Company Registration No. 10910216

Spirit Energy Treasury Limited

(formerly Magpie Treasury Co Limited)

Annual report and financial statements

For the period ended 31 December 2018

Spirit Energy Treasury Limited

Annual report and financial statements 2018

Contents

Spirit Energy Treasury Limited

Company information

Directors

C.M. Cox
A.D. Le Poidevin
N.J. Macleod
K.E. Wilskow

Company secretary

N.J. Macleod (appointed 29 January 2019)

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 first strategic report for Spirit Energy Treasury Limited, formerly Magpie Treasury Co Limited, (the 'Company') for the period from its incorporation on 10 August 2017 to 31 December 2018.

Principal activity

Spirit Energy Treasury Limited is domiciled in the United Kingdom. The principal activity of the Company in the period from its incorporation on 10 August 2017 to 31 December 2018 was 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 period of £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 9.

Details on the movements during the period in investments, loans to fellow Spirit Energy Group undertakings, trade and other receivables, and trade and other payables can be found in notes 8 to 11 of these financial statements.

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.

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 13 of these financial statements.

Principal risks and uncertainties

From the perspective of the Company, during the period under review, the principal risks and uncertainties were integrated with the principal risks of the Spirit Energy Group and were managed collectively within this group. Accordingly, the principal risks and uncertainties of the Spirit Energy Group include those of the Company and are described in the principal risks and uncertainties section of the Group's consolidated financial statements for the year ended 31 December 2018, which does not form part of this report. The Group's consolidated financial statements are available at the address detailed in note 18 of these financial statements.

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short term, although many details of the implementation process continue to remain unclear. Extricating from the European Union treaties is a task of immense complexity, but the Company has prepared itself to manage the possible impacts on its business. The Company hedges certain currency exposures to manage the possible foreign exchange risks.

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.

Approved by the Board of Directors and signed on behalf of the Board

A.D. Le Poidevin
Director

2 May 2019

Spirit Energy Treasury Limited

Directors' report

The Directors present their annual report with the audited financial statements of Spirit Energy Treasury Limited, formerly Magpie Treasury Co Limited, for the period from incorporation on 10 August 2017 to 31 December 2018. Information regarding the Company's financial risk management and future developments has been provided in the strategic report on page 2 and information regarding financial risk management has been provided in note 13 of these financial statements.

Results and dividends

The Company recorded a profit after tax of £32,148,000 for the financial period ended 31 December 2018. No dividends were paid or proposed for the period.

Events after the balance sheet date

Events since the balance sheet date are contained in note 19 to the financial statements.

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 annual report and financial statements have been prepared on a going concern basis.

Directors

The Directors listed below have held office during the period from incorporation to 31 December 2018 (unless stated otherwise) and up to the date of signing the financial statements.

C.M. Cox	(appointed 8 December 2017)
A.D. Le Poidevin	(appointed 8 December 2017)
N.J. Macleod	(appointed 1 October 2018)
K.E.Wilskow	(appointed 1 June 2018)
P.M.R. Tanner	(appointed 8 December 2017, resigned 31 May 2018)
J.M. Campbell	(appointed 10 August 2017, resigned 8 December 2017)
I.G. Dawson	(appointed 10 August 2017, resigned 8 December 2017)
D.A. Isenegger	(appointed 10 August 2017, resigned 8 December 2017)

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 provisions, as defined in S234 of the Companies Act 2006, were in force for the benefit of the Directors of the Company during the period and up to and including the date of the Directors' report.

Disclosure of information to the Company's 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.

Directors' report

Reappointment of auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Board Meeting.

Approved by the Board of Directors and signed on behalf of the Board

A.D. Le Poidevin
Director

2 May 2019

Spirit Energy Treasury Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 *Reduced Disclosure Framework*. 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 Financial Reporting Standard 101 *Reduced Disclosure Framework* has 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.

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Spirit Energy Treasury Limited (the 'Company') which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the period 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.

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) 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 period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of 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.

Independent auditor's report to the members 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 period 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.

Independent auditor's report to the members 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 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.

G. Hollis

Graham Hollis ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Union Plaza
1 Union Wynd
Aberdeen
AB10 1SL
United Kingdom

2 May 2019

Spirit Energy Treasury Limited

Income statement
For the period ended 31 December 2018

	Notes	£000
Financing income	3	55,438
Financing costs	3	(14,996)
Net finance income		40,442
Non-financing costs – administrative expenses	4,5	(753)
Profit before taxation		**39,689**
Taxation on profit	7	(7,541)
Profit for the financial period		**32,148**

Continuing operations

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

Total recognised gains and losses

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

The notes on pages 12 to 22 form part of these financial statements.

Spirit Energy Treasury Limited

Balance sheet
As at 31 December 2018

	Notes	2018 £000
Non-current assets		
Investment in subsidiary	8	-
Loans to fellow Spirit Energy Group undertaking	9	185,363
Derivative financial instruments	12	256
		185,619
Current assets		
Trade and other receivables	10	1,171,437
Derivative financial instruments	12	3,566
Cash and cash equivalents		573,057
		1,748,060
Total assets		1,933,679
Current liabilities		
Trade and other payables	11	(1,898,465)
Derivative financial instruments	12	(2,810)
		(1,901,275)
Total assets less current liabilities		32,404
Non-current liabilities		
Derivative financial instruments	12	(256)
Total liabilities		(1,901,531)
Net assets		**32,148**
Capital and reserves		
Share capital	15	-
Retained earnings		32,148
Total shareholders' equity		**32,148**

The notes on pages 12 to 22 form part of these financial statements.

The financial statements of Spirit Energy Treasury Limited, registered number 10910216, were approved by the Board of Directors and authorised for issue on 2 May 2019.

Signed on behalf of the Board of Directors

A.D. Le Poidevin
Director

Spirit Energy Treasury Limited

Statement of changes in equity
For the period ended 31 December 2018

	Share capital (Note 15) £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 12 to 22 form part of these financial statements.

1. General information and principal accounting policies

Spirit Energy Treasury Limited, formerly Magpie Treasury Co Limited, ('the Company') was incorporated on 10 August 2017. It is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales with registration number 10910216. Its principal place of business and registered address is 1st Floor, 20 Kingston Road, Staines-upon-Thames, England, TW18 4LG.

The Company financial statements are being prepared and presented for the first time for the period from incorporation on 10 August 2017 to 31 December 2018.

For the period ending 31 December 2018, the Company's subsidiary Spirit Energy Hedging Limited (Companies House Registration Number 11098771) was entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

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

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 period ended 31 December 2018 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;
- disclosures in respect of the compensation of key management personnel; 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 9, 10 and 11 to the financial statements, has been advanced through revolving credit facilities. The Company has significant cash and cash equivalents and a committed £200 million unsecured revolving credit facility from its shareholders, which together are expected to cover its liquidity requirements.

1. General information and principal accounting policies (continued)

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 period 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 period. 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. 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.

Investments in subsidiaries

Investments in subsidiaries held as fixed assets are stated 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.

1. General information and principal accounting policies (continued)

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 Group 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 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.

2. 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 1 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.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

3. Net finance income

	2018 £000
Finance income	
Interest from fellow Spirit Energy Group undertakings	50,167
Interest from ultimate parent undertaking	2,306
Interest from banks	145
Net exchange rate gain from financing activities with ultimate parent undertaking	1,765
Net exchange rate gain from financing activities with fellow Spirit Energy Group undertakings	299
Net changes in fair value of foreign exchange contracts	756
Total finance income	**55,438**
Finance costs	
Interest payable to fellow Spirit Energy Group undertakings	(13,913)
Interest and finance costs payable to ultimate parent undertaking	(1,068)
Interest paid to banks	(15)
Total finance costs	**(14,996)**
Net finance income	**40,442**

4. Administrative expenses

Administrative expenses consist of the following items:

	2018 £000
Fees payable to the Company's auditor for the audit of its financial statements	(15)
Total fees payable to the Company's auditor	(15)
Staff costs	(144)
Consultancy and contractor costs	(379)
IT costs	(126)
Other costs	(89)

5. Staff costs

	2018 £000
Wages and salaries including bonus	(114)
Social security costs	(30)
	(144)

On 31 December 2018, the Company had four employees who performed administrative roles for the Company. The average number of employees during the period was three.

6. Directors' remuneration

The Directors' remuneration for the period was as follows:

	2018 £000
Directors' emoluments	(275)
Compensation for loss of office	(5)
	(280)

Remuneration of the highest paid Director was as follows:

	2018 £000
Directors' emoluments	(212)
	(212)

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

7. Taxation on profit

	2018 £000
Profit before taxation	39,689
Total tax charge for the period - tax on profit on ordinary activities at the standard UK corporation tax rate of 19%	**(7,541)**

The Company's profits are taxed at the standard corporation tax rate of 19%. The Finance Act 2016 announced that this rate will further reduce to 17% from 1 April 2020.

8. Investments in subsidiaries

Cost and book value	**£**
At incorporation on 10 August 2017	-
Additions	1
At 31 December 2018	**1**

On 6 December 2017, the Company subscribed for 100% of the ordinary shares, which is the entire share capital, of Spirit Energy Hedging Holding Limited for cash consideration of £1. Spirit Energy Hedging Holding Limited is incorporated in the United Kingdom and is registered in England and Wales. Its registered address is 1st Floor, 20 Kingston Road, Staines-upon-Thames, England, TW1 4LG, and its principal activity is to act as a holding company.

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.

9. Loans to fellow Spirit Energy Group undertaking

The £185,363,000 (NOK 2,046,718,000) loans to a fellow Spirit Energy Group undertaking have been advanced under a £579,622,000 (NOK6.4 billion) committed revolving credit facility (RCF) between the undertaking and the Company. Under the terms of the RCF, the Company is not entitled to demand repayment of any amount it has loaned prior to the fixed repayment date of 30 September 2020. The loans advanced under the RCFs therefore have been classified as non-current assets. During the period, the Company received interest on the loans in the range of 4.17% to 4.64%.

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.

10. Trade and other receivables

	31 December 2018 £000
Loans to fellow Spirit Energy Group undertakings	1,171,383
Amounts owed by fellow Spirit Energy Group undertakings	28
VAT receivable	10
Other receivables	16
	1,171,437

Loans to fellow Spirit Energy Group undertakings have been advanced under individual RCFs between each undertaking and the Company. Under the terms of the RCF, the Company is entitled to demand repayment of all outstanding amounts under the RCF 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.

The loans drawn under the facilities are denominated in UK pounds sterling, euros, 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.

10. Trade and other receivables (continued)

The Company received the following ranges of interest rates during the period on interest-bearing loans: GBP-denominated loans of £574,041,000 between 3.50% and 3.74%, euro-denominated loans of £176,166,000 (EUR 196,219,000) at 3.25%, and US-dollar-denominated loans of £415,000 (USD 530,000) between 4.38% and 5.35%. The remaining loans, which are largely denominated in GBP, and amount to £420,761,000, were granted free of interest.

Amounts owed by fellow Spirit Energy Group undertakings are interest free, unsecured and repayable on demand.

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.

11. Trade and other payables

	31 December 2018 £000
Loans from fellow Spirit Energy Group undertakings	(1,421,409)
Amounts owed to immediate parent undertaking	(469,186)
Amounts owed to fellow Spirit Energy Group undertakings	(5,110)
Corporation tax	(2,546)
Accruals	(214)
	(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 agreement between the undertaking 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 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 period: GBP-denominated loans of £1,181,473,000 between 0.50% and 0.74%, euro-denominated loans of £193,347,000 (EUR 215,356,000) at 0.25%, Norwegian-kroner-denominated loans of £44,300,000 (NOK 489,149,000) between 0.67% and 1.14% and US-dollar-denominated loans of £1,671,000 (USD 2,132,000) between 1.38% and 2.35%. The remaining loans, which were denominated in GBP and Danish kroner, and amount to £618,000 were granted free of interest.

Amounts owed to the immediate parent undertaking and fellow Spirit Energy Group undertakings are interest free, unsecured and repayable on demand.

12. Derivative financial instruments

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

	31 December 2018 £000 Assets	Liabilities
Current		
Derivative financial instruments – held for trading under IFRS 9		
Foreign exchange derivatives relating to underlying energy derivatives	2,435	(2,435)
Foreign exchange derivatives	1,131	(375)
	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)
	3,822	**(3,066)**

The Company had no material derivatives in hedge accounting relationships at 31 December 2018.

The Company has a policy to hold 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. All non-current derivative financial instruments mature within one to two years.

13. 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 has a policy that any foreign exchange derivatives relating to underlying energy derivatives held with the ultimate parent company 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 18 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 is foreign exchange risk and interest rate risk.

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.

13. Financial risk management (continued)

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 2018, assuming that a reasonably possible change in the relevant risk variable had occurred at 31 December 2018 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 £12,746,000 lower and profit after taxation and equity being £10,292,000 lower. A 10% weakening in pounds sterling would result in profit before taxation being £15,578,000 higher and profit after taxation and equity being £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, both before and after taxation is not significant.

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 £200 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.

14. Fair value of financial instruments

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.

15. Share capital

	31 December 2018 £
Allotted, authorised and fully paid	
One ordinary share of £1	1

The one ordinary share was issued on 10 August 2017, upon the Company's incorporation. Ordinary shares have attached to them full voting, dividend and capital (including on winding up) rights. They do not confer any rights of redemption.

16. Capital commitments and contingent liabilities

There were no capital commitments or material contingent liabilities at 31 December 2018.

17. 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 period, 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 period, 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: £533,698,000 due from Centrica plc comprising £532,567,000 classified as cash and cash equivalents in accordance with the accounting policy in note 1 to the financial statements and £1,131,000 of current derivative financial instruments, and £2,810,000 and £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 Centric plc: interest income of £2,306,000, interest and finance costs of £1,068,000 and net foreign exchange gains of £2,521,000 on derivative financial instruments and other foreign currency transactions.

18. Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Spirit Energy Limited, which has its registered office at 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. 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.

19. Events after the balance sheet date

On 30 April 2019, the terms of the RCF between the Company and a fellow Spirit Energy Group undertaking were amended such that the Company is not permitted to withdraw the RCF prior to the repayment date in September 2020. The amendment to the terms was made with retroactive effect from the commence date of the RCF. The outstanding funds which have been advanced to the undertaking under the RCF as at 31 December 2018 therefore have been classified as a non-current receivable in the financial statements.