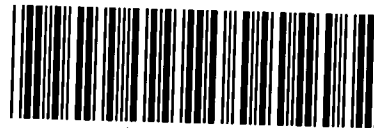


GGE UK 2 LIMITED

REGISTRATION NUMBER: 09566127

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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GGE UK 2 LIMITED
GENERAL INFORMATION

DIRECTORS	M A Fernandes	
	M D C Helmore	
	S Johnson	(appointed on 17 January 2018)
	A Signori	(resigned on 16 October 2018)
	M O L Lief	(resigned on 17 January 2018)
	S K J Nelson	(resigned on 17 January 2018)
REGISTERED NUMBER	09566127	
REGISTERED OFFICE	10 Fenchurch Avenue London EC3M 5AG United Kingdom	
INDEPENDENT AUDITOR	KPMG LLP 15 Canada Square London E14 5GL United Kingdom	
ADMINISTRATOR	SANNE GROUP (UK) LIMITED 21 Palmer Street London SW1H 0AD United Kingdom	

GGE UK 2 LIMITED

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GGE UK 2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and financial statements of GGE UK 2 Limited (the "Company") for the year ended 31 December 2018 ("the year").

Directors

The Directors who served for the year ended 31 December 2018 and as at the date of approving this report are:

M A Fernandes	
M D C Helmore	
S Johnson	(appointed on 17 January 2018)
A Signori	(resigned on 16 October 2018)
M O L Lief	(resigned on 17 January 2018)
S K J Nelson	(resigned on 17 January 2018)

Dividends

No dividends were paid during the year (2017: EUR nil). The Directors do not recommend the payment of a final dividend (2017: EUR nil).

Going concern

As at 31 December 2018 the Company was in a net current liability position. The Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Excluding the amounts due to GGE SLP LP, which is a group undertaking, the Company is in a net asset position. The Directors have received an undertaking from GGE SLP LP that they will not demand repayment of the 9.75% loan notes for at least twelve months from the date of these financial statements. In addition, the underlying Investment GGE a.s. has concluded discussions with its banks to amend its banking facilities to help to ensure its future liquidity. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

Qualifying third party indemnities

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31 December 2018 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities may occur (or have occurred) in connection with their duties, power or office.

Statement of Directors' Responsibilities in respect of the Strategic report, Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard in the UK and Republic of Ireland ("FRS 102").

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 year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;

GGE UK 2 LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of Directors' Responsibilities in respect of the Strategic report, Directors' Report and the Financial Statements (continued)

- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of Information to Auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that each director has taken all the steps that he ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


Post-Balance Sheet Events

There have been no significant events affecting the Company since the year end which requires adjustment for or disclosure in the financial statements.

Auditor

Pursuant to section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG LLP will continue in office.

The report was approved by the board on 29 August 2019 and signed on its behalf.


M A Fernandes
Director

29 August 2019

GGE UK 2 LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Principal activity

The principal activity of the Company is to act as an investment company.

Business review and results

The Company was incorporated on 28 April 2015 and has an investment in 100% of the equity of GGE a.s., an entity that owns a Slovakian energy company. Details of the results for the year are set out in the Statement of Comprehensive Income on page 10.

The loss for the year was EUR 124,979,000 (2017: profit was EUR 91,000) and the net liabilities at 31 December 2018 were EUR 15,322,000 (2017: Net assets of EUR 77,335,000). The Company had no recognised gains or losses other than those disclosed on page 10.

Performance for the year was adversely impacted by a provision for impairment of the investment in GGE a.s. This was as a result of the loss of a contract that had significant impact on the future profitability of the business. The company is reviewing the circumstances surrounding the loss of the contract. In addition, the underlying Investment GGE a.s. has concluded discussions with its banks to amend its banking facilities to help to ensure its future liquidity.

The Company has loan notes in issue which are listed on the International Stock Exchange. The holder of these loan notes is GGE SLP LP.

Risks and uncertainties

The risks and uncertainties faced by the Company are those inherent within the financial services industry, but are primarily:

- Liquidity risk – The Company's investment is illiquid and long-term. Such investments may be illiquid because, among other reasons, there is no established market for the particular type of asset, there is a scarcity of disposal options and/or potential acquirers, or there are legal, tax, regulatory or contractual restrictions associated with the disposal of the investment;
- Operational risk – losses could result from inadequate or failed internal and external processes, systems and human error or from external events over which the management has no control;
- Market risk – exposure to fluctuations in revenue resulting from the impact of volatile equity, bond, property prices and investment performance;
- Credit risk – investments are reliant on counterparties fulfilling their obligations;
- Regulatory risk – subject to the effects of changes in law, regulation, policy and interpretation and any accounting standards in the markets in which it operates; and
- Brexit risk – following the referendum result of 2016, the Directors have taken a number of steps to minimise disruption to the business and provide certainty and clarity where possible, regardless of the outcome of the Brexit negotiations.

The risks and uncertainties faced by the Prudential Group are outlined in the strategic report prepared by Prudential Plc, the Company's ultimate parent company. Consolidated financial statements can be obtained from the address in note 18.

GGE UK 2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GGE UK 2 LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

1. Our opinion is unmodified

We have audited the financial statements of GGE UK 2 Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 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. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2017):

Key audit matter	The risk	Our response
Valuation of investments Refer to note 1(c) (accounting policy) and notes 8, 9 and 10 (financial disclosures)	<p>The Company's investments in its subsidiary GGE A.S. is held at cost less impairment.</p> <p>The principal activity of GGE A.S. is to hold investments in energy companies in Slovakia and Poland.</p> <p>In management's assessment of impairment, the underlying unlisted investment is measured at fair value which is established in accordance with International Private Equity and Venture Capital ("IPEV") Guidelines.</p>	<p>Our procedures include:</p> <p>Control design: We documented and assessed the design and implementation of the investment valuation process and controls.</p> <p>Control observation: We attended the year end valuation meeting with certain key members of management to assess their discussion and review of the investment valuation.</p> <p>Methodology choice: In the context of the observed industry best practice and the provisions of IPEV Guidelines, we challenged the appropriateness of the valuation basis adopted, with assistance from our valuation specialist.</p>

GGE UK 2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GGE UK 2 LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2. Key audit matters: our assessment of risks of material misstatement (continued)

Key audit matter	The risk	Our response
Valuation of investments Refer to note 1(c) (accounting policy) and notes 8, 9 and 10 (financial disclosures)	In determining the fair value of the underlying investment, which is used by management to identify any impairment indicators for the equity, loans and associated receivables, significant judgement is required as well as inputs which are unobservable. This represents a significant risk.	Our procedures include: Our valuation experience: We challenged management on key judgements affecting the investee company valuations and the impairment recorded by management, such as discount factors and choice of benchmarks for earnings multiples. We compared key underlying financial data inputs to external sources and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee company and the ongoing performance issues of GGE A.S.. Our work included consideration of events which occurred subsequent to the year end up to the date of this report. Assessing transparency: We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of the investment impairment.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at €415k (2017: €1,313k), determined with reference to a benchmark of total assets (of which it represents 1% (2017: 1%)).

We agreed to report to the Board of Directors any corrected or uncorrected identified misstatements exceeding €21k, in addition to other identified misstatements that warranted reporting on qualitative grounds

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the Company's head office in the United Kingdom.

4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

GGE UK 2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GGE UK 2 LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4. We have nothing to report on going concern (continued)

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- 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
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 3 to 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

GGE UK 2 LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GGE UK 2 LIMITED FOR
THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

7. Respective responsibilities (continued)

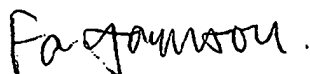
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Fang Fang Zhou (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

30 August 2019

GGE UK 2 LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 EUR 000	2017 EUR 000
Investment income	3	5,456	5,240
Administrative expenses	4	(272)	(28)
Operating profit		5,184	5,212
Provision for impairment of fixed asset investment	8	(124,255)	-
Interest payable	5	(5,133)	(5,100)
(Loss)/ gain on foreign exchange		(775)	1
(Loss)/ profit on ordinary activities before tax		(124,979)	113
Tax on profit on ordinary activities	6	-	(22)
(Loss)/ profit for the year		(124,979)	91
Total comprehensive (loss)/ income		(124,979)	91

There was no other comprehensive income for the years ended 31 December 2018 and 31 December 2017 in addition to that included in the Statement of Comprehensive Income. All results and comparatives shown in the Statement of comprehensive income are from continuing operations.

The notes on pages 14 to 20 form part of these financial statements.

GGE UK 2 LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	2018 EUR 000	2017 EUR 000
Non-current assets			
Investment in subsidiary	8	-	77,086
Current assets			
Other investments	9	41,275	52,711
Debtors – amounts falling due within one year	10	-	1,332
Cash at bank		207	207
		41,482	54,250
Current liabilities			
Creditors – amounts falling due within one year	11	(56,804)	(54,001)
Net current (liabilities)/ assets		(15,322)	249
Net (liabilities)/ assets		(15,322)	77,335
Capital and reserves			
Called up share capital	12	49,737	49,737
Share premium	12	59,671	27,349
Profit and loss account	13	(124,730)	249
Shareholders' funds		(15,322)	77,335

The financial statements on pages 10 to 20 have been approved by the Board of Directors and signed on its behalf by:-


M. Fernandes
Director


M D C Helmore
Director

29 August 2019

The notes on pages 14 to 20 form part of the financial statements

GGE UK 2 LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital EUR 000	Share premium EUR 000	Profit and loss account EUR 000	Total EUR 000
Balance at 1 January 2017	49,737	-	158	49,895
Issue of shares	-	27,349	-	27,349
Profit for the year	-	-	91	91
Balance at 31 December 2017	49,737	27,349	249	77,335

	Called up share capital EUR 000	Share premium EUR 000	Profit and loss account EUR 000	Total EUR 000
Balance at 1 January 2018	49,737	27,349	249	77,335
Issue of shares	-	32,322	-	32,322
Loss for the year	-	-	(124,979)	(124,979)
Balance at 31 December 2018	49,737	59,671	(124,730)	(15,322)

The notes on pages 14 to 20 form part of these financial statements.

GGE UK 2 LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 EUR 000	2017 EUR 000
Operating activities		
Operating profit	5,184	5,212
Adjustments for:		
Increase/ (decrease) in creditors relating to operating cash flows	555	(232)
(Increase)/ decrease in debtors relating to operating cash flows	(1,181)	455
Increase in capitalised interest	1,246	2,926
Tax paid	(11)	(24)
Realised (loss)/ gain on foreign exchange	(13)	1
Interest payable	(5,133)	(5,100)
Net cash inflow from operating activities	647	3,238
Investing activities		
Purchase of investments	(62,322)	(6,263)
Divestment of other investments	31,953	6,999
Net cash (outflow)/ inflow from investing activities	(30,369)	736
Financing activities		
Issue of shares	32,322	-
Issue of loan notes	-	2,600
Redemption of loan notes	(2,600)	(6,572)
Net cash inflow/ (outflow) from financing activities	29,722	(3,972)
Movement in cash in the year	-	2
Cash at the beginning of the year	207	205
Cash at the end of year	207	207

The notes on pages 14 to 20 form part of these financial statements.

GGE UK 2 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

GGE UK 2 Limited ("the Company") is a company incorporated and domiciled in England. These financial statements are prepared for the year ended 31 December 2018 ("the year").

Basis of preparation

The Company's financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements.

These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent, Prudential Plc, includes the Company in its consolidated financial statements. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are publically available. Accordingly, the Company may adopt FRS 102 and take advantage of reduced disclosure exemptions.

The principal accounting policies adopted have been set out below:

a) Investment income

Investment income is earned on debt securities held. Interest income from debt securities is accounted for on an accruals basis.

b) Interest payable

Interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

c) Investments in subsidiaries

The Company's investment in its subsidiary is held at cost less impairment losses. At the end of each reporting period, the Directors review the carrying amounts of fixed asset investment to determine whether there is any indication that the asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised immediately in the Statement of Comprehensive Income.

In assessing recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

d) Tax

Tax is recognised in the Statement of Comprehensive Income, except to the extent that it is attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity, in which case it is recognised in Other Comprehensive Income or directly in equity, respectively.

GGE UK 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

d) Tax (continued)

The current income tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generate income.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of the deferred tax liabilities or other future taxable profits.

e) Functional and presentation currency

The Company's functional currency is considered to be the Euro ("EUR"). The Directors have chosen the Euro as the Company's presentation currency. The Euro is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions that affect the Company, given that GGE a.s. group's functional currency is the Euro. All amounts within these financial statements are rounded to the nearest thousand.

f) Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

g) Going concern

As at 31 December 2018 the Company was in a net current liability position. The Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Excluding the amounts due to GGE SLP LP, which is a group undertaking, the Company is in a net asset position. The Directors have received an undertaking from GGE SLP LP that they will not demand repayment of the 9.75% loan notes for at least twelve months from the date of these financial statements. In addition, the underlying Investment GGE a.s. has concluded discussions with its banks to amend its banking facilities to help to ensure its future liquidity. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

2. Use of judgements and estimates

In preparing these financial statements, the Directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The estimates and assumptions that could have a significant effect on the carrying value of assets and liabilities are:

GGE UK 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****2. Use of judgements and estimates (continued)***Impairment*

An impairment of EUR 124,255,000 has been booked against the Investment in subsidiary, other assets and accrued investment income to hold these financial assets at their recoverable amount. In determining this recoverable amount, a discounted cash flow model has been used where estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. The key judgements around the discount rate have been discussed further in note 8.

3. Investment income

	2018 EUR 000	2017 EUR 000
Interest received on debt securities	5,456	5,240

4. Administrative expenses

	2018 EUR 000	2017 EUR 000
Auditor's remuneration – audit fee		
- GGE UK 2 Limited	11	9
- Related entities	4	-
Professional fees	257	19
	272	28

5. Interest payable

	2018 EUR 000	2017 EUR 000
Interest payable on loans to group undertakings	5,133	4,903
Interest payable on 9.75% loan notes	-	197
	5,133	5,100

6. Tax**a) Analysis of charge in the year:**

	2018 EUR 000	2017 EUR 000
Current tax:		
Current tax for the year	-	22
Total current tax	-	22

GGE UK 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****6. Tax (continued)****b) Factors affecting tax charge for the year**

There were no factors that affected the tax charge for the year which has been calculated on the result on ordinary activities before tax at the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)

	2018 EUR 000	2017 EUR 000
(Loss)/ profit on ordinary activities before tax	(124,979)	113
Tax on (loss)/profit at standard UK tax rate of 19.00% (2017: 19.25%)	(23,746)	22
Effects of:		
Expenses not deductible	23,650	-
Group relief	96	-
Total tax expense	-	22

c) Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce any future current tax charge for the Company accordingly.

7. Employees

The Company has no employees (2017: nil) other than Directors, who did not receive any remuneration in respect of their services to the Company.

8. Investment in subsidiary

	2018 EUR 000	2017 EUR 000
Cost		
At beginning of year	77,086	49,737
Additions	32,600	27,349
Impairment loss	(109,686)	-
At end of year	-	77,086

The Company holds 100% of the entire issued ordinary share capital of GGE a.s., a Company incorporated in Slovakia. GGE a.s.'s principal activity is to act as an investment company. An impairment loss of EUR 109,686,000 was recognised in the year (2017: EUR nil). This impairment is as a result of the loss of a contract that had significant impact on the future profitability of GGE a.s.

The Company has investments in the Equity and loan notes in GGE a.s. The valuation of these investments has led to an impairment loss of EUR 124,255,000 of which EUR 109,686,000 relates to Equity, EUR 12,056,000 to the loan notes and EUR 2,513,000 to accrued investment income.

GGE UK 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****8. Investment in subsidiary (continued)**

The revaluation in carrying values of the investments represents, principally the reduction in future cashflows due to the loss of a significant contract. The loss of the contract has impacted the regulatory efficiency of one of GGE's major plants leading to reduced renewable subsidies. The implication of this is that a larger proportion of GGE's income will be subject to market price risk. The discount rate applicable to these revised cash flows has been increased by 400 basis points to take account of these factors.

The registered office of GGE a.s. is as follows: GGE a.s., Bajkalská 19B, 821 01 Bratislava.

9. Other investments

	2018 EUR 000	2017 EUR 000
Loan notes	53,331	52,711
Impairment loss (note 8)	(12,056)	-
	<u>41,275</u>	<u>52,711</u>

The loan note investments are made up of EUR 24,371,000 (2017: EUR 50,111,000) unsecured loan notes repayable on demand issued with an interest rate of 6.65% (2017: 10%), EUR 28,960,000 (2017: EUR nil) unsecured loan notes repayable on demand issued with an interest rate of 7% and EUR nil (2017: EUR 2,600,000) of interest free unsecured loan notes repayable on demand held in GGE a.s.

10. Debtors – amounts falling due within one year

	2018 EUR 000	2017 EUR 000
Accrued investment income	2,513	1,332
Impairment loss (note 8)	(2,513)	-
	<u>-</u>	<u>1,332</u>

11. Creditors - amounts falling due within one year

	2018 EUR 000	2017 EUR 000
Amounts owed to group undertakings	55,212	52,681
Corporation tax	1	11
Accrued interest payable	1,570	1,296
Accrued expenses	21	13
	<u>56,804</u>	<u>54,001</u>

The amounts owed to group undertakings includes EUR 54,931,000 (2017: EUR 50,071,000) of unsecured loan notes repayable on demand issued with an interest rate of 9.75% payable to GGE SLP LP. The Directors have received an undertaking from GGE SLP LP that they will not demand repayment of the 9.75% loan notes for at least twelve months from the date of these financial statements. Unsecured interest free loans of EUR 2,600,000 were repaid in the year.

GGE UK 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****12. Called up share capital**

	Share capital EUR 000	Share premium EUR 000	Total EUR 000
As at beginning of period	49,737	27,349	77,086
Issue of shares	-	32,322	32,322
As at end of period	49,737	59,671	109,408

On 11 January 2018, the Company allotted GGE UK 1 Limited 1 ordinary share with a nominal value of EUR 1 including a share premium of EUR 29,722,000.

On 6 March 2018, the Company allotted GGE UK 1 Limited 1 ordinary share with a nominal value of EUR 1 including a share premium of EUR 2,600,000.

13. Profit and loss account

	2018 EUR 000	2017 EUR 000
As at beginning of year	249	158
Loss for the year	(124,979)	91
As at end of year	(124,730)	249

14. Financial Instruments**Financial assets**

The Company holds loan notes in its investment undertaking. The loan notes are held at cost less impairment, which is deemed as a reasonable approximation of amortised cost. The loan notes held are made up of EUR 24,371,000 (2017: EUR 50,110,000) unsecured, repayable on demand loan notes issued with an interest rate of 6.65% (2017: 10%), EUR 28,960,000 (2017: EUR nil) unsecured, repayable on demand loan notes issued with an interest rate of 7% and EUR nil (2017: EUR 2,600,000) of unsecured, repayable on demand loan notes issued interest free. An impairment loss of EUR 12,056,000 (2017: EUR nil) has been booked against loan notes in 2018.

Financial liabilities

The Company has issued loan notes which are held at amortised cost. The loan notes issued are made up of EUR 54,931,000 from GGE SLP LP (2017: EUR 50,071,000) and EUR nil (2017: EUR 2,600,000) of unsecured loan notes, redeemable on demand issued interest free. The fair value of the loan notes is deemed to be the recoverable amount being EUR 41,482,000 (2017: EUR 52,671,000).

15. Related party transactions

In accordance with paragraph 33.1A of FRS 102, the Company has not disclosed transactions with fellow group companies, which are wholly owned by Prudential Plc. There were no other related party transactions.

GGE UK 2 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Directors' emoluments

No emoluments were paid to the Directors during the year in connection with the management of the affairs of the Company.

One of the Directors exercised Prudential Plc share options during the year (2017: two).

All Directors were employed during the period by M&G Limited. Analyses of staff costs, pension commitments and share based payments are shown in the annual report and financial statements of that company.

17. Post balance sheet events

There have been no significant events affecting the Company since the year end which requires adjustment for or disclosure in the financial statements.

18. Immediate and ultimate controlling party

The Company's immediate parent company is GGE UK 1 Limited, a company registered in England and Wales.

The ultimate parent company of GGE UK 2 Limited is Prudential Plc, a company registered in England and Wales. Consolidated financial statements are prepared by Prudential Plc and copies of these are available from the registered office at 1 Angel Court, London, EC2R 7AG.