amendments to IFRS 3).*
– *Definition of Material (Amendments to IAS 1 and IAS 8).*
– *IFRS 17 Insurance Contracts.*