Registered number: 117804
Jersey

Genel Energy Finance 2 Limited

Annual report and financial statements

For the year ended 31 December 2018

Contents

Directors' report

The Directors present the audited financial statements for Genel Energy Finance 2 Limited (the "Company") for the year ended 31 December 2018.

Business review and principal activities

The Company was incorporated on 16 February 2015 and is a wholly owned subsidiary of Genel Energy Holding Company Limited. The principal activity of the Company is as the issuer of bonds on behalf of the Genel Energy plc Group (Group). The Company is not permitted to have any business other than to issue Bonds and on-lend to its Parent, Genel Energy Holding Company Limited.

The profit for the year was $10,000 (2017; $10,000). The directors do not recommend the payment of a dividend for the year (2017; Nil).

Political/charitable donations

This Company made no political or charitable donations during the year.

Directors

The Directors who held office during the year and up to the date of signing the report were:

Luke Clements
Esa Ikaheimonen
Ian Domaille – resigned 13th December 2018
Robert Sinclair – resigned 13th December 2018

Independent auditors

PricewaterhouseCoopers LLP have been appointed as auditors.

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' responsibilities for the financial statements

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Jersey law and International Financial Reporting Standards, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Jersey) Law, 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ON BEHALF OF THE BOARD
Registered Number: 117804
12 Castle Street
St Helier
Jersey
JE2 3RT

Esa Ikaheimonen
Director
10 April 2019

Independent auditors' report to the members of Genel Energy Finance 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Genel Energy Finance 2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall materiality: $2.98m (2017: $3m), based on 1% of total liabilities.

- We focused our audit procedures on the areas of significant audit risks, which are informed by the activities of Genel Energy Finance 2 Ltd and the economic and regulatory environments in which it operates.
- The PwC UK engagement team performed all of the audit work.

- We have no key audit matters to report.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Based on the results of our risk assessment, and audit procedures, we determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company was incorporated on 16 February 2015 and is a wholly owned subsidiary of Genel Energy Holding Company Limited. The principal activity of the Company is as the issuer of bonds on behalf of the Genel Energy plc Group. The Company is not permitted to have any business other than to issue Bonds and on-lend to its Parent (Genel Energy Holding Company Limited). In prior year, the Company issued $300 million nominal value of bonds paying a 10% coupon and maturing for repayment in December 2022. The cash raised was on-loaned to the Company's parent, Genel Energy Holding Company Limited. During the current financial year, the Company made interest payments due on the bond.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$2.98m (2017: $3m).
How we determined it	1% of Total liabilities.
Rationale for benchmark applied	The company's sole purpose is as issuer of the bonds, and its sole activity relates to being a vehicle for the bond expense.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $149,000 (2017: $150,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur provisionally on 12 April 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns[i].

We have no exceptions to report arising from this responsibility.

Michael Timar (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

10 April 2019

Statement of comprehensive income

For the year ended 31 December

	Note	2018 $000	2017 $000
Operating result		**-**	-
Interest income	*4*	**30,517**	760
Interest expense	*5*	**(30,507)**	(750)
Profit before income tax		**10**	10
Income tax expense		**-**	-
Profit for the year		**10**	10
Other comprehensive income		**-**	-
Total comprehensive income for the year		**10**	10

The notes on page 11 to 16 form part of these financial statements

Statement of financial position

As at 31 December 2018

	Note	2018 $000	2017 $000
ASSETS			
Current receivables			
Receivables due from parent company and fellow subsidiaries	*4*	**298,259**	297,760
		298,259	297,760
Total Assets		**298,259**	297,760
LIABILITIES			
Non – current liabilities			
Borrowings	*5*	**(297,331)**	(296,750)
		(297,331)	(296,750)
Current liabilities			
Trade and other payables	*6*	**(908)**	(1,000)
		(908)	(1,000)
Net assets		**20**	10
Equity attributable to equity holders of the parent			
Share capital	***7***	**-**	-
Retained earnings		**20**	10
Total equity		**20**	10

The notes on page 11 to 16 are an integral part of these financial statements.

The financial statements on pages 7 to 16 were approved by the Board of Directors on 10 April 2019 and were signed on its behalf by:

Esa Ikaheimonen

Director

Registered number: 117804

Statement of changes in equity

For the year ended 31 December 2018

	Share capital $000	Retained earnings $000	Total equity $000
Balance at 1 January 2018	**-**	**10**	**10**
Profit and total comprehensive income for the year	**-**	**10**	**10**
Balance at 31 December 2018	**-**	**20**	**20**

For the year ended 31 December 2017

	Share capital $000	Retained earnings $000	Total equity $000
Balance at 1 January 2017	**-**	**-**	**-**
Profit and total comprehensive income for the year	**-**	**10**	**10**
Balance at 31 December 2017	**-**	**10**	**10**

Statement of cash flows

For the year ended 31 December

	2018 $000	2017 $000
Cash flows from operating activities		
Profit before income tax	**10**	**10**
Finance costs	**(10)**	**(10)**
Cash generated from operations	**-**	**-**
Net change in cash and cash equivalents	**-**	**-**
Cash and cash equivalents at 1 January	**-**	**-**
Cash and cash equivalents at 31 December	**-**	**-**

The consideration for $300 million nominal value of bonds issued was on-loaned to Genel Energy Holding Company Limited and was held as a receivable as at 31 December 2017.

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 2018. 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	2018 $m	2017 $m
Intercompany receivables	4	Loans and receivables	Amortised cost	Amortised cost	298.3	297.8
Trade and other payables	6	Other financial liabilities	Amortised cost	Amortised cost	1	1
Borrowing	5	Other financial liabilities	Amortised cost	Amortised cost	297.3	296.8

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.

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 assess 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 year ended 31 December 2018, 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 year ended 31 December 2018. This includes IFRS 16 - Leases. The Company's assessment of the impact of these new standards and interpretations is that they are not expected to have a significant impact on the Company's results. 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, 31 December 2018.

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 year for their services to this entity.

The auditors' remuneration for the year was $6,666 (2017; $6,666). This was borne by the ultimate parent company.

Notes to the financial statements *continued*

4. Receivables due from parent company

	2018	2017
	$000	**$000**
Loan to Genel Energy Holding Company Limited	**267,743**	297,000
Accrued interest income	**30,517**	760
	298,260	297,760

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 $308.3 million (2017; $300m).

5. Borrowings

	2018 $000	2017 $000
$300 million 10% bonds due December 2022	**297,331**	296,750
	297,331	296,750

	1 Jan 18 ($m)	Coupon payments ($m)	Interest and discount unwind ($m)	31 Dec 18 ($m)
2022 Bond 10.0%	296.8	(30)	30.5	297.3

The fair value of the bonds at 31 December 2018 was $308.3 million (2017: $300m).

6. Trade and other payables

	2018 $000	2017 $000
Interest accrual	**750**	750
Payable to fellow subsidiaries	**158**	0
Other payables	**0**	250
	908	1,000

The fair values of financial liabilities approximate their carrying value.

Notes to the financial statements *continued*

7. Share capital

	2018 $	2017 $
Authorised capital		
10,000,000 (2017: 10,000,000) shares at £1 each	**15,000,000**	**15,000,000**
Allotted and fully paid (ordinary shares)		
2 (2017: 2) ordinary shares at £1 each	**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 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.