

Company Registration No. 10910216

Spirit Energy Treasury Limited

Annual report and financial statements

For the year ended 31 December 2019

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Spirit Energy Treasury Limited

Annual report and financial statements 2019

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Spirit Energy Treasury Limited

Company information

Directors

C.M. Cox
N.J. Macleod
K.E. Wilschow
D.G. Jones (appointed 1 November 2019)

Company secretary

N.J. Macleod

Registered office

1st Floor
20 Kingston Road
Staines-upon-Thames
England
TW18 4LG

Auditor

Deloitte LLP
Union Plaza
1 Union Wynd
Aberdeen
AB10 1SL

Registered number

10910216

Company type

Private limited company and registered in England and Wales.

Spirit Energy Treasury Limited

Strategic report

The Directors present their strategic report for Spirit Energy Treasury Limited, (the 'Company') for the year ended 31 December 2019.

Principal activities

The principal activities of the Company for the year ended 31 December 2019 were to provide financing activities to Spirit Energy Limited and its subsidiaries (the 'Spirit Energy Group' or the 'Group'), which are engaged in the exploration, development and production of oil and gas resources in Europe, and to act as an intermediate holding company. Spirit Energy Limited is the immediate parent undertaking of the Company.

Review of business

The Company had a profit after tax for the financial year of £21,818,000 (2018: £32,148,000), which largely relates to net interest income after tax from the Company's financing activities with fellow Spirit Energy Group undertakings. The detailed results are set out in the income statement on page 10.

As a result of the challenges presented by COVID-19, as disclosed in the going concern statement and note 20, the wider Group has undertaken a review of operations in order to mitigate the liquidity risk, the Directors of the Company continue to monitor the cash requirements of the Group and manage these proactively.

Details on the movements during the year in investments, trade and other receivables, and trade and other payables can be found in notes 9 to 12 of these financial statements.

Financial position

The financial position of the Company is presented in the balance sheet on page 11. Total equity at 31 December 2019 was £53,966,000 (2018: £32,148,000).

Key performance indicators (KPIs)

The performance of the Company is included in the consolidated results of the Spirit Energy Group and the nature of its business is financing. Consequently, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Section 172(1) statement

The Directors act in a manner that is most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to the following (as set out in Section 172 of the Companies Act 2006):

- The likely consequences of any decisions in the long-term;
- The interests of the Company's employees (see employee's section in the Directors' report);
- The need to foster the Company's business relationships;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between Shareholders of the company.

The following paragraphs summarise how the Directors fulfil their duties:

The Directors consider that the key stakeholders of the Company are internal within the Group as a result of the purpose and operations of the Company.

The Directors therefore note the key role the Company plays in the wider Spirit Energy Group and as such the principal risks and uncertainties of the Company are aligned with those of the wider Group. Further details are included in the Section 172(1) Statement on page 11 of the annual report.

The Directors' focus is on ensuring the wider Group is well funded and has flexibility within its financial framework to be sustainable and maintain liquidity in the long term, based on the strategic decisions taken at a Group level. The Company has access to an undrawn revolving unsecured credit facility agreement of £250 million with Centrica plc, the ultimate parent company of the Group's Shareholder GBGH, and Stadtwerke München GmbH, the ultimate parent company of SWM and BE/PB. The Company may request, but is not guaranteed to receive, an amount to cover any emergency or shortfall from the Group's Shareholders.

Spirit Energy Treasury Limited

Strategic report (continued)

Shareholder relationships are managed at a Group level, for which further details are included in the annual report on page 18. Hedging transactions to reduce the Group's exposure to commodity and foreign exchange volatility are undertaken by the Company, although it is also managed at a Group level.

Financial risk management

The Company's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk. Details of the Company's financial risk management can be found in note 14 of these financial statements.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties, including COVID-19, were integrated with those of the Group and are not managed separately. The principal risks of the Company are disclosed on page 14 of the Group's annual report for the year ended 31 December 2019, which does not form part of this report. The Group's annual report and accounts are available at the address detailed in note 19 of these financial statements.

Exit from the European Union

The UK left the EU on 31 January 2020. The UK has now entered into the transition period which means EU law will continue to apply to, and within, the UK until the end of December 2020 (unless extended), and existing arrangements largely continue to apply. Therefore, the immediate impact on the Company of the UK leaving the EU is limited in the short term. Extricating from the European Union treaties is a task of immense complexity, but the Company is keeping the possible impacts on the business stemming from this under review, and also from the possibility of a no-deal Brexit at the end of the transition period in the event that a trade agreement is not reached so that appropriate action can be taken. There are also potential tax consequences of the withdrawal and these will continue to be reassessed at each reporting date to ensure the tax provisions reflect the most likely outcome following the withdrawal.

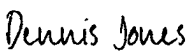
Future developments

It is expected that the Company will continue to act as a holding and financing company to the Spirit Energy Group for the foreseeable future.

Energy and carbon reporting

The Company is exempt from the requirements to disclose its energy consumption in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as the Company consumed less than 40,000kWh of energy during the year.

Approved by the Board on 17 July 2020 and signed on its behalf by:

DocuSigned by:

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D.G. Jones
Director

Company registered in England and Wales, No. 10910216

Registered office:
1st Floor
20 Kingston Road
Staines-Upon-Thames
England
TW18 4LG

Spirit Energy Treasury Limited

Directors' report

The Directors present their report and the audited financial statements, for the year ended 31 December 2019.

Results and dividends

The results of the Company are set out on page 10. The profit for the financial year ended 31 December 2019 is £21,818,000 (2018: £32,148,000). No dividends were paid during the year (2018: nil). The Directors do not recommend the payment of a final dividend (2018: nil).

Events after the balance sheet date

Significant events since the balance sheet date are contained in note 20 to the financial statements on page 23.

Employees

During 2019, the Company employed an average of five people (2018: four), all employed in the United Kingdom.

Employees are regularly updated on performance against the Company's strategy. There are regular employee surveys, action planning forums and dialogue with representatives of local employee consultative bodies and recognised trade unions to ensure a comprehensive understanding of employees' views.

The Company is committed to pursuing equality and diversity in all its employment activities and continues to support initiatives to provide employment for people from minority groups in the community, including people with a disability, carers and lone parents. To the extent possible, people with a disability are offered the same employment training, career development and promotion opportunities as other employees.

The Company's business principles and policies set out standards of behaviour expected of its employees in conducting business in an ethical way.

Going concern

The Directors have considered the Company's funding position and financial projections and have a reasonable expectation that the Company will have sufficient financial and other resources to operate for the foreseeable future. Consequently, the Company's financial statements have been prepared on a going concern basis.

The Company has an undrawn revolving unsecured credit facility agreement of £250 million. The £250 million revolving unsecured credit facility agreement is provided by Centrica plc, the ultimate parent company of the Group's Shareholder GBGH, and Stadtwerke München GmbH, the ultimate parent company of SWM and BE/PB. This facility, which unless earlier terminated, will be available through to September 2021, and as such, the Directors consider there to be sufficient funding to allow the Company to continue to operate by providing financing to the wider Spirit Energy Group for the foreseeable future.

The Group's principal risks and uncertainties are detailed in the Group's strategic report on page 14 and specifically explains the increased challenges the Group faces with COVID-19 and the depression in commodity prices. The Directors of the Company are satisfied that the actions and sensitivities included in the cash-flow forecasts prepared by Group adequately address the current risks faced.

Directors of the Company

The Directors listed below have held office during the year ended 31 December 2019 (unless stated otherwise) and up to the date of signing the financial statements.

C.M. Cox
A.D. Le Poidevin (resigned 31 May 2019)
N.J. Macleod
K.E. Wilskow
D.G. Jones (appointed 1 November 2019)

Future developments

Future developments are discussed in the strategic report on page 3.

Directors' insurance and indemnities

Spirit Energy Limited, the immediate parent undertaking of the Company, maintains directors' and officers' liability insurance in respect of its Directors and those Directors of its subsidiary companies. Qualifying third-party indemnity

Spirit Energy Treasury Limited

Directors' report (continued)

provisions, as defined in Section 234 of the Companies Act 2006, were in force for the benefit of the Directors of the Company during the year and up to and including the date of the Directors' report.

Disclosure of information to auditor

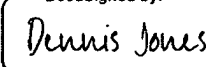
Each of the persons who is a Director at the date of approval of this report confirms that so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board on 17 July 2020 and signed on its behalf by:

DocuSigned by:

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D.G. Jones
Director

Company registered in England and Wales, No. 10910216

Registered office:
1st Floor
20 Kingston Road
Staines-Upon-Thames
England
TW18 4LG

Spirit Energy Treasury Limited

Statement of Directors' responsibilities For the year ended 31 December 2019

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "*Reduced Disclosure Framework*" ('FRS 101'). 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Spirit Energy Treasury Limited

Independent auditor's report to the member of Spirit Energy Treasury Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Spirit Energy Treasury Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "*Reduced Disclosure Framework*"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "*Reduced Disclosure Framework*" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in 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 year of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Spirit Energy Treasury Limited

Independent auditor's report to the member of Spirit Energy Treasury Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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 auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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 respect of these matters.

Spirit Energy Treasury Limited

Independent auditor's report to the member of Spirit Energy Treasury Limited (continued)

Use of our report

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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Graham Hollis

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Graham Hollis ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Union Plaza
1 Union Wynd
Aberdeen
AB10 1 SL

Date: 17/7/2020

Spirit Energy Treasury Limited

Income statement

		Year ended 31 December 2019	Period ended 31 December (restated) ⁽ⁱ⁾ 2018
	Notes	£000	£000
Financing income	4	48,500	56,674
Financing costs	4	(20,857)	(16,232)
Net finance income		27,643	40,442
Non-financing costs – administrative expenses	5,6	(707)	(753)
Profit before taxation		26,936	39,689
Tax charge	8	(5,118)	(7,541)
Profit for the year/period		21,818	32,148

(i) Details on the restatement of the prior period comparatives can be found in note 2.

The results in the above income statement relate to continuing operations.

The Company has no recognised gains or losses other than the profit for the current year and prior period. Therefore, no separate statement of comprehensive income has been presented.

The notes on pages 13 to 23 form an integral part of these financial statements.

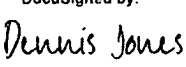
Spirit Energy Treasury Limited

Balance sheet

As at 31 December 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Investment in subsidiary	9	-	-
Loans to fellow Spirit Energy Group undertaking	10	-	185,363
Derivative financial instruments	13	-	256
		<u>-</u>	<u>185,619</u>
Current assets			
Trade and other receivables	11	1,472,945	1,171,437
Derivative financial instruments	13	2,790	3,566
Cash and cash equivalents		<u>323,675</u>	<u>573,057</u>
		<u>1,799,410</u>	<u>1,748,060</u>
Total assets		<u>1,799,410</u>	<u>1,933,679</u>
Current liabilities			
Trade and other payables	12	(1,744,808)	(1,898,465)
Derivative financial instruments	13	(636)	(2,810)
		<u>(1,745,444)</u>	<u>(1,901,275)</u>
Net current assets/ (liabilities)		<u>53,966</u>	<u>(153,215)</u>
Total assets less current liabilities		<u>53,966</u>	<u>32,404</u>
Non-current liabilities			
Derivative financial instruments	13	-	(256)
		<u>-</u>	<u>(256)</u>
Net assets		<u>53,966</u>	<u>32,148</u>
Capital and reserves			
Share capital	16	-	-
Retained earnings		<u>53,966</u>	<u>32,148</u>
Total shareholders' equity		<u>53,966</u>	<u>32,148</u>

The financial statements on pages 10 to 23 were approved and authorised by the Board of Directors on 17 July 2020 and signed on its behalf by:

DocuSigned by:

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D.G. Jones
 Director

Registered number: 10910216

The notes on pages 13 to 23 form an integral part of these financial statements.

Spirit Energy Treasury Limited

Statement of changes in equity

	Share capital (Note 16) £000	Retained earnings £000	Total £000
At 1 January 2019	-	32,148	32,148
Profit for the year	-	21,818	21,818
Total comprehensive income for the year	-	21,818	21,818
Balance at 31 December 2019	-	53,966	53,966

	Share capital (Note 16) £000	Retained earnings £000	Total £000
Balance at incorporation on 10 August 2017	-	-	-
Profit for the period	-	32,148	32,148
Total comprehensive income for the period	-	32,148	32,148
Balance at 31 December 2018	-	32,148	32,148

The notes on pages 13 to 23 form an integral part of these financial statements.

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

1. General information

Spirit Energy Treasury Limited ('the Company') is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales.

The principal place of business is:

1st Floor
20 Kingston Road
Staines-upon-Thames
England
TW18 4LG

During the year the registered office changed from Millstream, Maidenhead Road, Windsor Berkshire, SL4 5GD to 1st Floor 20 Kingston Road, Staines-upon-Thames, TW18 4LG.

For the year ending 31 December 2019, the Company's subsidiaries Spirit Energy Hedging Holding Limited (Companies House Registration Number 11098688) and Spirit Energy Hedging Limited (Companies House Registration Number 11098771) were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

2. Accounting policies

Basis of preparation

Spirit Energy Treasury Limited is a company incorporated in the United Kingdom under the Companies Act 2006 and the address of the registered office is given on page 1. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of business which forms part of the strategic report.

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its immediate controlling undertaking, Spirit Energy Limited.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. The financial statements for the year ended 31 December 2019 are therefore prepared in accordance with Financial Reporting Standard 101 "*Reduced Disclosure Framework*" (FRS 101). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) but makes amendments where necessary to comply with Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of IAS 7: 'Statement of cash flows';
- the statement of compliance with Adopted IFRSs;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of related-party transactions with wholly-owned subsidiaries in a group; and
- disclosures in respect of capital management.

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the fair valuation of derivative financial instruments, and in accordance with the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The Company operates under a financial framework, providing treasury facilities to the wider Spirit Energy Group, contributing to the Group's strategy to build sustainable long-term cash flows and underpinning the Group's liquidity and capital investment requirements. The Company's net loan position payable to fellow Spirit Energy Group undertakings, detailed in notes 11 and 12 to the financial statements, has been advanced through revolving credit

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

facilities (RCFs). The Company has significant cash and cash equivalents and a committed £250 million unsecured revolving credit facility from its ultimate shareholders, which together are expected to cover its liquidity requirements.

Prior period restatement

The prior year comparatives have been restated to reflect the misclassifications detailed below. There is no overall impact on net finance income as both finance income and costs have increased by £1,237,000. The disclosure in note 4 has been updated to show the corrections for the following:

- Exchange rate gains of £239,000, as a result of transactions with the ultimate parent undertaking, were disclosed as part of the net exchange rate gain from financing activities with fellow Spirit Energy Group undertakings. This has been reallocated to be disclosed as part of the net exchange rate gain from financing activities with the ultimate parent undertaking.
- Exchange rate losses from the revaluations of foreign bank accounts totalling £1,236,000 were included as part of the net exchange rate gain from financing activities with fellow Spirit Energy Group undertakings. These gains have now been presented separately.
- Within interest and finance costs payable to the ultimate parent undertaking were fees totalling £260,000 due to other related parties. The disclosure in note 4 has been updated to show this.

Finance income

Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Foreign currencies

The financial statements are presented in UK pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency). Transactions in foreign currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in profit or loss account in the year in which they arise. Foreign exchange gains and losses that relate to cash and cash equivalents, loans receivable and borrowings are presented in the income statement within 'finance income' or 'finance costs'.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit could differ from net profit as reported in the income statement because it could exclude items of income or expense that are taxable or deductible in other years; it could further exclude items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

IFRIC 23 'Uncertainty over Income Tax Treatments' is effective from 1 January 2019. The guidelines provided have been considered and as a result there is no material change to the tax provisions.

Investments in subsidiaries

Investments in subsidiaries held as fixed assets are stated as cost less any provision for impairment. The carrying value of investments are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company no longer has the rights to cash flows, the risks and rewards of ownership or control of the assets. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Related-party receivables and payables

Related party receivables and payables are recognised initially at fair value plus any transaction costs that are directly attributable to the acquisition or issue of the receivable or payable. Subsequently, they are measured at amortised cost using the effective interest method and, for receivables, less an impairment provision calculated under the expected credit loss (ECL) model. Balances are written off when recoverability is assessed as being remote. If collection of the receivable or payment of the payable is due within one year or less or on demand, the receivable or payable is classified as a current asset or current liability. If not, it is presented as a non-current asset or liability.

Cash and cash equivalents

Cash includes cash in hand and current balances with banks and similar institutions. Cash equivalents include cash on deposit with related parties, which is readily convertible to known amounts of cash and which is subject to insignificant risk of changes in value and has an original maturity of three months or less.

Derivative financial instruments

The Company uses derivatives, typically forward foreign exchange contracts and swaps, to hedge exposures to foreign exchange risk arising in the normal course of business. All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. As the derivatives are not recognised as hedging instruments for accounting purposes, the derivatives are measured at fair value on the balance sheet, and changes in the fair value are recognised immediately in the income statement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and derivative liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

The Company manages some of the Group's foreign exchange risks by entering into, with the ultimate parent company, foreign exchange derivatives relating to underlying energy derivatives. The Company mitigates its own risk by entering into offsetting trades with the Group companies which hold the exposure.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. In accordance with IFRS 9: 'Financial instruments', the Company has applied the ECL model to the financial assets at the balance sheet date as opposed to only incurred credit losses, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. Either the lifetime expected credit loss or a

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Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

twelve-month expected credit loss is provided for, depending on the Company's assessment of whether the credit risk associated with the specific asset has increased significantly since initial recognition.

3. Critical accounting judgements and key sources of estimation uncertainty

Impairment of financial assets

In the application of the Company's accounting policies, which are described in note 2 above, the Directors are required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

As described in the accounting policies above, related-party receivables are measured at amortised cost using the effective interest rate method less an impairment provision calculated under the ECL model. The process of determining whether there is an indicator for any impairment of a financial asset requires critical judgement. The key areas in which management have applied judgement in relation to the determination of the impairment is an assessment of the financial position of the fellow Group undertaking, its ability to meet its future financial obligations for the repayment of borrowings and interest and its ability to obtain a guarantee from a parent undertaking which has sufficient financial resources to meet the subsidiary's obligations, if necessary, when they fall due.

4. Net finance income

	2019 £000	2018 (restated) ⁽ⁱ⁾ £000
Finance income		
Interest from fellow Spirit Energy Group undertakings	43,089	50,167
Interest from ultimate parent undertaking	3,077	2,306
Interest from banks	109	145
Net exchange rate gain from financing activities with ultimate parent undertaking	655	2,004
Net exchange rate gain from financing activities with fellow Spirit Energy Group undertakings	-	1,296
Net exchange rate gain from bank revaluations	381	-
Net changes in fair value of foreign exchange contracts	1,189	756
Total finance income	48,500	56,674
Finance costs		
Interest payable to fellow Spirit Energy Group undertakings	(16,449)	(13,913)
Interest and finance costs payable to ultimate parent undertaking	(616)	(808)
Interest and finance costs payable to related undertaking	(279)	(260)
Interest paid to banks	(12)	(15)
Net exchange rate loss from financing activities with fellow Spirit Energy Group undertaking	(3,501)	-
Net exchange rate loss from bank revaluations	-	(1,236)
Total finance costs	(20,857)	(16,232)
Net finance income	27,643	40,442

(i) Details on the restatement of the prior year comparatives can be found in note 2.

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

5. Administrative expenses

Administrative expenses consist of the following items:

	2019	2018
	£000	£000
Fees payable to the Company's auditor for the audit of its financial statements	(15)	(15)
Staff costs (note 6)	(331)	(144)
Consultancy and contractor costs	(110)	(379)
IT costs	(212)	(126)
Other costs	(39)	(89)
	<u>(707)</u>	<u>(753)</u>

6. Staff costs

	2019	2018
	£000	£000
Wages and salaries including bonus	(299)	(114)
Social security costs	(32)	(30)
	<u>(331)</u>	<u>(144)</u>

On 31 December 2019, the Company had five (2018: four) employees who performed administrative roles for the Company. The average number of employees during the year was five (2018: three).

7. Directors' remuneration

The Directors' remuneration for the period was as follows:

	2019	2018
	£000	£000
Directors' emoluments	(503)	(275)
Compensation for loss of office	-	(5)
	<u>(503)</u>	<u>(280)</u>

Remuneration of the highest paid Director was as follows:

	2019	2018
	£000	£000
Director's emoluments	(406)	(212)
	<u>(406)</u>	<u>(212)</u>

The highest paid Director was in a money purchase pension scheme and did not exercise share options or receive shares in the year.

The Directors' remuneration is borne by other group companies.

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

8. Tax

	2019 £000	2018 £000
Profit before tax at 19% (2018: 19%)	26,936	39,689
Tax on profit at standard UK corporation tax rate of 19% (2018:19%)	(5,118)	(7,541)

9. Investments in subsidiaries

Cost and book value	£
At 31 December 2018	1
At 31 December 2019	1

The Company owns 100% of the ordinary shares in Spirit Energy Hedging Holding Limited. Spirit Energy Hedging Holding Limited is a dormant company, incorporated in the United Kingdom, registered in England and Wales. Its registered address is 1st Floor, 20 Kingston Road, Staines-upon-Thames, England, TW1 4LG.

Spirit Energy Hedging Holding Limited owns 100% of the ordinary shares, which is the entire share capital, of Spirit Energy Hedging Limited which is a dormant company whose registered address is 1st Floor, 20 Kingston Road, Staines-upon-Thames, England, TW1 4LG.

10. Loans to fellow Spirit Energy Group undertaking

In the prior period loans to a fellow Spirit Energy Group undertaking totalled £185,363,000 (NOK 2,046,718,000) and were advanced under a £579,622,000 (NOK6.4 billion) committed RCF between the undertaking and the Company. The fixed repayment date under the terms of the RCF is 30 September 2020 and thus this loan has been reallocated to a current receivable.

11. Trade and other receivables

	31 December 2019 £000	31 December 2018 £000
Loans to fellow Spirit Energy Group undertakings	724,930	1,171,383
Loans to the immediate parent undertaking	748,015	-
Amounts owed by fellow Spirit Energy Group undertakings	-	28
VAT receivable	-	10
Other receivables	-	16
	<u>1,472,945</u>	<u>1,171,437</u>

Loans to fellow Spirit Energy Group undertakings have been advanced under individual RCFs between the Company and each undertaking. Under the terms of a majority of the RCFs, the Company is entitled to demand repayment of all outstanding amounts prior to the due date or withdraw the facility at any time at its discretion and therefore the loans have been classified as due within one year.

Under the terms of one RCF between the Company and a fellow Spirit Energy Group undertaking the Company is not permitted to withdraw the RCF prior to the repayment date in September 2020, and therefore the loans have been classified as due within one year.

The loans drawn under the facilities are denominated in UK pounds sterling, euros, Norwegian kroner, US dollars and Danish kroner. The loans are unsecured and most loans bear interest at floating rates, based on a margin added to the relevant local one-month interest rate reference, which is reset on the first day of each calendar month for which the loan is outstanding. The Company does not charge interest on certain loans.

The Company received the following ranges of interest rates during the year on interest-bearing loans: GBP-denominated loans of £404,506,000 between 3.71% and 3.73% (2018: £574,041,000 (rates between 3.50% and

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

11. Trade and other receivables (continued)

3.74%)), euro-denominated loans of £211,893,000 (EUR 250,427,000) at a rate of 3.25% (2018: £176,166,000 (EUR 196,219,000) (rate of 3.25%)), Norwegian-kroner-denominated loans of £94,840,000 (NOK 1,105,231,000) between 4.01% and 5.21% (2018: £185,363,000 (NOK 2,046,718,000) at rates between 4.17% and 4.64%, recognised as a loan to fellow Spirit Energy Group undertaking) and US-dollar-denominated loans of £285,000 (USD 378,000) between 4.70% and 5.51% (2018: £415,000 (USD 530,000) (rates between 4.38% and 5.35%)). The remaining loans, which are largely denominated in GBP, and amount to £13,406,000 (2018: £420,761,000), were granted free of interest.

The ECL on loans to fellow Spirit Energy Group undertakings has been calculated on the basis of a twelve-month ECL as there has been no significant increase in credit risk since the inception of the loans. The level of the ECL is considered to be immaterial as the undertakings have the financial support of Spirit Energy Limited, the immediate parent company.

Loans to the immediate parent undertaking are interest-bearing (with interest rates charged ranging from 0% to 3.73%), unsecured and repayable on demand.

12. Trade and other payables

	31 December 2019 £000	31 December 2018 £000
Loans from fellow Spirit Energy Group undertakings	(1,731,893)	(1,421,409)
Amounts owed to immediate parent undertaking	-	(469,186)
Amounts owed to fellow Spirit Energy Group undertakings	(5,641)	(5,110)
Corporation tax	(7,040)	(2,546)
Accruals	(234)	(214)
	(1,744,808)	(1,898,465)

Loans from fellow Spirit Energy Group undertakings represent excess cash deposited with the Company by the undertaking, under the terms of individual RCF agreements between the undertakings and the Company. Under the terms of the RCF, the fellow Spirit Energy Group undertaking is entitled to demand repayment of all funds deposited with the Company prior to the due date and may at any time cancel the RCF at its discretion. The deposits therefore have been classified as due within one year.

The deposits are denominated in UK pounds sterling, euros, US dollar, Norwegian kroner and Danish kroner. The deposits are unsecured and most loans incur interest at the floating rate at the local one-month interest rate reference, which is reset on the first day of each calendar month for which the loan is outstanding. Certain deposits are interest free. The interest-bearing deposits incurred the following ranges of interest rates during the year: GBP-denominated loans of £1,493,919,000 between 0.71% and 0.73% (2018: £1,181,473,000 (rates: 0.50% and 0.74%)), euro-denominated loans of £161,358,000 (EUR: 190,702,000) at 0.25% (2018: £193,347,000 (EUR 215,356,000) (rate at 0.25%)), Norwegian-kroner-denominated loans of £15,247,000 (NOK 177,682,000) between 1.01% and 1.71% (2018: £44,300,000 (NOK 489,149,000) (rates between 0.67% and 1.14%)) and US-dollar-denominated loans of £1,817,000 (USD 2,411,000) between 1.70% and 2.51% (2018: £1,671,000 (USD 2,132,000) (rates: between 1.38% and 2.35%)). The remaining loans, which were denominated in GBP and Danish kroner, and amount to £59,552,000 (2018: £618,000) were granted free of interest.

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Notes to the financial statements

For the year ended 31 December 2019

13. Derivative financial instruments

The carrying values of derivative financial instruments by product type for accounting purposes are as follows:

	31 December 2019		31 December 2018	
	£000		£000	
	Assets	Liabilities	Assets	Liabilities
Current				
Derivative financial instruments – held for trading under IFRS 9				
Foreign exchange derivatives relating to underlying energy derivatives	409	(201)	2,435	(2,435)
Foreign exchange derivatives	2,381	(435)	1,131	(375)
	2,790	(636)	3,566	(2,810)
Non-current				
Derivative financial instruments – held for trading under IFRS 9				
Foreign exchange derivatives relating to underlying energy derivatives	-	-	256	(256)
	2,790	(636)	3,822	(3,066)

The Company had no material derivatives in hedge accounting relationships at 31 December 2019.

The Company had back-to-back derivatives in respect of the foreign exchange derivatives relating to underlying energy derivatives held with the ultimate parent company, whereby any such derivative is matched by a derivative with a fellow subsidiary in the Spirit Energy Group. The Company therefore eliminates any market and liquidity risk arising from such instruments.

14. Financial risk management

The Company does not enter into complex transactions. The Company's financial assets include cash and cash equivalents, related-party receivables and derivative financial instruments. The Company's financial liabilities comprise related-party payables and derivative financial instruments. The main purpose of these financial assets and liabilities is to facilitate cash management for the wider Spirit Energy Group.

As mentioned above, the Company had foreign exchange derivatives relating to underlying energy derivatives held with the ultimate parent company which are matched by back-to-back derivative instruments with fellow subsidiary undertakings in the Spirit Energy Group. As such, the risks faced by the Company in respect of these instruments are effectively eliminated.

The Company is exposed to market risk, credit risk and liquidity risk through its financial assets and liabilities.

The Company's Directors oversee the management of these risks, supported by the wider Spirit Energy Group treasury function. The treasury function ensures that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Company is a wholly-owned subsidiary of the Group and it operates fully within the Group's risk framework. A full description of the relevant framework and policies are provided in the annual report of Spirit Energy Limited which can be obtained Register of Companies for England and Wales as described in note 19 to the financial statements.

Market risk

Market risk is the risk of loss that results from changes in market prices, rates, indices, implied volatilities, correlations or other market factors. The level of market risk to which the Company is exposed at a point in time varies depending on market conditions, expectations of future price or market rate movements. The key market risks that the Company is exposed to are foreign exchange risk and interest rate risk.

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Notes to the financial statements

For the year ended 31 December 2019

14. Financial risk management (continued)

The Company's functional currency is UK pounds sterling. The Company's activities expose it to the financial risks of changes in foreign currency exchange rates on its monetary assets and liabilities which are denominated in currencies other than UK pounds sterling. The Company hedges certain currency exposures and in accordance with the Spirit Energy Group's agreed treasury policies for managing such risks.

The Company is also exposed to interest rate risk on loans given to or given by other Spirit Energy Group companies as any interest receivable or payable on such loans is calculated at floating rates of interest. The Company manages its interest rate risk in accordance with the Spirit Energy Group's treasury policies.

IFRS 7 Financial instruments: Disclosures requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables (foreign exchange rates and interest rates) as a result of changes in the fair value or cash flows associated with the Group's financial instruments. The sensitivity analysis provided discloses the effect on the profit and equity at 31 December 2019, assuming that a reasonably possible change in the relevant risk variable had occurred at 31 December 2019 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for foreign exchange rates. Reasonably possible changes in interest rates are based on management judgement and historical experience.

The Company has performed an analysis of the sensitivity of its financial position and performance to changes in foreign currency rates. The Company believes 10% movements in Norwegian kroner, euro, US dollar and Danish kroner currency rates relative to pounds sterling to be reasonably possible. A 10% strengthening in pounds sterling would result in profit before taxation being £7,131,000 (2018: £12,746,000) lower and profit after taxation and equity being £5,776,000 (2018: £10,292,000) lower. A 10% weakening in pounds sterling would result in profit before taxation being £8,716,000 (2018: £15,578,000) higher and profit after taxation and equity being £7,060,000 (2018: £12,579,000) higher.

The Company has performed an analysis of the sensitivity on its financial position and performance to changes in interest rates. The Company believes a 0.5% move in UK, Norwegian kroner, US dollar and euro interest rates to be reasonably possible. The impact of such movement on profit and equity, before taxation would be a loss of £1,990,000 and post taxation loss of £1,612,000. In 2018 the impact both before and after taxation was insignificant.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract.

The Company's principal financial assets are cash and cash equivalents and loan receivables. Cash and liquid funds are held with banks with high credit ratings assigned by international credit-rating agencies and with Centrica plc, the ultimate parent company. Loan receivables are primarily due from fellow subsidiary undertakings in the Spirit Energy Group. The financial position of subsidiary undertakings are reviewed on an ongoing basis for financial reliability and, if it is felt necessary, a guarantee of support is obtained from a parent company of the subsidiary undertaking which has sufficient financial resources to meet the subsidiary undertaking's obligation, should this be necessary.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due.

To mitigate this risk, the Company holds adequate cash and cash equivalents and has access to a £250 million unsecured revolving credit facility, provided by the Company's ultimate parent company, Centrica plc and SWM Gasbeteiligungs GmbH, the Company's 31% shareholder. Management believes that the Company has adequate resources to meet its business objectives.

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

15. Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company adopts Group internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

Fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

Level 1: fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities;

Level 2: fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data; and

Level 3: fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

The Company's derivative financial instruments, which are measured and held at fair value, are classified into the Level 2 category. The Level 2 derivatives comprise forward foreign exchange contracts and foreign exchange currency swaps, which are valued using forward exchange rates that are quoted in an active market.

The carrying value of the Group's other financial assets and financial liabilities measured at amortised cost are approximately equal to their fair value.

16. Share capital

	31 December 2019 £	31 December 2018 £
Allotted, called up, authorised and fully paid shares		
One ordinary share of £1 each	<u>1</u>	<u>1</u>

Ordinary shares have attached to them full voting, dividend and capital (including on winding up) rights. They do not confer any rights of redemption.

17. Capital commitments and contingent liabilities

There were no capital commitments or material contingent liabilities at 31 December 2019 (2018: nil).

18. Related-party transactions

The Company has taken advantage of the exemption provided under FRS 101 (paragraph 8(k)), not to disclose transactions with wholly-owned members of the Spirit Energy Limited Group, the smallest group of which the Company is a member and for which group financial statements are drawn up. During the year, the Company did not have any transactions with members of the Spirit Energy Limited Group in which the group does not hold a 100% interest.

During the year, the Company entered into arm's length transactions and had associated balances with Centrica plc, the ultimate parent undertaking, whereby the exemption under FRS 101 (paragraph 8(k)) does not apply as the Centrica plc group only holds a 69% interest in the Company. The Company recognised the following balances with Centrica plc on its balance sheet: £317,860,000 (2018: £533,698,000) due from Centrica plc comprising £315,270,000 (2018: £532,567,000) classified as cash and cash equivalents in accordance with the accounting policy in note 2 to the financial statements and £2,590,000 (2018: £1,131,000) of current derivative financial instruments, and £636,000 (2018: £2,810,000) and £nil (2018: £256,000) due to Centrica plc for current and non-current derivative financial instruments, respectively. The Company recognised the following amounts in its income statement arising from transactions with Centrica plc: interest income of £3,077,000 (2018: £2,306,000), interest and finance costs of £895,000 (2018: £1,068,000) and net foreign exchange losses of £8,567,000 (2018 gain: £2,521,000) on derivative financial instruments and other foreign currency transactions.

Spirit Energy Treasury Limited

Notes to the financial statements

For the year ended 31 December 2019

19. Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Spirit Energy Limited, whose registered office address is 1st Floor, 20 Kingston Road, Staines-upon-Thames, England, TW18 4LG and is registered in England and Wales. Copies of Spirit Energy Limited's financial statements can be obtained from the Register of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ and online at the following location: www.spirit-energy.com. Spirit Energy Limited is the parent undertaking of the smallest group of companies for which group financial statements are drawn up and of which the Company is a member.

The Company's ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which Group accounts are prepared is Centrica plc. Centrica plc has its registered office at Millstream, Maidenhead Road, Windsor, England, SL4 5GD and is registered in England and Wales. Centrica plc's financial statements can be obtained at www.centrica.com.

20. Non-adjusting events after the financial year

Subsequent to the year end, global oil prices have fallen by approximately 50%. This is partly due to the global outbreak of the COVID-19 virus and partly due to Saudi Arabia's decision to increase production. Although it is not possible to reliably estimate the length or severity of these developments, and hence their financial impact, should oil prices remain, at or below, the current prevailing levels for an extended period of time, there could be a significant adverse impact on the Company's financial results for future periods.