Registered number: 117804
Jersey

Genel Energy Finance 2 Limited

Financial statements

For the half year ended 30 June 2019

Statement of comprehensive income

	Notes	**30 Jun 2019 $000**	**30 Jun 2018 $000**	**31 Dec 2018 $000**
Operating profit				
Interest income		**15,776**	15,248	30,517
Interest expense		**(15,771)**	(15,243)	(30,507)
Profit before income tax		**5**	5	10
Income tax expense		**-**	-	-
Profit for the year		**5**	5	10
Other comprehensive income		**-**	-	-
Total comprehensive income for the year		**5**	5	10
Attributable to:				
Equity holders of the Company		**5**	5	10

The notes are an integral part of these financial statements.

Statement of financial position

ASSETS	*Notes*	30 Jun 2019 $000	30 Jun 2018 $000	31 Dec 2018 $000
Current assets				
Receivables due from parent company	***4***	**298,248**	297,841	298,260
		298,248	297,841	298,260
Total assets		**298,248**	297,841	298,260
LIABILITIES				
Non-current liabilities				
Borrowings	***5***	**(297,473)**	(297,085)	(297,331)
		(297,473)	(297,085)	(297,331)
Current liabilities				
Trade and other payables	***6***	**(750)**	(741)	(908)
		(750)	(741)	(908)
Net assets		**25**	15	20
Equity attributable to equity holders of the parent				
Share capital	***7***	**-**	-	-
Retained earnings		**25**	15	20
Total equity		**25**	15	20

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 15 August 2019 and were signed on its behalf by:

Esa Ikaheimonen

Director

Registered number: 117804

Statement of changes in equity

For the half year 30 June 2019

	Share capital $000	**Retained earnings $000**	**Total attributable to equity holders $000**
Balance at 1 January 2019	**-**	**20**	**20**
Total comprehensive income for the period	**-**	**5**	**5**
Balance at 30 June 2019	**-**	**25**	**25**

For the year ended 31 December 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 year	-	10	10
Balance at 31 December 2018	-	20	20

Statement of cash flows

	30 Jun 2019 $000	30 Jun 2018 $000	31 Dec 2018 $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	**-**	**-**	-
Cash and cash equivalents at 30 June	**-**	**-**	-

During the period, interest costs of $15m (2018; $30m) 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 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

Based on review of Company's financial statements, 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) 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.

d) Financial assets and liabilities

The transition from IAS 39 to IFRS 9 does not have a significant impact on the financial statements and no adjustment has been recognised in the opening reserves at 1 January 2019.
Changes in the Company's accounting policies resulting from the adoption of IFRS 9 are set out under the subheadings below.

Classification

The Company assesses the classification of its financial assets on initial recognition at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The Company assesses the classification of its financial liabilities on initial recognition at either fair value through profit and loss or amortised cost.

Notes to the financial statements *continued*

Recognition and Measurement

Regular purchases and sales of financial assets are recognised at fair value on the trade-date – the date on which the Company commits to purchase or sell the asset. Receivables due from other group entities, trade and other payables and borrowings are subsequently carried at amortised cost using the effective interest method.

Financial instrument category	Note	Classification under IAS 39	Measurement under IAS 39	Classification and measurement under IFRS9	30 Jun 2019 $m	31 Dec 2018 $m
Intercompany receivables	4	Loans and receivables	Amortised cost	Amortised cost	298.2	298.3
Trade and other payables		Other financial liabilities	Amortised cost	Amortised cost	1	1
Borrowing		Other financial liabilities	Amortised cost	Amortised cost	297.5	297.3

e) Cash

Cash is cash in hand and in the bank.

f) Receivables due from other group entities

Receivables due from other group entities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

g) 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.

The Company's external borrowing of $300 million 10% bonds due February 2022, has fair value of $315 million (2018: $308.3m) at 30 June 2019.

h) 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.

Notes to the financial statements *continued*

i) 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.

j) Impairment of financial assets

IFRS 9 introduces a forward-looking impairment model based on expected credit losses (ECLs) of financial assets. The standard requires the Company to book an allowance for ECLs for its financial assets.

The Company has assessed the impact of the new requirement on its intercompany loan receivables as at 31 December 2018. The Company uses both past track record of receivables, information available until the reporting date and future expected performance. The result of the Company's assessment is that the effect of the ECL on the financial statements is assessed as de minimis and no amount is recorded in the accounts.

k) New accounting standards adopted by the Company

The following standards have been applied for the first time for the reporting period commencing 1 January 2018: IFRS 9 -Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

The Company's assessment of the impact of IFRS 15 are that the adoption of this standard does not have any impact upon the Company's net results, net assets or disclosures.

For the period ending 30 June 2019, no bad debt provision was recorded against the intercompany loan and therefore the changes from the incurred credit loss model under IAS 39 to the expected credit loss model under IFRS 9 has no significant impact to the Company's financial statements.

l) **New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the period ending 30 June 2019. This includes IFRS 16 - Leases. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2019.

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 2019 $000	30 Jun 2018 $000	31 Dec 2018 $000
Loan to Genel Energy Holding Company Limited	**282,475**	282,593	267,743
Accrued interest income	**15,773**	15,248	30,517
	298,248	297,841	298,260

The on-loan of cash to Genel Energy Holding Company Limited is repayable on demand and is fixed at a rate equivalent of the Company's external borrowing rate plus management fees. The fair value has been estimated on the same basis as the external borrowings at $315 million (2018; $308.3m).

The fair values of financial liabilities approximate their carrying value.

5. Share capital

	30 Jun 2019 $	30 Jun 2018 $	31 Dec 2018 $
Authorised capital			
10,000,000 (2016; 10,000,000) shares at £1 each	**15,000,000**	**15,000,000**	**15,000,000**
Allotted and fully paid (ordinary shares)			
2 (2018; 2) ordinary shares at £1 each	**2**	**2**	**2**

6. 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.

7. Related parties

The Directors have identified the ultimate parent company, key management personnel and the Board members, together with the close family members 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. Refer to note 4 and 6 in the accounts for transactions with related companies.