

Registered number:11867181  
England and Wales

Genel Energy Finance 4 plc  
(Formerly Genel Energy No.5 Limited)  
Annual Report and Financial Statements  
For the year ended 31 December 2020

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## **Directors' report**

The Directors present their report with the financial statements for Genel Energy Finance 4 plc (the "Company") for the year ended 31 December 2020. The Company changed its name from Genel Energy No.5 Limited to Genel Energy Finance 4 Limited on 22<sup>nd</sup> September 2020, and was converted to a public limited company on 7 October 2020.

### **Business review and principal activities**

The Company was incorporated on 7 March 2019, 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 "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 the year the Company issued \$300 million nominal value of bonds paying a 9.25% coupon and maturing for repayment in October 2025. As consideration for the issued bonds the Company received a receivable from Genel Energy Holding Company Limited.

The profit for the year was \$10,000 (2019: nil). The Directors do not recommend the payment of a dividend for the year (2019: nil).

#### *Principal risks and uncertainties*

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company is part of the Genel Energy plc Group and the principal risks and uncertainties affecting the Group are discussed in more detail in the annual report of the Group which can be obtained from its website [www.genelenergy.com](http://www.genelenergy.com).

The Company maintains liability insurance for its directors and officers. This has been in effect throughout the year ending 31 December 2020.

#### *Key performance indicators*

This Company is part of the Group and the key performance indicators used to review and monitor the business are set by the directors of the Group and are discussed in more detail in the Annual Report of the Group. The Directors do not consider it necessary to provide additional key performance indicators at a Company level for an understanding of the development, performance or position of the business.

### **Directors**

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

Michael Adams  
William Higgs - (resigned 7 December 2020)  
Esa Ikaheimonen  
Luke Clements – (appointed 7 December 2020)

### **Secretary**

Chandni Karania

**Directors' report** (*continued*)

**Independent auditors**

In 2020, the Group commenced a formal audit tender process following which it was recommended that BDO LLP be appointed as the Group's auditor for the year ending 31 December 2021. This appointment remains subject to approval by shareholders at the Genel Energy plc 2021 Annual General Meeting. The Company's auditor, PricewaterhouseCoopers LLP will therefore not be reappointed at the Company's forthcoming Annual General Meeting. In accordance with section 489(2) of the Companies Act 2006, a resolution proposing the appointment of BDO LLP will be circulated to the shareholder.

Pursuant to Section 418 of the Companies Act 2006, 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.

**Statement of directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) interpretations.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 IFRS as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) interpretations 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act 2006. 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.

**ON BEHALF OF THE BOARD**

Registered Number 11867181

Fifth Floor, 36 Broadway, SW1H 0BH, London

Esa Ikaheimonen

Director

9 April 2021

## **Independent auditors' report to the members of Genel Energy Finance 4 Plc**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Genel Energy Finance 4 plc 's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance sheet as at 31 December 2020; Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit committee of Genel Energy plc (ultimate parent).

#### **Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union**

As explained in note 1 to the financial statements, the company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

#### **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.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

## **Our audit approach**

### **Overview**

#### Audit scope

- The PwC UK engagement team performed all of the audit work.

#### Key audit matters

- COVID-19 risks and uncertainties

#### Materiality

- Overall materiality: US\$2,700,000.00 based on 1% of total assets.
- Performance materiality: US\$2,000,000.00.

### **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.

### **Capability of the audit in detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to failure to comply with tax legislation and the requirements for debt listed on Oslo Børs, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Understanding and evaluating controls designed to prevent fraud and detect irregularities and fraud.
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

### **Key audit matters**

Key audit matters are those matters that, in the auditors' 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. These matters, and any comments we

make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>COVID-19 risks and uncertainties</i></p> <p>The Director General of the World Health Organization declared the novel coronavirus, COVID-19, a global pandemic on 11 March 2020.</p> <p>Genel Energy Finance 4 plc is the issuer of \$300 million 9.25% bonds 2025 on behalf of Genel Energy plc ('the Group') which are due to be repaid in October 2025. Genel Energy Finance 4 plc has lent the bond proceeds to its Parent, Genel Energy Holding Company Limited.</p> <p>Management has considered the impact of Covid-19 on the Group, alongside the actions that have been taken in response to the pandemic. The primary impact of COVID-19 on the Group has been the adverse movement in global oil prices which also led to delayed KRG payments and suspended override proceeds. Management has also considered the extent to which this might cause a breach of the bond debt covenants or failure to receive interest. We determined management's consideration of the impact of Covid-19 to be a key audit matter.</p>	<p>We have considered management's assessment of the impact of COVID-19 on Genel Energy Finance 4 plc and agree with their conclusions. Our conclusions in respect of going concern are set out separately in within the Conclusions relating to going concern section of this report. We also considered the appropriateness of disclosures with regards to the pandemic and consider these to be appropriate.</p>

### **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 PwC UK engagement team performed all of the audit work.

The Company was incorporated on 7 March 2019 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 2020, the Company issued \$300 million nominal value of bonds paying a 9.25% coupon and maturing for repayment in October 2025; of which the Company holds \$20m. The cash raised was on-loaned to the Company's parent, Genel Energy Holding Company Limited.

### **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:

<i>Overall materiality</i>	<i>company</i>	US\$2,700,000
<i>How we determined it</i>		1% of total assets
<i>Rationale for benchmark applied</i>		The company's sole purpose is as issuer of the bonds, and its sole activity relates to being a vehicle for the bond expense. The cash is entirely loaned to Genel Energy Holding Company Limited and held as a receivable asset. Given the simple nature of the entity and the limited activities during the year, we consider it appropriate to use total assets as the materiality benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US\$2,000,000.00 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the audit committee of Genel Energy plc (ultimate parent) that we would report to them misstatements identified during our audit above US\$100,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### **Conclusions relating to going concern**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing management's going concern assessment and the sensitivity analysis on the future cash flow projections of the Group.
- Assessing the key inputs to the model, including production profiles and oil price forecasts to ensure these were consistent with our understanding.
- Performing our own independent sensitivity analysis to understand the impact of severe changes in cash flows such as complete suspension of payments to the Group from the KRG.
- Reviewing the bond debt covenants and assessing whether the forecasts supported ongoing compliance with the covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



### **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.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 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 Strategic report and 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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of

items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

### **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 Chapter 3 of Part 16 of the Companies Act 2006 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 Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Appointment**

We were appointed by the members on 14 May 2020 to audit the financial statements for the year ended 31 December 2020. This is therefore our first year of uninterrupted engagement.

#### **Other matter**

The financial statements for the period from the 7th March 2019 to the 31 December 2019, forming the corresponding figures of the financial statements for the year ended 31 December 2020, are unaudited.

Michael Timar  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Recognized Auditors  
London  
9 April 2021

**Statement of comprehensive income**

For the year ended 31 December 2020

		<b>Year ended 2020 \$000</b>	Unaudited Period from 07 Mar to 31 Dec 2019 \$000
<b>Operating result</b>		-	-
Interest income	4	5,859	-
Bond interest	5	(5,539)	-
Discount unwind	5	(310)	-
<b>Profit before income tax</b>		<b>10</b>	-
Income tax expense		-	-
<b>Profit for the year</b>		<b>10</b>	-
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>10</b>	-

There is no subsequent event in the company

The notes on page 14 to 18 form part of these financial statements.

**Balance sheet**

At 31 December 2020

<b>ASSETS</b>	<i>Note</i>	<b>Year ended 2020 \$000</b>	Unaudited Period from 07 Mar to 31 Dec 2019 \$000
<b>Current assets</b>			
Receivables	4	<u>273,323</u>	-
		<b>273,323</b>	-
<b>Total Assets</b>		<u><b>273,323</b></u>	-
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	5	<u>(267,710)</u>	-
		<b>(267,710)</b>	-
<b>Current liabilities</b>			
Accrued interest	5	<u>(5,539)</u>	-
		<b>(5,539)</b>	-
<b>Total liabilities</b>		<u><b>(273,249)</b></u>	-
<b>Net assets</b>		<u><b>74</b></u>	-
<b>Equity attributable to equity holders of the parent</b>			
Share capital	6	<b>64</b>	-
Retained earnings		<u><b>10</b></u>	-
<b>Total equity</b>		<u><b>74</b></u>	-

There is no subsequent event in the company

The notes on page 14 to 18 are an integral part of these financial statements.

The financial statements on pages 10 to 18 were approved by the Board of Directors on 9 April 2021 and were signed on its behalf by:

Esa Ikaheimonen  
Director  
Registered number: 11867181

**Statement of changes in equity**

For the year ended 31 December 2020

	<i>Note</i>	<b>Share Capital \$000</b>	<b>Retained earnings \$000</b>	<b>Total equity \$000</b>
Balance at 1 January 2020		-	-	-
<b>Allotted and fully paid (ordinary shares)</b>	<i>6</i>	<b>64</b>	-	<b>64</b>
<b>Profit and comprehensive income for year</b>		-	<b>10</b>	<b>10</b>
<b>Balance at 31 December 2020</b>		<b>64</b>	<b>10</b>	<b>74</b>

**Statement of cash flows**

For the year ended 31 December 2020

	<b>Year ended 2020 \$000</b>	Unaudited Period from 07 Mar to 31 Dec 2019 \$000
<b>Cash flows from operating activities</b>		
Profit before income tax	10	-
Adjustment for:		
Net interest income	(10)	-
<b>Cash generated from operations</b>	-	-
 <b>Cash flows from financing activities</b>		
Increase in receivables from parent company	(267,400)	-
New bond issuance	267,400	-
<b>Net cash used in financing activities</b>	-	-
 <b>Net change in cash and cash equivalents</b>	-	-
Cash and cash equivalents at 1 January	-	-
<b>Cash and cash equivalents at 31 December</b>	-	-

The \$300,000k nominal value of bonds issued was on-loaned to Genel Energy Holding Company Limited and was held as a receivable as at 31 December 2020.

## 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**

Genel Energy Finance 4 plc is a public limited company incorporated and domiciled in England and Wales. The company's registered office is 5th Floor, 36 Broadway, London, SW1H 0BH, U.K.

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 applicable to Companies reporting under International Financial Reporting Standards (IFRS) as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS Interpretations Committee (IFRS IC) interpretations. 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**

The Company's ability to continue as a going concern is dependent upon the Group's ability to pay the interest on the bonds and comply with the bond covenants. The Group regularly evaluates its financial position, cash flow forecasts and its compliance with financial covenants by considering multiple combination of oil price, discount rates, production volumes, payments, capital and operational spend scenarios. In addition, specifically for the purposes of the going concern, the group has modelled a downside scenario, recognising the impact of the COVID19 pandemic, which includes a significant reduction in oil price from current levels combined with a reduction in production. As a result, 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) Foreign currency translation**

The Company's financial statements are presented in U.S. dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the U.S 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**

##### *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 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.

**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 year, 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 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 the parent company at 31 December 2020 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.



## Notes to the financial statements (*continued*)

### 1. Summary of significant accounting policies (*continued*)

#### 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, Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (1 Jun 2020). Nothing has been early adopted, and also that these standards are not expected to have a material impact on the group in the current or future reporting periods.

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), Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (1 Jan 2021), Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (1 Jan 2021).

### 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 2020.

#### b) Interest rate risk

The Company is not exposed to interest rate risk because it does not incur interest on its borrowings.

#### c) Credit risk

The Company is not exposed to credit risk because it does not have sales and trade receivables.

#### d) Liquidity risk

Liquidity risk is the risk that the company will not have sufficient funds to meet liabilities.

#### 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 of \$63,500 (31 December 2019: \$3).

### 3. Administrative expenses

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

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

The auditors' remuneration for the year was \$6,666 (2019: \$6,666). This was borne by the ultimate parent company.

**Notes to the financial statements (continued)**

**4. Receivables due from parent company and Interest income**

	<b>Year ended 2020</b>	<b>Unaudited Period from 07 Mar to 31 Dec 2019</b>
	<b>\$000</b>	<b>\$000</b>
Loan to Genel Energy Holding Company Limited	<b>267,464</b>	-
Interest income	<b>5,859</b>	-
	<b>273,323</b>	-

The on-loan of cash to Genel Energy Holding Company Limited is repayable on demand and is fixed at a rate equivalent to 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**

	<b>Year ended 2020</b>	<b>Unaudited Period from 07 Mar to 31 Dec 2019</b>
	<b>\$000</b>	<b>\$000</b>
\$300 million 9.25% bonds due October 2025	<b>267,710</b>	-
	<b>267,710</b>	-

	<b>1 Jan 20</b>	<b>New issuance</b>	<b>Own bonds held</b>	<b>Interest and discount unwind</b>	<b>31 Dec 20</b>
	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
<b>2025 Bond 9.25%</b>	-	<b>(286,800)</b>	<b>19,400</b>	<b>(310)</b>	<b>(267,710)</b>
<b>Accrued interest</b>	-	-	-	<b>(5,539)</b>	<b>(5,539)</b>

In October 2020, the Company issued a new \$300 million senior unsecured bond with maturity in October 2025. The new bond has a fixed coupon of 9.25% per annum.

At 31 December 2020, the fair value of the nominal \$280.0 million of 2025 bonds held by third parties is \$291.0 million. These were issued at a discount of 3% and bond related expenses of \$4.2m amounting to a net issue of \$286m.

	<b>Year ended 2020</b>	<b>Unaudited Period from 07 Mar to 31 Dec 2019</b>
	<b>\$000</b>	<b>\$000</b>
Bond interest	<b>5,539</b>	-
Discount unwind	<b>310</b>	-
Interest expense	<b>5,849</b>	-

**Notes to the financial statements (continued)**

**6. Share capital**

	<b>Year Ended 2020 \$000</b>	<b>Unaudited Period from 07 Mar to 31 Dec 2019 \$000</b>
<b>Allotted and fully paid (ordinary shares)</b>		
At 31 December	<b>64</b>	-

On 7 March 2019, 2 shares were issued for cash. The nominal value of each share was £1 and the consideration received per share was £1.

On 22 September 2020, 49,998 shares were issued for cash. The nominal value of these shares was £49,998 and the consideration received was £49,998.

**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 parent company, key management personnel and the board members, together with the families and companies controlled by or affiliated with each of them; and associates, investments and joint ventures as related parties of the Company under IAS 24.

Amounts due from group companies:

	<b>Year ended 2020 \$000</b>	<b>Unaudited Period from 07 Mar to 31 Dec 2019 \$000</b>
Genel Energy Holding Company Limited	<b>273,323</b>	-

Transactions with group companies:

	<b>Year ended 2020 \$000</b>	<b>Unaudited Period from 07 Mar to 31 Dec 2019 \$000</b>
Loan	<b>267,400</b>	-
Interest charged	<b>5,859</b>	-
Other	<b>64</b>	-

**9. Events occurring after the reporting period**

None.