

Registered number: 9003179
England and Wales

Genel Energy Finance plc

Interim Report

For the half year ended 30 June 2017

Statement of comprehensive income

	<i>Notes</i>	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
Operating profit	3			
Interest income		32,194	31,902	62,480
Interest expense		(32,189)	(31,897)	(62,470)
Profit before income tax		5	5	10
Income tax expense	4	(1)	(1)	(2)
Profit for the year		4	4	8
Other comprehensive income		-		-
Total comprehensive income for the year		4	4	8
Attributable to:				
Equity holders of the Company		4	4	8
		4	4	8

The notes are an integral part of these financial statements.

Statement of financial position

	<i>Notes</i>	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
ASSETS				
Current assets				
Receivables due from parent company	5	411,642	707,527	710,789
Cash		100	100	100
		411,742	707,627	710,889
Total assets		411,742	707,627	710,889
LIABILITIES				
Non-current liabilities				
Borrowings	6	(403,971)	(697,920)	(702,824)
		(403,971)	(697,920)	(702,824)
Current liabilities				
Trade and other payables	7	(7,668)	(9,612)	(7,966)
		(7,668)	(9,612)	(7,966)
Net assets		103	95	99
Equity attributable to equity holders of the parent				
Share capital	8	75	75	75
Retained earnings		28	20	24
Total equity		103	95	99

The notes are an integral part of these financial statements.

The financial statements on pages 1 to 9 were approved by the Board of Directors on 29 August 2017 and were signed on its behalf by:

Esa Ikaheimonen

Director

Registered number: 9003179

Statement of changes in equity

For the half year 30 June 2017

	Share capital \$000	Retained earnings \$000	Total attributable to equity holders \$000
Balance at 1 January 2017	75	24	99
Total comprehensive income for the period		4	4
Balance at 30 June 2017	75	28	103

For the year ended 31 December 2016

	Share capital \$000	Retained earnings \$000	Total attributable to equity holders \$000
Balance at 1 January 2016	75	16	91
Total comprehensive income for the year	-	8	8
Balance at 31 December 2016	75	24	99

Statement of cash flows

	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
Cash flows from operating activities			
Profit before income tax	5	5	10
Adjustments for:			
Finance costs	(5)	(5)	(10)
Cash generated from operations	-	-	-
 Net cash from operating activities	 -	 -	 -
 Net change in cash and cash equivalents	 -	 -	 -
 Cash and cash equivalents at 1 January	 100	 100	 100
Cash and cash equivalents at 30 June	100	100	100

During the period, interest costs of \$27.38m (2016; \$54.75m) were paid by other group companies.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of preparation

The Company was incorporated in England and Wales on 17 April 2014.

The financial statements have been prepared in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards as adopted by the European Union (IFRS) that would have applied had the statement of financial position been prepared for a financial year of the Company. The financial statements have been prepared under the historical cost convention.

The significant accounting policies are set out below and have been consistently applied throughout the year.

b) Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months and consequently the financial statements have been prepared on a going concern basis.

c) Cash

Cash is cash in hand and at bank.

d) Foreign currency translation

The Company's financial statements are presented in US Dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the US Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

e) Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'receivables from fellow subsidiaries' in the balance sheet. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements *continued*

f) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and any discount on issuance. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are presented as long or short-term based on the maturity of the respective borrowings in accordance with the loan or other agreement. Borrowings with maturities of less than twelve months are classified as short-term. Amounts are classified as long-term where maturity is greater than twelve months. Where no objective evidence of maturity exists, related amounts are classified as short-term.

g) Trade and other payables

Trade and other payables are classified as financial liabilities and are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

h) Current and deferred income tax

Tax on the profit or loss for the period comprises current and deferred tax.

Current tax is expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2016. The Company's assessment of the impact of these new standards and interpretations are not expected to have a significant impact upon the Company's net results, net assets or disclosures.

Notes to the financial statements *continued*

2. Financial risk management

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a) Foreign exchange risk

Foreign exchange risk arises when transactions and recognised assets and liabilities of the Company are denominated in a currency that is not the Company's functional currency. The Company does not have significant exposure to foreign exchange risk. There are no forward exchange rate contracts in place at, or subsequent to, 30 June 2017.

b) Interest rate risk

The Company had borrowings of \$404.0 million as of 30 June 2017 (2016: \$702.8m). Interest is payable at 7.5% on the nominal value of \$421.8 million (2016; \$730m).

c) Credit risk

The Company is exposed to credit risk on the intragroup receivable owed by its parent. The recovery of this balance is dependent on the credit and liquidity of the Genel Energy plc Group. The Genel Energy plc Annual Report provides detailed relevant information on the Group's principal risks and uncertainties and how they are mitigated and managed. The viability statement covers the five-year period to March 2022 and states that the directors of Genel Energy Plc have a reasonable expectation that the company will be able to continue in operation and manage its liabilities as they fall due over the period to March 2022.

d) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. The amounts due from Group companies are short term, repayable on demand and are in excess of current liabilities, with the ultimate repayment of the principal to be funded through intercompany arrangements. Consequently, the liquidity risk of the Company is dependent on the liquidity of the Genel Energy plc Group, which is considered in its Annual Report, primarily in its positive going concern statement and its positive viability statement.

e) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders. Capital includes share capital, contributions from parent and retained earnings.

3. Administration expenses

The Company had no employees during the year.

The Directors have received no remuneration during the year for their services to this entity.

Notes to the financial statements *continued*

4. Income tax expense

The taxation assessed for the period is calculated using the standard effective rate of corporation tax in the UK for the period as follows:

	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
Profit before income tax	5	5	10
Profit on ordinary activities multiplied by standard rate in the UK 20% (2015; 20.25%)	1	1	2
Total current tax	1	1	2

5. Receivables due from parent company

	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
Loan to Genel Energy Holding Company Limited	411,642	707,527	710,789

The on-loan of cash to Genel Energy Holding Company is repayable on demand and is fixed at a rate equivalent to the implied rate of the Company's external borrowing. The fair value has been estimated on the same basis as the external borrowings.

6. Borrowings

	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
\$421.8 million 7.5% bond due May 2019	403,971	697,920	702,824

On the 28 June the Company exchanged \$303.8 million book value of its receivable from Genel Energy Holding Company Limited for the equivalent value in its own bonds and consequently held its own bonds with a nominal value of \$308.2 million. These bonds were immediately cancelled resulting in the derecognition of the associated liability with the same book value of \$303.8 million. The fair value of the \$422 million nominal value of bonds held at 30 June 2017 was \$388 million (2016: the fair value of the \$730 million nominal value of bonds held was \$594 million).

Notes to the financial statements *continued*

7. Trade and other payables

	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
Interest accrual	7,663	9,612	7,894
Other payables	-	-	72
	7,663	9,612	7,966

The fair values of financial liabilities approximate their carrying value.

8. Share capital

	30 Jun 2017 \$000	30 Jun 2016 \$000	31 Dec 2016 \$000
Allotted and fully paid (ordinary shares)			
50,000 (2015; 50,000) ordinary shares at £1 each	75	75	75

9. Parent company

The Company's ultimate parent undertaking and controlling party is Genel Energy plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Genel Energy plc's consolidated financial statements can be obtained from the Company Secretary at 12 Castle Street, St Helier, Jersey JE2 3RT.

10. Related parties

The Directors have identified the ultimate parent company, key management personnel and the Board members, together with the families and companies controlled by or affiliated with each of them; and associated, investments and joint ventures as related parties of the company under IAS 24. In the year, the Company paid bond interest payments to Genel Energy Holding Company Limited as a result of that Company's holding of Company bonds. Genel Energy Holding Company Limited no longer holds Company bonds - see note 6.