JSC Georgian Railway

Condensed Consolidated Interim Financial Statements for the six-month periods ended 30 June 2023 and 2022

Contents

000 GEL	**Note**	**30 June 2023**	**31 December 2022**
Assets			
Property, plant and equipment	10	1,867,288	1,831,197
Other non-current assets	14	173,643	181,709
Other receivable	11	47,292	47,738
Non-current assets		**2,088,223**	**2,060,644**
Inventories	13	32,981	33,944
Tax assets		2,370	3,363
Prepayments and other current assets		7,652	8,347
Trade and other receivables	12	27,244	14,519
Term deposit		4,348	4,071
Cash and cash equivalents	15	271,437	274,629
Current assets		**346,032**	**338,873**
Total assets		**2,434,255**	**2,399,517**
Equity			
Share capital	19(a)	1,055,031	1,055,031
Non-cash owner contribution reserve	19(b)	100,602	100,602
Accumulated losses		(287,916)	(374,364)
Total equity		**867,716**	**781,268**
Liabilities			
Loans and borrowings	21	1,330,449	1,378,147
Advance received from the Government	19(d)	46,594	46,594
Payables for non-current assets	22	30,242	30,242
Non-current liabilities		**1,407,285**	**1,454,983**
Loans and borrowings	21	13,635	14,273
Trade and other payables	22	115,823	122,242
Liabilities to the Government	19c	4,712	4,712
Provisions	23	11,784	13,981
Other current liabilities		13,301	8,058
Current liabilities		**159,254**	**163,266**
Total liabilities		**1,566,539**	**1,618,249**
Total equity and liabilities		**2,434,255**	**2,399,517**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 21.

		For the six months ended 30 June	
'000 GEL	**Note**	**2023**	**2022**
Revenue	6	305,719	311,103
Other income		3,515	10,648
Employee benefits expense		(119,862)	(97,380)
Depreciation and amortization expense		(35,659)	(33,177)
Electricity, consumables and maintenance costs	7	(38,683)	(35,785)
Impairment loss on trade receivables		(592)	3,698
Other expenses	8	(60,023)	(56,407)
Results from operating activities		**54,415**	**102,700**
Finance income	9	17,866	12,122
Finance costs	9	(28,167)	(32,324)
Net foreign exchange loss	9	42,833	79,144
Net finance costs		**32,532**	**58,942**
Profit before income tax		**86,947**	**161,642**
Income tax expense		(499)	(402)
Profit and total comprehensive income for the period		**86,448**	**161,240**

These condensed consolidated interim financial statements were approved by Management Board on 14 August 2023 and were signed on its behalf by:

David Peradze
General Director

Irakli Titvinidze
Chief Financial Officer

The condensed consolidated interim statements of profit or loss and other comprehensive income are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 20.

		For the six months ended 30 June	
'000 GEL	**Note**	**2023**	**2022**
Revenue	6	305,719	311,103
Other income		3,515	10,648
Employee benefits expense		(119,862)	(97,380)
Depreciation and amortization expense		(35,659)	(33,177)
Electricity, consumables and maintenance costs	7	(38,683)	(35,785)
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’000 GEL	**Share capital**	**Non-cash owner contribution reserve**	**Accumulated losses**	**Total equity**
Balance at 1 January 2023	1,055,031	100,602	(374,364)	781,268
Profit and total comprehensive income for the period			86,448	88,125
Non-cash contributions by and distributions to owners				
Balance at 30 June 2023	**1,055,031**	**100,602**	**(287,916)**	**867,716**
Balance at 1 January 2022	1,054,806	100,585	(742,257)	413,133
Profit and total comprehensive income for the period			161,240	161,240
Non-cash contributions by and distributions to owners	225	17		242
Balance at 30 June 2022	**1,055,031**	**100,602**	**(581,017)**	**574,615**

The condensed consolidated interim statements of changes in equity are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 21.

	For the six months ended 30 June	
’000 GEL	**2023**	**2022**
Cash flows from operating activities		
Cash receipts from customers	299,505	313,347
Cash paid to suppliers and employees	(213,475)	(188,994)
Cash flows from operations before income taxes paid	86,030	124,353
Net cash from operating activities	**86,030**	**124,353**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(73,333)	(67,864)
Proceeds from sale of property, plant and equipment	45	34,480
Interest received	17,580	10,506
Issuance of the loan	-	(21,568)
Term deposit	(278)	(214)
Net cash used in investing activities	**(55,986)**	**(44,660)**
Cash flows from financing activities		
Repayment of borrowings	(5,414)	(6,620)
-Interest paid	(27,424)	(30,176)
Net cash used in financing activities	**(32,838)**	**(36,796)**
Net decrease in cash and cash equivalents	**(2,794)**	**42,897**
Cash and cash equivalents at 1 January	274,629	212,224
Effect of exchange rate fluctuations on cash and cash equivalents	(685)	(2,711)
Effect of movements in ECL on cash and cash equivalents	286	(27)
Cash and cash equivalents at 30 June	**271,437**	**252,383**

The condensed consolidated interim statements of cash flows are to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 8 to 21.

1. Reporting entity

(a) Business environment

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

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

(b) Organisation and operations

JSC Georgian Railway (the "Company") and its subsidiaries (the "Group") comprise Georgian joint stock and limited liability companies as defined in the Civil Code of Georgia. The Company 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 Company's registration number is 03/4-965.

The Company's registered office is 15 Queen Tamar Avenue, Tbilisi 0112, Georgia.

The Group's principal activity is the operation of a nationwide railway system providing freight and passenger transportation services, freight forwarding services, maintenance and development of railway infrastructure and construction of railway lines within Georgia.

The ultimate controlling party of the Group is the Government of Georgia. As at 31 December 2021, the Company was wholly owned by JSC Partnership Fund, a wholly state-owned company. On 29 November 2022, following the Decree of the Government of Georgia # 2167, 100% of the Company's shares was transferred to the Government of Georgia.

Related party transactions are disclosed in Note 21

2. Basis of accounting

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Standards, as issued by the International Accounting Standards Board (IFRS Standards).

3. Functional and presentation currency

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

4. Use of estimates and judgments

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

Measurement of fair values

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 19.

5. Operating segments

The Group has two 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 because they require different technology and marketing strategies. For each of the strategic business units, the Group's Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

– *Freight transportation – includes transportation of goods and commodities and related services.*
– *Passenger transportation – includes transportation of passengers.*

There are no inter-segment charges.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before infrastructure costs, which are the cost of maintaining the rail network used by both reportable segments, central overheads, interest and income tax, as included in the internal management reports that are reviewed by the Group's Management Board. Segment profit is used to measure performance as 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 Group's Management Board does not monitor segment liabilities.

(i) Information about reportable segments

For the six months ended 30 June

	Freight transportation		**Passenger transportation**		**Total**	
'000 GEL	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
External revenues	283,417	297,719	18,015	9,842	301,432	307,560
Depreciation and amortization	(5,727)	(6,834)	(6,132)	(4,391)	(11,859)	(11,225)
Reportable segment profit/(loss) before infrastructure costs, net impairment, interest cost and income tax	188,066	210,186	(9,274)	(8,004)	178,792	202,182
Capital expenditure and other additions to non-current assets	19,169	2,318	136	166	19,305	2,484
	30-Jun-23	**31-Dec-22**	**30-Jun -23**	**31-Dec-22**	**30-Jun-23**	**31-Dec-22**
Reportable segment assets	197,310	203,577	99,131	101,998	296,440	305,575

(ii) Reconciliations of reportable segment revenues, profit or loss and assets

	For the six months ended 30 June	
'000 GEL	**2023**	**2022**
Revenues		
Total revenue for reportable segments	301,432	307,560
Other revenue	4,286	3,543
Consolidated revenue	**305,718**	**311,103**
Profit		
Total profit for reportable segments before infrastructure costs, net impairment, interest cost and income tax	178,792	202,182
Employee benefits expense – infrastructure and headquarters	(51,470)	(42,304)
Depreciation expenses – infrastructure and headquarters	(23,800)	(21,952)
Net finance costs	32,532	58,942
Other net unallocated expenses*	(49,109)	(35,228)
Consolidated profit before income tax	**86,945**	**161,640**

* Other net unallocated expenses include logistic services expense of GEL 28,848 thousand (6 months ended 30 June 2022: GEL 30,841 thousand) which was not included in the freight transportation segment profit presented to the Group's Management Board.

There has been no change in reportable segments as well as in a basis of allocation since last annual consolidated financial statements**.**

(iii) Geographical information

Approximately 98% of the Group's revenue is generated in Georgia with the remainder generated in CIS countries. The non-current assets of the Group are located in Georgia.

6. Revenue

The Group's operations and main revenue streams are those described in the last annual consolidated financial statements.

	For the six months ended	
'000 GEL	**2023**	**2022**
Freight traffic	170,388	191,155
Freight handling	40,410	40,201
Logistic services	67,973	61,240
Freight car cross-border charge	3,932	3,642
Rent of wagons and other rental income	2,029	2,890
Passenger traffic	18,015	9,842
Other	2,973	2,133
	305,719	**311,103**

Railroad transportation in Georgia is a natural monopoly, however, the prices are not subject to government regulation. According to clause 64 of the Railway Code of Georgia, which came into force on 1 July 2005, the Government of Georgia allowed the Group to set the prices for all services provided, including freight transportation, freight transportation-related additional services and passenger transportation.

Tariffs for freight transportation are based on the International Rail Transit Tariff. The Group is a co-signatory of the Tariff Agreement together with CIS countries, Latvia, Lithuania and Estonia. The parties to the Agreement hold annual conferences to determine the tariff policy for the following year: each party declares tariffs denominated in Swiss Francs (CHF) for railway transportation and states the general rules that apply to and modify tariffs. The agreed tariffs indicate the maximum level of tariffs applicable.

Performance obligations and revenue recognition policies are those described in the last annual consolidated financial statements.

(a) Performance obligations and revenue recognition policies

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

Freight traffic - Revenue generated by transporting freight from one point to another in return of the consideration determined based on the agreement.

Logistics services - Revenue for provision of general freight transportation supervision, document preparation and other related services to external parties.

Passenger traffic - Revenue generated by charging individuals for transporting from one place to another through sale of railway tickets.

Freight car cross-border charge - Revenue generated, when the Group's wagons cross the Georgian border and enter another country's territory, based on daily charges for wagons, containers and any other services.

Rent of wagons and other rental income – Income represents operating lease .

Other revenue - Revenue is predominantly comprised of sale of scrap.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Revenue Type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Freight traffic, logistic services and passenger traffic	Freight traffic, logistic services and passenger traffic revenue streams are to be recognized "over time" since transportation is the service, during which customer receives and consumes simultaneously the benefit as the Group performs. The customer benefits from the distance travelled.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on estimated time to completion of transportation.
Freight car cross-border charge	Freight car cross-border charge stream is to be recognized "over time" since it is the service, during which customer receives and consumes simultaneously the benefit as the Group performs.	Revenue for such services is recognised over time.
Other revenue	Other revenue is recognised at the point in time when sale has been commenced and control over the goods was transferred.	Revenue is recognised at a point in time when the goods have been accepted by customers at the Group`s warehouse.

7. Electricity, consumables and maintenance costs

	For the six months ended	
’000 GEL	**2023**	**2022**
Electricity	18,592	22,361
Materials	7,752	5,397
Fuel	4,708	4,470
Repair and maintenance	7,631	3,557
	38,683	**35,785**

8. Other expenses

	For the six months ended	
’000 GEL	**2023**	**2022**
Logistic services	28,848	30,841
Property and land tax	12,454	11,952
Freight car cross-border charge	715	2,599
Security	6,854	4,863
Other	11,152	6,152
	60,023	**56,407**

9. Finance income and finance costs

	For the six months ended	
'000 GEL	**2023**	**2022**
Recognised in profit or loss		
Interest income under the effective interest method	17,580	12,122
Impairment gain on other financial assets	286	-
Finance income	**17,866**	**12,122**
Impairment loss on other financial assets	-	(118)
Interest expense on financial liabilities measured at amortised cost *	(28,167)	(32,206)
Finance costs	**(28,167)**	**(32,324)**
Net foreign exchange loss	42,833	79,144
Net finance costs recognised in profit or loss	**35,532**	**58,941**

* As disclosed in note 10 (b) capitalisation of borrowing costs on a qualifying asset was suspended in 2022 and 2023.

10. Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2023, the Group acquired property plant and equipment with a cost, of GEL 71,241 thousand (six months ended 30 June 2022: GEL 67,863 thousand)

Assets with a carrying amount of GEL 416 thousand were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: GEL 11,130 thousand).

(b) Construction in progress

By the end of 2010, the Group started two large capital projects:

- The Main Line Modernisation; and
- Tbilisi Bypass Project.

The Group commenced the initiation of the above projects in September 2010 and November 2010, respectively. The Group issued unsecured bonds in 2010 to partly finance the projects above. During 2012, the Group redeemed the bonds issued in 2010 by issuing new bonds for general corporate and liquidity management purposes. The bonds were further refinanced in 2021(see Note 17).

No borrowing costs were capitalized in 2022 and 2021 due to significant slowdown (that was considered as a suspension of the project under IFRS Standards) of the Modernization project since 2020, mainly linked with the COVID-19 pandemic situation in Georgia. Main Line Modernization project is expected to be mostly finalised in 2023.

(a) Impairment of Tbilisi Bypass Project (the Project)

In June 2013, the Group announced a decision to redesign the Tbilisi Bypass Project. The Group held negotiations with the Government of Georgia and with the main third-party construction companies to agree a plan for the conservation of the Project for the period of redesigning. All construction works in progress were substantially completed by the end of October 2013 and further construction was suspended. No borrowing costs are capitalised since October 2013.

In March 2014, the Government of Georgia decided that the suspension of the construction of the Tbilisi Bypass project will last for 18 months until the final modified project is presented.

During 2015 and 2016, the Group was in discussion with the Tbilisi City Hall and the Government of Georgia about various scenarios of completing the project. One of the scenarios under discussion included an option envisaging a change of the original bypass location, because of which the existing bypass infrastructure may become redundant. The alternative scenarios also included the determination of the future use of the existing infrastructure, should it become redundant. The options of future use of the infrastructure were bypass automobile road, light rail/extension of the Tbilisi Metro System, freight depot, etc., however, as at 30 June 2023 and the date these consolidated financial statements were authorized for issue, no decision was made by the Government of Georgia about the redesign of the Tbilisi Bypass Project.

Due to significant uncertainties associated with either the continuation of the existing Project or implementation of any other scenarios, envisaging the change in the existing use of the Project, and also considering the fact that Management does not expect that the Project will generate any future economic benefit to the Group either individually, or in combination with other non-current assets, the carrying value of the Project was written-down by GEL 382,616 thousand in 2017 to its recoverable amount GEL 14,689 thousand, representing land included in the construction in progress heading above.

During 2023 six months period no event or change in circumstances occurred which would result in a reversal of the provision.

(c) Impairment of property, plant and equipment

At each reporting date, the Group assesses whether there is any indication that the recoverable amount of the Group's non-financial assets has declined below the carrying value or previously recognized impairment loss is subject to reversal.

As at 30 June 2023, the Management analyzed impairment, as well as impairment reversal indicators (external and internal) according to IAS 36 and concluded that there is no indication of additional impairment or reversal of previously recognized impairment losses, respectively no detailed impairment test has been conducted at 30 June 2023.

No event or change in circumstances occurred which would result in a reversal of the provision related to Tbilisi Bypass Project during the six months ended 30 June 2023.

(d) Capital commitment

As at 30 June 2023, the Group had entered into contracts for the construction or purchase of property, plant and equipment of GEL 302,135 thousand (31 December 2022: GEL 315,426 thousand) mainly relating to the Main Line Modernization project of GEL 52,295 thousand (31 December 2022: GEL 66,184 thousand) and Tbilisi Bypass project of GEL 237,765 thousand (31 December 2022: GEL 238,661 thousand, decreased only due to CHF foreign exchange rate fluctuation).

Management does not expect that the future cessation of the construction agreement with the counterparty, responsible for the Tbilisi Bypass project completion, will result in the payment of the above amount.

11. Loans receivable

This note provides information about the contractual terms of the Group's interest-bearing loans receivable, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and credit risk, see Note 19.

 The loan is issued to Partnership Fund JSC. In 2022, 100% shareholding of the Company was transferred from Partnership Fund JSC to the Government of Georgia (Note 1).

In 2022, additional loan of USD 7 million (GEL 21, 568 thousand) was disbursed by the Company to Partnership Fund JSC.

On 29 November 2022, terms of the parent company loan were amended as follows: currency was changed from USD to EUR, interest accrual was suspended and the parties agreed that the loan will be recovered in 2023 through cash that equals to carrying amount of the loan at modification date, on the basis that by 31 December 2023 Partnership Fund JSC is able to sell its indirect 100% shareholding of Gardabani TPP. In case Partnership Fund JSC fails to sell Gardabani TPP in 2023, it will be obliged to transfer 21.217% of Gardabani TPP to the Company no later than one month from 31 December 2023.

The above was assessed as a substantial modification to the contractual terms of the loan. As a result, on 29 November 2022, the Group derecognised related party loan of GEL 49,152 thousand and recognised a receivable from Partnership Fund JSC of GEL 46,723 thousand (classified as a financial asset at FVTPL due to not meeting SPPI test criteria). The difference between the balance of derecognised loan and recognized receivable of GEL 2,429 thousand was recognised directly in equity.

Receivable from Partnership Fund JSC was measured at lower of present value of cash receivable of GEL 46,006 thousand and fair value of 21.217% shares of Gardabani TPP of GEL 53,187 thousand. The Group derived at the fair value of the investment in Gardabani TPP by discounting future cash flows expected from the operations of the thermal power plant, owned by Gardabani TPP, by discount rate of 16.55% (in GEL), and adjusting the total business value by minority and liquidity discounts of 22.1 % to derive at the value of 21.217% investment. The valuation is included in Level 3 measurement.

During 2023 six months period no event or change in circumstances occurred which would result any significant changes in valuation of recognized receivable.

12. Trade and other receivables

'000 GEL	**30 June 2023**	**31 December 2022**
Trade receivables	232,187	220,078
Impairment allowance on trade receivables	(205,244)	(206,092)
	26,943	**13,986**
Other receivables	301	533
	27,244	**14,519**

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in Note 19.

13. Inventories

’000 GEL	30 June 2023	31 December 2022
Materials	26,321	25,741
Fuel	1,957	2,539
Rails	1,979	1,982
Other	4,461	5,547
	34,717	**35,809**
Write-down for inventory obsolescence	(1,736)	(1,865)
	32,982	**33,944**

14. Other non-current assets

’000 GEL	30 June 2023	31 December 2022
Receivable related to Tbilisi Bypass project	97,142	97,507
Prepayments for non-current assets*	65,936	68,003
Construction materials	3,743	8,948
Intangible assets	6,822	7,251
	173,643	**181,709**

* Prepayments for non-current assets are mainly related to the Bypass project, which was suspended as at 31 December 2022 and 31 December 2021. Per Management’s assessment the prepayments are fully recoverable based on the performance guarantee from a foreign bank.

15. Cash and cash equivalents

’000 GEL	30 June 2023	31 December 2022
Current accounts in banks	90,207	114,903
Call deposits	181,695	160,503
Petty cash	67	41
Provision for cash and cash equivalents	(532)	(818)
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	**271,437**	**274,629**

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

The Group’s exposure to interest rate risk is disclosed in Note 19.

16. Equity

(a) Share capital

Number of shares	**Ordinary shares**	
	30 June 2023	**31 December 2022**
In issue at 1 January	**1,055,030,995**	**1,054,805,235**
Net increase/(reduction) for property, plant and equipment	-	225,760
In issue at 30 June /31 December, fully paid	**1,055,030,995**	**1,055,030,995**
Authorised shares - par value	**1**	**1**

All ordinary shares rank equally with regard to the Group’s residual assets.

(b) 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 Group.

17. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 19.

'000 GEL	**30 June2023**	**31 December 2022**
Non-current liabilities		
Secured loan	26,858	33,115
Unsecured bonds	1,303,590	1,345,032
	1,330,448	**1,378,147**
Current liabilities		
Secured loan	11,775	12,195
Current portion of unsecured bonds	1,860	2,078
	13,635	**14,273**
	1,344,083	**1,392,420**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings were as follows:

				30 June 2023		**31 December 2022**	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured bonds	USD	4.00%	2028	1,318,503	1,305,449	1,350,788	1,347,110
Secured loan	USD	Libor +1.25%	2026	39,020	38,634	49,036	45,310
Total interest-bearing liabilities				**1,357,523**	**1,344,083**	**1,399,824**	**1,392,420**

The secured loan was obtained for the sole purpose of the acquisition of passenger trains.

The secured loan is collateralized by the underlying passenger trains, with a carrying amount of GEL 58,901 thousand as at 30 June 2023 (31 December 2022: GEL 59,898 thousand) (See Note 10 (e)). As at 31 December 2022 a financial covenant related to Net debt to EBITDA ratio on the secured loan above was breached allowing the lender to request repayment on demand, however on 1 December 2022 the Group obtained a waiver from the lender on this covenant until 31 December 2023, consequently the Group classified the loan as long-term borrowings as at 31 December 2022.

In July 2012, the Group carried out the issuance, placement and registration (listing) of unsecured bonds of USD 500 million on the London Stock Exchange with an interest rate of 7.75% due in 2022.

Part of the above bonds were used for an early redemption of the unsecured bonds of USD 250 million issued by the Group in 2010.

In June 2021 the Group has successfully issued USD 500 million worth of green bonds on the London Stock Exchange due 2028 with an interest rate of 4%. The proceeds from the issuance were used for redemption of the USD 500 million unsecured bonds.

As a result of early redemption, the green bonds were considered as a new financial instrument and accounted for at amortized cost using the effective interest rate method. The Group incurred directly attributable transaction expenses of GEL 8,999 thousand in connection with the issue of the green bonds, including, amongst other, legal counsel fees, rating agency expenses, listing expenses, etc.

These expenses are accounted for as transaction costs. They are included in the calculation of the effective interest rate of the green bonds and are deferred over 7 years. Part of the transaction costs were deducted directly from the proceeds from green bonds and are presented netted off with the proceeds from bonds in the consolidated statement of cash flows.

In addition, the Group paid premia and fees in connection with the new issuance and the tender offer and consent solicitation (early redemption premium) of GEL 115.7 million (see note 9). Which are expensed, since such fees are associated with the repayment of previous Eurobonds.

18. Trade and other payables

'000 GEL	**30 June 2023**	**31 December2022**
Current		
Payables for non-current assets	64,383	65,093
Trade payables	27,506	20,238
Advances received from customers	23,934	26,911
	115,823	**122,242**
Non-current		
Payables for non-current assets	30,242	30,242
	30,242	**30,242**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

19. Fair values and risk management

The Group has determined fair values of financial assets and liabilities using valuation techniques disclosed in the last annual consolidated financial statements.

Management's estimate of the fair value of the unsecured bonds yielded a range of values from a fair value approximately equal to the carrying amount to a fair value approximately 5% higher than the carrying amount.

The carrying values of other financial assets and liabilities of the Group are a reasonable approximation of their fair values.

The Group's financial risk management objectives and policies are consistent with those disclosed in the last annual consolidated financial statements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans receivable and cash and cash equivalents. Credit risk is consistent with those disclosed in the last annual consolidated financial statements and the Group has not faced a significant financial loss during the six months period ended 30 June 2023.

Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of six months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters or global pandemic.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, 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.

30 June 2023

'000 GEL	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured loan	38,634	45,085	7,003	6,805	13,064	18,213	-
-Unsecured bonds	1,305,449	1,570,620	26,177	26,177	52,354	157,062	1,308,850
Trade payables*	122,133	127,646	92,624	255	509	34,259	-
	1,466,216	**1,743,350**	**125,804**	**33,237**	**65,927**	**209,533**	**1,308,850**

31 December 2022

'000 GEL	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured loan	45,310	53,949	7,412	7,229	13,869	25,439	-
Unsecured bonds	1,347,110	1,648,220	27,020	27,020	54,040	162,120	1,378,020
Trade payables	125,573	131,243	95,234	262	523	35,224	-
	1,517,993	**1,833,412**	**129,666**	**34,511**	**68,432**	**222,783**	**1,378,020**

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

Market risk

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

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

Currency risk

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

Borrowings and related interest are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without a need to enter into derivatives contracts.

Exposure to currency risk

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

'000 GEL	**USD -denominated 30 June 2023**	**USD -denominated 31 December 2022**
Cash and cash equivalents	13,070	13,093
Trade receivables	21,698	6,286
Secured loan	(38,634)	(45,310)
Unsecured bonds	(1,305,449)	(1,347,110)
Trade and other payables	(2,395)	(4,477)
Net exposure	**(1,311,710)**	**(1,377,518)**

The following significant exchange rates applied during the year:

in GEL	**Average rate**		**Reporting date spot rate**	
	six months ended 30 June 2023	**six months ended 30 June 2022**	**30 June 2023**	**30 June 2022**
USD 1	2.5976	3.0373	2.6177	2.9289

Interest rate risk

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

20. Subsidiaries

Subsidiary	**Country of incorporation**	**Principal activities**	**2023 Ownership/ voting**	**2022 Ownership/ voting**
GR Property Management LLC	Georgia	Property management and development	100%	100%
GR Logistics and Terminals LLC	Georgia	Container transportation and terminal services	100%	100%
Georgian Railway Construction JSC	Georgia	Construction and other projects	100%	100%
Georgia Transit LLC	Georgia	Transportation services	100%	100%
GR Transit Line LLC	Georgia	Transportation services	100%	100%
GR Trans Shipment LLC	Georgia	Transportation services	100%	100%
GR Transit LLC	Georgia	Transportation services	100%	100%

21. Related parties

(a) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the period, which is included in employee benefits expenses:

	For the six months ended 30 June	
'000 GEL	**2023**	**2022**
Salaries and bonuses	472	459

(b) Other related party transactions

(i) Transactions with the Government

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.

The Group's other related party transactions are disclosed below.

(ii) Revenue, purchases and expenses

The Group purchases security services from a state agency, which amounted to GEL 5,491 housand for six months ended 30 June 2023 (30 June 2022: GEL 4,730 thousand). The Group usually does not have significant balances for these purchases.
Management estimates that the aggregate amounts of other income and expenses and the related balances with other Government-related entities are not significant.

(iii) Loans issued

The related party loan was derecognized and receivable from Partnership Fund JSC was recognized, see details in Note 11.

22. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

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