



საბუნებისმეტყველო რესურსების კორპორაცია  
**Georgian Oil & Gas Corporation**

## **Georgian Oil and Gas Corporation JSC**

**Unaudited Interim Consolidated  
Condensed Financial Statements for  
the six months ended 30 June 2018**

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*Georgian Oil and Gas Corporation JSC*  
Interim Consolidated Statement of Financial Position as at 30 June 2018

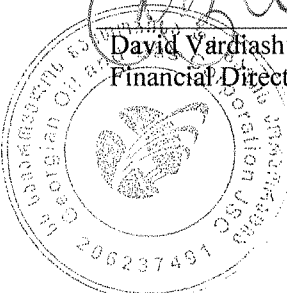
'000 GEL	Note	30 June 2018	31 December 2017
		<u>Unaudited</u>	<u>Audited</u>
<b>Assets</b>			
Property, plant and equipment	11	879,829	778,419
Prepayments for non-current assets		55,012	59,535
Intangible assets		1,125	1,136
Finance lease receivable	12	64,868	62,873
Loans given	13	13,151	12,041
Trade and other receivables		26,011	21,169
Equity accountable investees		17,702	15,480
<b>Non-current assets</b>		<b><u>1,057,696</u></b>	<b><u>950,653</u></b>
Loans given	13	32	-
Inventories		14,214	12,412
Taxes other than on income		18,669	-
Prepayments		73,450	50,791
Trade and other receivables		112,514	147,026
Cash and cash equivalents	14	448,235	498,960
<b>Current assets</b>		<b><u>667,114</u></b>	<b><u>709,189</u></b>
<b>Total assets</b>		<b><u>1,724,810</u></b>	<b><u>1,659,842</u></b>
<b>Equity</b>			
Share capital	15	625,442	624,916
Additional paid in capital		71,718	71,718
Fair value adjustment reserve for non-cash owner contributions		(282,181)	(282,181)
Retained earnings		502,917	428,994
<b>Equity attributable to owners of the Company</b>		<b><u>917,897</u></b>	<b><u>843,447</u></b>
Non-controlling interests		88,368	69,063
<b>Total equity</b>		<b><u>1,006,265</u></b>	<b><u>912,510</u></b>
<b>Liabilities</b>			
Loans and borrowings	16	602,809	637,381
<b>Non-current liabilities</b>		<b><u>602,809</u></b>	<b><u>637,381</u></b>
Loans and borrowings	16	75,755	78,519
Trade and other payables		37,916	29,254
Current tax liabilities		-	113
Provisions		2,065	2,065
<b>Current liabilities</b>		<b><u>115,736</u></b>	<b><u>109,951</u></b>
<b>Total liabilities</b>		<b><u>718,545</u></b>	<b><u>747,332</u></b>
<b>Total equity and liabilities</b>		<b><u>1,724,810</u></b>	<b><u>1,659,842</u></b>

		Six months ended June	
		2018	2017
<b>'000 GEL</b>	<b>Note</b>	<b>Unaudited</b>	<b>Audited</b>
Revenue	7	335,671	416,773
Cost of gas		(236,111)	(274,133)
Depreciation and amortization		(19,488)	(20,673)
Personnel costs		(8,740)	(8,174)
Taxes, other than on income		(4,844)	(3,309)
Other expenses	8	(11,859)	(5,798)
Other income	9	1,567	2,802
<b>Results from operating activities</b>		<b>56,195</b>	<b>107,489</b>
Finance income	10	58,964	78,963
Finance costs	10	(24,160)	(25,319)
<b>Net finance income</b>		<b>34,803</b>	<b>53,644</b>
Share of profit of equity accounted investee		2,230	-
<b>Profit before income tax</b>		<b>93,228</b>	<b>161,133</b>
Income tax expense		-	-
<b>Profit and total comprehensive income</b>		<b>93,228</b>	<b>161,133</b>

These condensed consolidated interim financial statements were approved by management on 29 August 2018 and were signed on its behalf by:

\_\_\_\_\_  
 David Tvalabeishvili  
 General Director

\_\_\_\_\_  
 David Vardiashvili  
 Financial Director



**Attributable to owners of the Company**

'000 GEL	<u>Share capital</u>	<u>Fair value reserve for non-cash owner contributions</u>	<u>APIC</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>Balance at 1 January 2017</b>	<b>617,093</b>	<b>(282,181)</b>	<b>71,718</b>	<b>273,500</b>	<b>680,129</b>	<b>40,186</b>	<b>720,315</b>
Profit and total comprehensive income for 6 months of 2017	-	-	-	161,133	161,133	30,880	192,013
<b>Contributions and distributions</b>							
Increase in share capital	7,778	-	-	-	7,778	-	7,778
Distribution of non-cash assets	-	-	-	(4,461)	(4,461)	-	(4,461)
Dividends							
<b>Balance at 30 June 2017</b>	<b>624,872</b>	<b>(282,181)</b>	<b>71,718</b>	<b>430,171</b>	<b>844,580</b>	<b>71,066</b>	<b>915,645</b>
<b>Balance at 1 January 2018</b>	<b>624,916</b>	<b>(282,181)</b>	<b>71,718</b>	<b>428,994</b>	<b>843,447</b>	<b>69,063</b>	<b>912,510</b>
Profit and total comprehensive income for 6 months of 2018	-	-	-	73,923	73,923	19,305	93,228
<b>Contributions and distributions</b>							
Increase in share capital	526	-	-	-	526	-	526
<b>Balance at 30 June 2018</b>	<b>625,442</b>	<b>(282,181)</b>	<b>71,718</b>	<b>502,917</b>	<b>917,897</b>	<b>88,368</b>	<b>1,006,265</b>

	<b>Six months ended June</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	422,498	466,306
Cash paid to suppliers and employees	(350,484)	(373,979)
<b>Cash flows from operations before income taxes and interest paid</b>	<b>72,014</b>	<b>92,327</b>
Income tax paid	(15)	(8)
Net interest paid	(6,514)	729
<b>Cash flows from operating activities</b>	<b>65,485</b>	<b>93,047</b>
 <b>Cash flows from investing activities</b>		
(Increase)/Decrease in term deposit	-	74,375
Acquisition of property, plant and equipment	(109,358)	(9,867)
Investing in other companies	-	(350)
Loans given	(1,219)	-
<b>Cash flows used in investing activities</b>	<b>(110,577)</b>	<b>64,157</b>
 <b>Cash flows from financing activities</b>		
Repayment of the borrowings	-	(134,704)
<b>Net cash from/(used in) financing activities</b>	<b>-</b>	<b>(134,704)</b>
 Effect of exchange rate fluctuations on cash and cash equivalents	(5,635)	(22,523)
 <b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(45,090)</b>	<b>22,501</b>
Cash and cash equivalents at the beginning of the period	498,960	391,609
<b>Cash and cash equivalents at 30 June</b>	<b>448,235</b>	<b>391,587</b>

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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.

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 19.

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.

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 12 Finance lease receivable – determination of whether the initial arrangement contains a finance lease and the fair value of the unguaranteed residual value at the end of the lease term;
- Note 14 Cash and cash equivalents – classification of term deposits with original maturities of more than three months as cash and cash equivalents;

#### ***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

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 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.
- *Oil trading:* Includes agency fees from crude oil delivery from Azerbaijan to Black Sea ports in 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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenues	219,632	263,169	21,026	40,508	2,309	4,929	10,405	9,879	82,299	98,288	335,671	416,773
Cost of gas and oil	(206,728)	(234,764)							(29,384)	(39,369)	(236,111)	(274,133)
Reportable segment profit before unallocated costs, net finance cost and income tax	12,904	28,404	21,026	40,508	2,309	4,929	10,405	9,879	52,916	58,920	99,560	142,640

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

<b>'000 GEL</b>	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Total revenue for reportable segments	<b>335,671</b>	<b>416,773</b>
<b>Profit or loss</b>		
Total profit for reportable segments	99,560	142,640
Unallocated personnel expenses	(8,740)	(8,174)
Unallocated depreciation and amortization expenses	(19,488)	(20,673)
Net finance income/(costs)	34,803	53,644
Other net unallocated income/(costs)	(15,136)	(6,304)
Share of income/(loss) of equity accounted investees	2,230	-
Consolidated profit before income tax	<b>93,228</b>	<b>161,133</b>

**(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 2018, one customer in the gas supply segment represented approximately 65% of the Group's total revenue GEL 219,632 thousand, (2016: 63%, GEL 263,169 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

<b>'000 GEL</b>	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Sales of natural gas	219,632	263,169
Income from electricity generation	82,299	98,288
Income from rent of gas pipelines	21,026	40,508
Oil transportation fee	10,405	9,879
Income from crude oil sales	2,309	4,929
<b>Total revenues</b>	<b>335,671</b>	<b>416,773</b>

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 is fixed at GEL 3,500 thousand per month. Transactions with related parties are disclosed in note 19.

## 8. Other expenses

'000 GEL	Six months ended 30 June	
	2018	2017
Banking, consulting and other professional services	(3,377)	(153)
Representative and business trip expenses	(357)	(248)
Regulatory fees	(793)	(668)
Utility costs	(447)	(375)
Insurance costs	(478)	(522)
Transportation, materials and repair and maintenance	(4,148)	(3,024)
Employee benefits	(461)	(435)
Natural resources' fee	(313)	(263)
Other	(1,484)	(43)
	<b>(11,859)</b>	<b>(5,798)</b>

## 9. Other income

'000 GEL	Six months ended 30 June	
	2018	2017
Oil processing	209	229
Rent income	238	264
Other	1,120	2,309
	<b>1,567</b>	<b>2,802</b>

## 10. Finance income and finance costs

'000 GEL	Six months ended 30 June	
	2018	2017
<b>Recognised in profit or loss</b>		
Customer penalties for late payment	9,482	9,823
Interest income on bank deposits	19,240	20,112
Interest accrued on given loans	522	100
Unwinding of discount on finance lease receivable	1,993	1,873
Net foreign exchange gain	27,726	47,055
Finance income	<b>58,963</b>	<b>78,963</b>
Interest expense on bank loans	(1,972)	-
Interest expense on bonds payable	(22,188)	(25,319)
Finance costs	<b>(24,160)</b>	<b>(25,319)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>34,803</b>	<b>53,644</b>

Interest income was received from funds temporarily invested from the bond issuance proceeds in bank deposits and loans issued.

## 11. 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
<b>Opening net book amount as at 1 January 2018</b>	<b>258,683</b>	<b>36,829</b>	<b>354,032</b>	<b>9,974</b>	<b>8,875</b>	<b>5,457</b>	<b>104,569</b>	<b>778,419</b>
Transfers	13,485	273	223	-	-	-	-	<b>13,980</b>
Additions	-	526	-	-	97	403	120,501	<b>121,528</b>
Disposals	(694)	(45)	-	-	(39)	(617)	(13,990)	<b>(15,386)</b>
Depreciation	(8,439)	(388)	(8,163)	(603)	(925)	(193)	-	<b>(18,711)</b>
<b>Closing net book amount as at 30 June 2018</b>	<b>263,034</b>	<b>37,196</b>	<b>346,091</b>	<b>9,371</b>	<b>8,008</b>	<b>5,050</b>	<b>211,081</b>	<b>879,829</b>

## 12. 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.

'000 GEL	30 June	31 December
	2018	2017
Balance at the beginning of the year/date of title transfer	62,873	59,037
Unwinding of discount on finance lease receivable	1,995	3,836
Balance at the end of the period	<b>64,848</b>	<b>62,873</b>

Contingent rents related to oil transportation recognized in the consolidated statement of comprehensive income during six months of 2018 amounted to GEL 10,405 thousand (six months of 2017 GEL 9,879 thousand).

### 13. Loans given

'000 GEL	30 June	31 December
	2018	2017
<b>Non-current assets</b>		
Loan given to shareholder	13,151	12,041
<b>Total non-current</b>	<b>13,151</b>	<b>12,041</b>
<b>Current assets</b>		
Short term part of loan given to the third party	32	-
<b>Total current assets</b>	<b>32</b>	<b>-</b>

The loan given to a third party bears the contractual rate of interest of 9.5% per annum and matures within 4 years and is secured by the borrower's property, plant and equipment.

### 14. Cash and cash equivalents

'000 GEL	30 June	31 December
	2018	2017
Cash and cash equivalents	160,990	203,711
Call deposits	287,245	295,249
<b>Cash and cash equivalents in the consolidated statement of cash flows and in the consolidated statement of financial position</b>	<b>448,235</b>	<b>498,960</b>

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

Term deposits represent deposits with maturity more than six months for which the Group does not have right to withdraw amounts until the end of its maturity date.

## 15. Equity

### Share capital

*Number of shares unless otherwise stated*

	<b>Ordinary shares</b>	
	<b>30 June 2018</b>	<b>31 December 2017</b>
Par value	GEL 20	GEL 20
On issue at 1 January	31,245,797	30,854,651
Issue of shares in exchange for non-cash assets	26,556	391,146
<b>On issue at the reporting date</b>	<b>31,272,353</b>	<b>31,245,797</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 Company.

## 16. Loans and borrowings

	<b>30 June</b>	<b>31 December</b>
<b>'000 GEL</b>	<b>2018</b>	<b>2017</b>
<b>Non-current liabilities</b>		
Unsecured bond issue	602,809	637,381
	<b>602,809</b>	<b>637,381</b>
<b>Current liabilities</b>		
Loans from bank	64,569	67,512
Current portion of unsecured bond issue	11,186	11,007
	<b>75,755</b>	<b>78,519</b>
	<b>678,564</b>	<b>715,900</b>

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.

In 2017 the Group obtained loan facility of USD 26 million from local banks with interest rate of 6.5% which matures in 2018.

## 17. 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 twelve months ended 31 December 2017.



## **18. 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.

## **19. Related party transactions**

### **(a) Control relationships**

As at 30 June 2018 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:

'000 GEL	Six months ended 30 June	
	2018	2017
Salaries and bonuses	694	481

**(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**

'000 GEL	Transaction value for the six months ended 30 June		Outstanding balance as at	
	2018	2017	30 June 2018	31 December 2017
State controlled entities:				
Rent of pipelines	21,026	40,508	26,011	29,800
Income from electricity generation	82,299	98,288	4,190	11,268
	103,325	138,796	30,201	41,068

**(ii) Expenses**

'000 GEL	Transaction value for the six months ended 30 June		Outstanding balance as at	
	2018	2017	30 June 2018	31 December 2017
State controlled entities:				
Purchase of Gas	2	28,613	13	30
	2	28,613	13	30

## **20. New standards and interpretations not yet adopted**

A number of new Standards, amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

### **IFRS 16 Leases**

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.