

Registered number: 117804
Jersey

Genel Energy Finance 2 Limited

Financial statements

For the half year ended 30 June 2018

Statement of comprehensive income

	<i>Notes</i>	30 Jun 2018 \$000	30 Jun 2017 \$000	31 Dec 2017 \$000
Operating profit				
Interest income		15,248	-	760
Interest expense		(15,243)	-	(750)
Profit before income tax		5	-	10
Income tax expense		-	-	-
Profit for the year		5	-	10
Other comprehensive income		-	-	-
Total comprehensive income for the year		5	-	10
Attributable to:				
Equity holders of the Company		5	-	10
		5	-	10

The notes are an integral part of these financial statements.

Statement of financial position

	<i>Notes</i>	30 Jun 2018 \$000	30 Jun 2017 \$000	31 Dec 2017 \$000
ASSETS				
Current assets				
Receivables due from parent company	<i>4</i>	297,841	-	297,760
		297,841	-	297,760
Total assets		297,841	-	297,760
LIABILITIES				
Non-current liabilities				
Borrowings	<i>5</i>	(297,085)	-	(296,750)
		(297,085)	-	(296,750)
Current liabilities				
Trade and other payables	<i>6</i>	(741)	-	(1,000)
		(741)	-	(1,000)
Net assets		15	-	10
Equity attributable to equity holders of the parent				
Share capital	<i>7</i>	-	-	-
Retained earnings		15	-	10
Total equity		15	-	10

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 23 August 2018 and were signed on its behalf by:

Esa Ikaheimonen

Director

Registered number: 117804

Statement of changes in equity

For the half year 30 June 2018

	Share capital \$000	Retained earnings \$000	Total attributable to equity holders \$000
Balance at 1 January 2018	-	10	10
Total comprehensive income for the period	-	5	5
Balance at 30 June 2018	-	15	15

For the year ended 31 December 2016

	Share capital \$000	Retained earnings \$000	Total attributable to equity holders \$000
Balance at 1 January 2017	-	-	-
Total comprehensive income for the year	-	10	10
Balance at 31 December 2017	-	10	10

Statement of cash flows

	30 Jun 2018 \$000	30 Jun 2017 \$000	31 Dec 2017 \$000
Cash flows from operating activities			
Profit before income tax	5	-	10
Adjustments for:			
Finance costs	(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	-	-	-
Cash and cash equivalents at 30 June	-	-	-

During the period, interest costs of \$15m (2017; nil) were paid by other group companies.

Notes to the financial statements *continued*

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 Jersey on 16 February 2015.

The financial statements are prepared on the going concern basis in US Dollars, and in accordance with accounting standards generally accepted in Jersey and the Companies (Jersey) Law 1991.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRS Interpretations Committee (IFRIC) interpretations. The Company's 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 with the directors of the parent company, Genel Energy Holding Company Limited the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and consequently the financial statements have been prepared on a going concern basis.

c) Cash

Cash is cash in hand and in the 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 year 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 Group'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 based on the current market price, net of transaction costs incurred. 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 year 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 2017. The Company has also reviewed implications of IFRS 9 when it becomes in effect and it does not have any impact on these financial statements.

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 2018.

Notes to the financial statements *continued*

b) Interest rate risk

The Company is not exposed to interest rate risk since borrowings pay a fixed coupon. Similarly, interest income earned on loans to related entities incur interest at fixed rates.

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 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 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 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.

3. Administration expenses

The Company had no employees during the year.

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

Notes to the financial statements *continued*

4. Receivables due from parent company

	30 Jun 2018 \$000	30 Jun 2017 \$000	31 Dec 2017 \$000
Loan to Genel Energy Holding Company Limited	282,593	-	297,000
Accrued interest income	15,248	-	760
	297,841	-	297,760

The on-loan of cash to Genel Energy Holding Company Limited 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 at \$300m.

5. Borrowings

	30 Jun 2018 \$000	30 Jun 2018 \$000	31 Dec 2017 \$000
\$300 million 10% bonds due February 2022	297,085	-	296,750

The fair value of the bonds at 30 June 2018 was \$300 million (2017;\$300m).

6. Trade and other payables

	30 Jun 2018 \$000	30 Jun 2017 \$000	31 Dec 2017 \$000
Interest accruals	750	-	750
Admin accruals	(9)	-	250
	741	-	1,000

The fair values of financial liabilities approximate their carrying value.

Notes to the financial statements *continued*

7. Share capital

	30 Jun 2018 \$	30 Jun 2017 \$	31 Dec 2017 \$
Authorised capital			
10,000,000 (2017; 10,000,000) shares at £1 each	15,000,000	15,000,000	15,000,000
Allotted and fully paid (ordinary shares)			
2 (2017; 2) ordinary shares at £1 each	2	2	2

8. 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.

9. 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.