

Registered number: 117804
Jersey

Genel Energy Finance 2 Limited

Financial statements

For the half year ended 30 June 2020

Statement of comprehensive income

For the half year ended 30 June 2020

		30 June 2020 \$000	30 June 2019 \$000	31 Dec 2019 \$000
	<i>Note</i>			
Operating result		-	-	-
Interest income	4	15,289	15,776	31,203
Bond interest and discount unwind	5	(15,257)	(15,142)	(30,549)
Other finance expense	5	(27)	(629)	(644)
Profit before income tax		5	5	10
Income tax expense		-	-	-
Profit for the period		5	5	10
Other comprehensive income		-	-	-
Total comprehensive income for the period		5	5	10

The notes are an integral part of these financial statements.

Balance sheet

As at 30 June 2020

	<i>Note</i>	30 June 2020 \$000	30 June 2019 \$000	31 Dec 2019 \$000
ASSETS				
Current receivables				
Receivables due from parent company	4	<u>299,096</u>	298,248	298,833
		299,096	298,248	298,833
Total Assets		<u>299,096</u>	298,248	298,833
LIABILITIES				
Non – current liabilities				
Borrowings	5	<u>(298,137)</u>	(297,473)	(297,880)
		(298,137)	(297,473)	(297,880)
Current liabilities				
Trade and other payables		<u>(924)</u>	(750)	(923)
		(924)	(750)	(923)
Net assets		<u>35</u>	25	30
Equity attributable to equity holders of the parent				
Share capital	6	-	-	-
Retained earnings		<u>35</u>	25	30
Total equity		<u>35</u>	25	30

The notes are an integral part of these financial statements.

The financial statements on pages 1 to 10 were approved by the Board of Directors on 19 August 2020 and were signed on its behalf by:

Esa Ikaheimonen
Director
Registered number: 117804

Statement of changes in equity

For the half year ended 30 June 2020

	Share capital \$000	Retained earnings \$000	Total equity \$000
Balance at 1 January 2019	-	20	20
Profit and total comprehensive income for the period	-	5	5
Balance at 30 June 2019	-	25	25
Balance at 1 January 2019	-	20	20
Profit and total comprehensive income for the period	-	10	10
Balance at 31 December 2019 and 1 January 2020	-	30	30
Profit and total comprehensive income for the period	-	5	5
Balance at 30 June 2020	-	35	35

Statement of cash flows

For the half year ended 30 June 2020

	30 Jun 2020 \$000	30 Jun 2019 \$000	31 Dec 2019 \$000
Cash flows from operating activities			
Profit before income tax	5	5	10
Adjustments for:			
Net interest income	(5)	(5)	(10)
Cash generated from operations	-	-	-
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents at 1 January	-	-	-
Cash and cash equivalents at period end	-	-	-

During the period, interest costs of \$15m (30 June 2019: \$15m 31 December 2019: \$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 (IFRS IC) 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 period.

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 period 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

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.

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.

Notes to the financial statements *continued*

1. Summary of significant accounting policies *continued*

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 December 2022, has fair value of \$298.5 million (30 June 2019: \$315.8 million, 31 December 2019: \$316.5 million).

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.

i) Current and deferred 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.

Notes to the financial statements *continued*

1. Summary of significant accounting policies *continued*

j) Impairment of financial assets

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

The Company has assessed its receivables due from parent company and fellow subsidiaries at 30 June 202 for ECLs. 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 not material and no amount is recorded in the accounts.

k) New accounting standards

The following new accounting standards, amendments to existing standards and interpretations are effective on 1 January 2020. Amendments to References to the Conceptual Framework in IFRS Standards, Amendments to IAS 1 and IAS 8: Definition of Material, Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform, Amendments to IFRS 3 Business Combinations. The adoption of these standards and amendments has had no impact on the Company's results or financial statement disclosures.

The following new accounting standards, amendments to existing standards and interpretations have been issued but are not yet effective and have not yet been endorsed by the EU: IFRS 17 Insurance contracts (effective 1 Jan 2023), Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (1 Jan 2022), Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (1 Jan 2022), Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (1 Jun 2020), Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (1 Jan 2021).

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 2020.

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 December 2024 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 December 2024.

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. Capital includes retained earnings of \$35k (30 June 2019: \$25k 31 December 2019: \$30k)

3. Administration expenses

The Company had no employees during the period (2019: nil).

The Directors have received no remuneration during the period for their services to this entity (2019: nil).

Notes to the financial statements *continued*

4. Receivables due from parent company and Interest income

	30 Jun 2020 \$000	30 Jun 2019 \$000	31 Dec 2019 \$000
Loan to Genel Energy Holding Company Limited	283,807	282,472	267,630
Interest income	15,289	15,776	31,203
	299,096	298,248	298,833

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. No loss allowance is made under the expected credit loss model as explained at note 1.

5. Borrowings and Interest expense

	30 Jun 2020 \$000	30 Jun 2019 \$000	31 Dec 2019 \$000
\$300 million 10% bonds due December 2022	298,137	297,473	297,880
	298,137	297,473	297,880

	1 Jan 20 (\$000)	Coupon payments (\$000)	Interest and discount unwind (\$000)	30 Jun 20 (\$000)
2022 Bond 10.0%	297,880	(15,000)	15,257	298,137

	1 Jan 19 (\$000)	Coupon payments (\$000)	Interest and discount unwind (\$000)	30 Jun 19 (\$000)
2022 Bond 10.0%	297,331	(15,000)	15,142	297,473

	1 Jan 19 (\$000)	Coupon payments (\$000)	Interest and discount unwind (\$000)	31 Dec 19 (\$000)
2022 Bond 10.0%	297,331	(30,000)	30,549	297,880

The fair value of the bonds at 30 June 2020 was \$298.5 million (30 June 2019: \$315.8 million, 31 December 2019: \$316.5 million).

	30 Jun 2020 \$000	30 Jun 2019 \$000	31 Dec 2019 \$000
Bond interest and discount unwind	15,257	15,142	30,549
Other finance expense	27	629	644
Interest expense	15,284	15,771	31,193

Notes to the financial statements *continued*

6. Share capital

	30 Jun 2020 \$	30 Jun 2019 \$	31 Dec 2019 \$
Authorised capital			
10,000,000 (2019: 10,000,000) ordinary shares at £1 each	15,000,000	15,000,000	15,000,000
Allotted and fully paid			
2 (2019: 2) ordinary shares at £1 each	2	2	2

7. Parent company

The Company is a wholly owned subsidiary of Genel Energy Holding Company Limited, a company registered in Jersey. Copies of Genel Energy Holding Company Limited's financial statements can be obtained from the Company Secretary at 12 Castle Street, St Helier, Jersey JE2 3RT.

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.

8. 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.

Amounts due from group companies:

	30 Jun 2020 \$000	30 Jun 2019 \$000	31 Dec 2019 \$000
Genel Energy Holding Company Limited	299,096	298,248	298,833
	299,096	298,248	298,833

Amounts due to group companies:

Genel Energy PLC	21	-	21
Genel Energy UK Services Limited	153	-	152
	174	-	173

Transactions with group companies:

	30 Jun 2020 \$000	30 Jun 2019 \$000	31 Dec 2019 \$000
Interest payment	(15,000)	(15,000)	(30,000)
Interest charged	15,289	15,776	31,203
Other finance expenses	(27)	(621)	(644)