

Registered number: 10910216

SPIRIT ENERGY TREASURY LIMITED

**Annual Report and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2021**



SPIRIT ENERGY TREASURY LIMITED

COMPANY INFORMATION

Directors	C.M. Cox (resigned 2 February 2022) N.J. MacLeod K.E Wilskow (resigned 1 June 2022) D.G. Jones N.J McCulloch (appointed 2 February 2022) B.S. Banwait (appointed 1 June 2022)
Company secretary	N.J. MacLeod
Registered number	10910216
Registered office	1st Floor 20 Kingston Road Staines-upon-Thames United Kingdom TW18 4LG
Independent auditor	Deloitte LLP Union Plaza 1 Union Wynd Aberdeen AB10 1SL

SPIRIT ENERGY TREASURY LIMITED

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SPIRIT ENERGY TREASURY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their Strategic Report for Spirit Energy Treasury Limited, (the 'Company') for the year ended 31 December 2021.

Principal activities

The principal activities of the Company for the year ended 31 December 2021 were to provide financing activities to Spirit Energy Limited and its subsidiaries (the 'Spirit Energy Group' or the 'Group'), which are engaged in the 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.

Business review

During the year, the Company had a profit after tax for the financial year of £27,871,000 (2020: £26,449,000), 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 11.

Details on the movements during the year in investments, loans to fellow Spirit Energy Group undertakings and trade and other payables can be found in notes 9, 10, 11 and 13 of these financial statements.

Financial position

The financial position of the Company is presented in the Balance Sheet on page 12. Total equity at 31 December 2021 was £108,286,000 (2020: £80,415,000).

Key performance indicators ('KPIs')

The performance of the Company is included in the consolidated results of the Spirit Energy Group. The Directors of Spirit Energy Limited manage the Group on a divisional basis and use a number of KPIs to monitor progress against the Group's strategy. For this reason, the Company's Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance and position of the business of the Company. A discussion of the Group KPIs included within the Group's Annual Report for the year ended 31 December 2021 on page 4, which does not form part of this report and are available at the address detailed in note 20 of these financial statements.

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 with stakeholders;
- 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.

SPIRIT ENERGY TREASURY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172(1) statement (continued)

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 3 of the Group's 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.

Shareholder relationships are managed at a Group level, for which further details are included in the Group's Annual Report on pages 13-14. 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 15 of these financial statements.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties, including COVID-19, are integrated with those of Spirit Energy Limited and its subsidiaries (the 'Group') of which the Company is a member and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are disclosed on page 7 of the Group's Annual Report and financial statements for the year ended 31 December 2021, which does not form part of this report and are available at the address detailed in note 20 of these financial statements.

Climate change

The Company's impact on climate change is considered with that of the Group as a whole and is not managed separately. Consideration of the Group's impact on climate change are included on pages 8-9 of the Group's Annual Report and financial statements for the year ended 31 December 2021, which does not form part of this report and are available at the address detailed in note 20 of these financial statements.

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.

SPIRIT ENERGY TREASURY LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

This report was approved by the board and signed on its behalf.

DocuSigned by:

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D.G. Jones
Director
Date: 15/8/2022

SPIRIT ENERGY TREASURY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The results of the Company are set out on page 11. The profit for the year, after taxation, amounted to £27,871,000 (2020: £26,449,000).

No dividends were paid during the year (2020: NIL). The Directors do not recommend the payment of a final dividend.

Directors of the Company

The Directors who served during the year and up to the date of signing the financial statements (unless stated otherwise) were:

C.M. Cox (resigned 2 February 2022)
N.J. MacLeod
K.E Wilschow (resigned 1 June 2022)
D.G. Jones
N.J. McCulloch (appointed 2 February 2022)
B.S. Banwait (appointed 1 June 2022)

Engagement with employees

During 2021, the Company employed an average of four people (2020: five), all employed in the United Kingdom.

Employees are regularly updated on performance against the Group's strategy, of which the Company is a member. 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 Group 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 Group's business principles and policies set out standards of behaviour expected of its employees in conducting business in an ethical way.

Future developments

Future developments are discussed in the Strategic Report on page 2.

Financial risk management

Details of the Company's financial risk management can be found in note 15 of these financial statements.

Going concern

The immediate parent company, Spirit Energy Limited confirms its present intention to continue to provide financial support to the Company to ensure it can meet its obligations as they fall due, for at least 17 months following from 31 May 2022, provided the Company remains a member of the Group. The amounts owed to group undertakings will not be required to be repaid to Spirit Energy Limited for at least 12 months following the signing of the financial statements. Therefore, the Directors continue supporting the use of the going concern basis in preparing these financial statements.

SPIRIT ENERGY TREASURY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Going concern (continued)

The Group's principal risks and uncertainties are detailed in the Group's Strategic Report on page 7 and specifically explains the increased challenges the Group faces with COVID-19. 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 and are therefore satisfied that the Group will be able to support the Company if required under all reasonably foreseeable circumstances.

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 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 the auditor

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

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

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

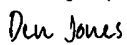
Events after the balance sheet date

Significant events since the balance sheet date are contained in note 21 to the financial statements on page 26.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

DocuSigned by:

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D.G. Jones

Director

Date: 15/8/2022

SPIRIT ENERGY TREASURY LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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 MEMBERS OF SPIRIT ENERGY TREASURY LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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 21.

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 (the '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

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

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

SPIRIT ENERGY TREASURY LIMITED

**INDEPENDENT AUDITOR'S REPORT FOR THE MEMBER OF SPIRIT ENERGY TREASURY LIMITED
(CONTINUED)**

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the Company's industry and its control environment, and reviewed the documentation of the policies and procedures relating to fraud and compliance with laws and regulations that has been established by the Company's ultimate parent. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation.

SPIRIT ENERGY TREASURY LIMITED

**INDEPENDENT AUDITOR'S REPORT FOR THE MEMBER OF SPIRIT ENERGY TREASURY LIMITED
(CONTINUED)**

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 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 FOR THE MEMBER OF SPIRIT ENERGY TREASURY LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the Company's member, 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

Aberdeen

AB10 1SL

Date: 15/8/2022

SPIRIT ENERGY TREASURY LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Finance income	4	36,341	47,513
Finance costs	4	(2,659)	(12,812)
Net finance income		33,682	34,701
Administrative expenses	5	(554)	(764)
Profit before tax		33,128	33,937
Tax charge	8	(5,257)	(7,488)
Profit for the financial year		27,871	26,449

The above results were derived from continuing operations.

The Company has recognised no gains or losses other than the profit for the current and prior year. Therefore, no separate Statement of Comprehensive Income has been presented.


The notes on pages 14 to 26 form part of these financial statements.

SPIRIT ENERGY TREASURY LIMITED
REGISTERED NUMBER: 10910216

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Non-current assets			
Investments	9	-	-
Loan to fellow Spirit Energy Group undertaking	10	-	12,494
		<u>-</u>	<u>12,494</u>
Current assets			
Loans to fellow Spirit Energy Group undertakings	11	1,021,518	1,067,729
Derivative financial instruments	14	648	937
Cash and cash equivalents		1,183,930	420,592
		<u>2,206,096</u>	<u>1,489,258</u>
Current liabilities			
Trade and other payables	13	(2,097,659)	(1,421,337)
Derivative financial instruments	14	(151)	-
		<u>-</u>	<u>-</u>
Net current assets		<u>108,286</u>	<u>67,921</u>
Total assets less current liabilities		<u>108,286</u>	<u>80,415</u>
Net assets		<u>108,286</u>	<u>80,415</u>
Capital and reserves			
Called up share capital	17	-	-
Retained earnings	17	108,286	80,415
Total equity		<u>108,286</u>	<u>80,415</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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D.G. Jones
Director
Date: 15/8/2022

The notes on pages 14 to 26 form part of these financial statements.

SPIRIT ENERGY TREASURY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2020	-	53,966	53,966
Profit for the year	-	26,449	26,449
At 1 January 2021	-	80,415	80,415
Profit for the year	-	27,871	27,871
At 31 December 2021	-	108,286	108,286

The notes on pages 14 to 26 form part of these financial statements.

SPIRIT ENERGY TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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.

2. Accounting policies

2.1 Basis of preparation of financial statements

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. The financial statements therefore have been 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 (IFRS) as issued by the IASB and in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

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 13 to the financial statements, has been advanced through revolving credit facilities (RCFs).

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.

2.2 Changes in accounting policies

There have been no new standards or amendments effective for the period beginning 1 January 2021.

The Company is a qualifying entity of the Spirit Energy Limited Group and as the Annual Report and financial statements of Spirit Energy Limited (the 'Group'), which are available as disclosed in note 20, includes relevant disclosures, the Company has taken the following exemptions under FRS 101:

- the requirements of IAS 7: 'Statement of Cash Flows';
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the statement of compliance with adopted IFRSs;
- the effects of new but not yet effective IFRSs; and
- the requirements in IAS 24: 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.3 Going concern**

The immediate parent company, Spirit Energy Limited confirms its present intention to continue to provide financial support to the Company to ensure it can meet its obligations as they fall due, for at least 17 months following from 31 May 2022, provided the Company remains a member of the Group. The amounts owed to group undertakings will not be required to be repaid to Spirit Energy Limited for at least 12 months following the signing of the financial statements. Therefore, the Directors continue supporting the use of the going concern basis in preparing these financial statements.

The Group's principal risks and uncertainties are detailed in the Group's Strategic Report on page 7 and specifically explains the increased challenges the Group faces with COVID-19. 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 and are therefore satisfied that the Group will be able to support the Company if required under all reasonably foreseeable circumstances.

2.4 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.

2.5 Finance costs

Finance costs are accrued on a time basis based on the outstanding amounts at the effective interest rate applicable.

2.6 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'.

2.7 Taxation

Current tax, including UK corporation 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.

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.8 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.

2.9 Financial assets and liabilities

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, 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.

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.9 Financial assets and liabilities (continued)***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 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 judgments in applying the Company's accounting policies and key sources of estimation uncertainty**a) Critical judgements in applying the Company's accounting policies**

No key judgements have been made by the Directors in applying the Company's accounting policies.

b) 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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.

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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4. Net finance income

	2021	2020
	£000	£000
Finance income		
Interest from fellow Spirit Energy Group undertakings	31,958	44,483
Interest from ultimate parent undertaking	167	910
Interest from banks	-	113
Net gain from settlement of foreign exchange contracts	2,745	-
Net foreign exchange gain from financing activities with fellow Spirit Energy Group undertakings	<u>1,471</u>	<u>2,007</u>
Total finance income	36,341	47,513
Finance costs		
Interest payable to fellow Spirit Energy Group undertakings	(1,180)	(7,841)
Finance costs payable to ultimate parent undertaking	(548)	(745)
Interest and finance costs payable to related undertaking	(261)	(335)
Interest and fees paid to banks	(12)	(15)
Net loss from settlement of foreign exchange contracts	-	(2,510)
Net loss from fair value movement of foreign exchange contracts	(440)	(1,217)
Net loss from revaluation of bank accounts	<u>(218)</u>	<u>(149)</u>
Total finance costs	<u>(2,659)</u>	<u>(12,812)</u>
Net finance income	<u>33,682</u>	<u>34,701</u>

SPIRIT ENERGY TREASURY LIMITED

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5. Administrative expenses

Administrative expenses consist of the following items:

	2021	2020
	£000	£000
Audit fee for the audit of these financial statements	(15)	(15)
Staff costs (note 6)	(333)	(395)
Consultancy and contractor costs	(63)	(55)
IT costs	(146)	(249)
Other income/(costs)	<u>3</u>	<u>(50)</u>
	<u>(554)</u>	<u>(764)</u>

6. Staff costs

	2021	2020
	£000	£000
Wages and salaries including bonus	(301)	(356)
Social security costs	<u>(32)</u>	<u>(39)</u>
	<u>(333)</u>	<u>(395)</u>

On 31 December 2021, the Company had four (2020: five) employees who performed administrative roles for the Company. The average number of employees during the year was four (2020: five).

7. Directors' remuneration

The Directors of the Company are executives of the holding company, Spirit Energy Limited and are also Directors of a number of fellow group undertakings. The Directors received total remuneration of £2,200,000 from Spirit Energy Production UK Limited, another member of the Group. It is estimated that £416,000 relates to qualifying services in connection with this Company. On this basis the remuneration of the highest paid Director is £389,000.

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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8. Tax

Tax charged in the Income Statement:

	2021	2020
	£000	£000
Current tax		
UK corporation tax at 19% (2020: 19%)	(6,294)	(6,448)
UK corporation tax adjustment to prior years	<u>1,037</u>	<u>(1,040)</u>
Tax charge	<u><u>(5,257)</u></u>	<u><u>(7,488)</u></u>

The main rate of corporation tax for the year to 31 December 2021 was 19% (2020: 19%).

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. This increase has now been enacted. This had the potential to impact the value of our deferred tax balances on non ring fence activities, and the tax charge on UK profits from non ring fence activities generated in 2023 and subsequently. Spirit Energy has reviewed the impact of this change, and as it has no deferred tax balances on our Balance Sheet from non ring fence activities, we expect the impact of this change to be £nil.

9. Investments in subsidiaries

Cost and book value	£
At 31 December 2020	<u>1</u>
As at 31 December 2021	<u><u>1</u></u>

The Company owns 100% of the ordinary shares in Spirit Energy Hedging Holding Limited which is a dormant company, incorporated in the United Kingdom and registered in England and Wales. Its registered address is 1st Floor, 20 Kingston Road, Staines-upon-Thames, United Kingdom, TW18 4LG.

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10. Loan to fellow Spirit Energy Group undertaking in more than a year

In the prior year loans to a fellow Spirit Energy Group undertaking totalled £12,494,000 and were advanced under a £195,015,000 committed RCF between the undertaking and the Company.

SPIRIT ENERGY TREASURY LIMITED

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11. Loans to fellow Spirit Energy Group undertakings

31 December	2021	2020
	£000	£000
Loans to fellow Spirit Energy Group undertakings	175,713	230,032
Loans to the immediate parent undertaking	<u>845,805</u>	<u>837,697</u>
	<u>1,021,518</u>	<u>1,067,729</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.

The loans drawn under the facilities are denominated in UK pounds sterling, euros, Norwegian kroner and US dollars. The loans are unsecured and most loans bear interest at floating rates, based on a margin added to the relevant reference rate, 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.

Loans to fellow Spirit Energy Group undertakings of £173,713,000 (2020: £230,032,000) are unsecured and repayable on demand. As such, these loans have been classified as current assets. Interest-bearing loans to fellow Spirit Energy Group undertakings totalled £175,708,000 (2020: £229,664,000). The interest rates charged varied between 3.00% and 4.18% (2020: 3.00% and 4.76%). Loans to fellow Spirit Energy Group undertakings totalling £5,000 (2020: £368,000) were granted free of interest.

The loan to the immediate parent undertaking is interest-bearing, unsecured and repayable on demand. Interest rates charged ranged between 3.02% and 3.13% (2020: 3.04% and 3.71%).

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.

12. Cash and cash equivalents

	2021	2020
	£000	£000
Cash and cash equivalents	1,183,930	420,592
	<u>1,183,930</u>	<u>420,592</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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13. Trade and other payables

31 December	2021	2020
	£000	£000
Loans from fellow Spirit Energy Group undertakings	(2,084,129)	(1,410,879)
Amounts owed to fellow Spirit Energy Group undertakings	(6,768)	(5,589)
Corporation tax	(6,600)	(4,640)
Accruals	(162)	(229)
	<u>(2,097,659)</u>	<u>(1,421,337)</u>

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 unsecured and most deposits 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. The interest-bearing deposits, totalling £2,070,575,000 (2020: £1,402,758,000), incurred interest ranging between 0.02% and 0.68% (2020: 0.04% and 1.76%). The remaining deposits, amounting to £13,554,000 (2020: £8,121,000), were granted free of interest.

14. Derivative financial instruments

The carrying values of derivative financial instruments held for trading under IFRS 9 for accounting purposes are as follows:

31 December	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	£000	£000	£000	£000
Current				
Foreign exchange derivatives	<u>648</u>	<u>(151)</u>	<u>937</u>	<u>-</u>
	<u>648</u>	<u>(151)</u>	<u>937</u>	<u>-</u>

The Company had no derivatives in hedge accounting relationships at 31 December 2021 (2020: none).

15. 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. The main purpose of these financial assets and liabilities is to facilitate cash management for the wider Spirit Energy Group.

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

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Financial risk management (continued)

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 Group's Annual Report which can be obtained from the Register of Companies for England and Wales as described in note 20 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.

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 bank deposits and deposits with its ultimate parent undertaking as well as loans to and from other Spirit Energy Group companies. 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 2021, assuming that a reasonably possible change in the relevant risk variable had occurred at 31 December 2021 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 and US dollar currency rates relative to pounds sterling to be reasonably possible. A 10% strengthening in pounds sterling would result in profit before taxation being £37,315,000 (2020: £7,236,000) lower and profit after taxation and equity being £30,225,000 (2020: £5,861,000) lower. A 10% weakening in pounds sterling would result in profit before taxation being £45,607,000 (2020: £8,844,000) higher and profit after taxation and equity being £36,942,000 (2020: £7,164,000) 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 £3,370,000 (2020: £1,515,000) and post taxation loss of £2,729,000 (2020: £1,227,000).

Credit risk

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

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Financial risk management (continued)*Credit risk (continued)*

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 Company is unable to meet its financial obligations as they fall due.

To mitigate this risk, the Company holds adequate cash and cash equivalents. Management believes that the Company has adequate resources to meet its business objectives.

16. 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, which are valued using forward exchange rates that are quoted in an active market.

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

SPIRIT ENERGY TREASURY LIMITED

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17. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
1 (2020 - 1) Ordinary share of £1.00	<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.

18. Retained earnings

The balance classified as retained earnings includes the profits and losses realised by the Company in previous periods that were not distributed to the shareholders of the Company at the reporting date.

19. 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.

	2021 £000	2020 £000
Due from Centrica plc		
Cash and cash equivalents	1,161,133	419,002
Derivative financial instruments	<u>648</u>	<u>937</u>
	<u>1,161,781</u>	<u>419,939</u>
Due to Centrica plc		
Derivative financial instruments	<u>(151)</u>	<u>-</u>
	<u>(151)</u>	<u>-</u>
Net finance income		
Interest from ultimate parent undertaking	167	910
Interest and finance costs payable to ultimate parent undertaking	(548)	(745)
Net loss from fair value movement of foreign exchange contracts	(440)	(1,217)
Net gain/(loss) from settlement of foreign exchange contracts	<u>2,745</u>	<u>(2,510)</u>
	<u>1,924</u>	<u>(3,562)</u>

SPIRIT ENERGY TREASURY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. 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, United Kingdom, 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, United Kingdom, SL4 5GD and is registered in England and Wales. Centrica plc's financial statements can be obtained at www.centrica.com.

21. Non-adjusting events after the balance sheet date

Following the balance sheet date, Russia's invasion of Ukraine and the related sanctions caused disturbance in energy markets, which has tightened oil and gas markets further. The Company is actively monitoring the impact of the conflict, although currently there is no immediate direct exposure.

There are no other material events to disclose subsequent to the year ended 31 December 2021.