Company Registration No. 3768267

SEFE Marketing & Trading Limited

Strategic report with Supplementary Financial Information

31 December 2021

SEFE Marketing & Trading Limited
Formerly Gazprom Marketing & Trading Limited
Strategic Report with Supplementary Financial Information 2021

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Strategic report

The Directors present the Annual Report and the audited consolidated Financial Statements of SEFE Marketing & Trading Limited ("SM&T" or the "Company") and its subsidiary undertakings (collectively referred to as the "Group") for the year ended 31 December 2021. The Company was formerly known as Gazprom Marketing & Trading Limited until 29 July 2022. The new company name will be used for the remainder of this document.

Principal activities

The principal activities of the Group and Company are the marketing and trading of energy products including natural gas, power and liquefied natural gas ("LNG"). In 2021 the Company expanded its energy product offering by developing its carbon certificate and environmental product trading strategies. The Group is active across global energy market hub locations but is primarily focused in the European and Asian energy markets. The operations of the Group include:

- supply of gas and power and balancing services provided to the Group's retail subsidiary, SEFE Energy (this entity supplies gas and power to retail customers in the UK, France and the Netherlands);
- supply of natural gas and balancing services provided to Wingas GmbH (an affiliate company engaged in marketing of natural gas to end consumers in Germany);
- managing a physical LNG portfolio (including deliveries into Europe);
- managing other physical assets, including storage and transportation; and
- related third-party and market liquidity trading services and proprietary trading.

The Group thus fulfils key functions that are essential for the security of energy supplies in Europe.

Financial results for 2021

During 2021, the Group continued to develop its core global trading and marketing activities. The international reach of the Group is reflected in the consolidated Financial Statements of the Group, which comprise the consolidated results of 9 (2020: 9) individual legal entities covering the UK, continental Europe, North America and Asia (see note 8).

During 2021 the business model of the Group has undergone substantial changes: with no new gas volumes being signed by the Group from Gazprom Export under its term agreements and only minor volumes purchased from Gazprom Export via its auction platform; the key source of trading became the optimisation of the Group's assets and the gas volumes available in the European over-the-counter ("OTC") and exchange markets.

The Group, like many energy corporations across the globe, faced unprecedented conditions during 2021 brought about by the global gas bull market which saw prices following a rising trend for the majority of the year, with markets peaking at record high levels in the latter stages of the year. Optimal positioning of the Company's balanced and diversified portfolio, sound risk management practices and prudent utilisation of financial resources has enabled significant value to be captured through trading across a variety of products and strategies. The Company was able to successfully monetise the flexibility embedded in its LNG portfolio, gas and power assets and derivative contracts at the time when such flexibility became significantly more valuable due to the high price, high volatility market environment.

Strategic report (continued)

Financial results for 2021 (continued)

The Group also successfully continued to supply gas and provide balancing and optimisation services to its retail arm, SEFE Energy, hedging their sales of energy to end users in the UK, France and the Netherlands on the horizon of two to three years; and to its affiliated company, Wingas GmbH, hedging the portfolio of sales to mainly German end users on the horizon of three to five years.

The Consolidated Statement of comprehensive income for the year is set out on page 15. The Group's profit for the financial year was £560.5m (2020: £235.8m), an increase of 138 % from the prior year. The Group's total equity as at 31 December 2021 was £898.6m (2020: £628.5m), representing an increase of 43 % when compared to 31 December 2020.

During 2021 the Company declared and paid £112.0m (2020: £178.8m) of dividends to its immediate parent company SEFE Securing Energy for Europe GmbH ("SEFE"); this company was known as Gazprom Germania GmbH ("GPG") until June 20, 2022. Throughout the remainder of this document, references are made to SEFE and to the "SEFE Group" incorporating all subsidiaries of SEFE only.

The performance of specific business units is discussed in further detail below.

Key performance indicators

The Group, along with its parent company, have identified a series of key performance indicators ("KPIs") which it believes are useful in assessing the Group's performance. These are set out below.

Key performance indicators

Indicator type	**Key Performance Indicator**	**2021**	**2020**	**Change**
Profitability	Net income (£m)	995.0	544.0	82.9%
Profitability	EBITDA (£m)	751.8	354.1	112.3%
	EBITDA is defined as Earnings (Profit for the financial year) before Interest, Tax, Depreciation, Amortisation and Lease rebates			
Profitability	Net profit after tax (Profit for the financial year) (£m)	560.5	235.8	137.7%
Efficiency	Net profit after tax/Net income	56%	43%	30.2%

Financial results for specific business units 2021

The Group's strategic business units and reporting lines are aligned with its commercial activities and global scope. These strategic business units were: a) Global Commodity & Derivative Trading ("GCDT"); b) Global LNG & Shipping ("LNG"); and c) Global Retail ("Retail").

Global Commodity & Derivative Trading ("GCDT")

GCDT reported an increase of 70 % in net income compared to 2020 with the business accounting for 54% of the Group's net income in 2021 (2020: 59%). The business further developed its structured trading offering and deal flow business with a broad range of customers during the period, whilst also continuing to provide risk management services to other group companies, including the balancing of the "SEFE Group" (comprised of SEFE and its subsidiary undertakings) marketing portfolio, specifically, hedging the volumes sold by Wingas GmbH into the German wholesale market for the horizon of three to five years. No new long-term contracts for Russian gas flows were signed in 2021, with any Russian gas in the portfolio sourced at regular market rates on standard auction platforms.

Strategic report (continued)

Financial results for specific business units 2021 (continued)

As European gas and power markets become more competitive and sophisticated, the business continued to invest in and develop more flexible and innovative products to meet the associated challenges. The Power business has further developed its integrated model, consolidating the power origination and independent suppliers portfolios. During 2021 the Group continued to take advantage of new technologies, such as digital trading, to monetise market opportunities and reduce the level of risk in the portfolio.

Governments and corporations across the globe continue to increase the level of focus on clean energy initiatives in order to achieve net carbon neutrality which has resulted in rising demand for carbon offset certificates across global markets. During the year the Company launched new initiatives to create value through increased carbon offset origination projects to meet demand for clean energy products and extend its product offering to existing customers.

Global LNG & Shipping ("LNG")

Income from LNG increased 82 % compared to 2020, with the business accounting for 34% of the Group's net income in 2021 (2020: 34%). Market price movements have significantly impacted the Group's LNG business, with rapid price growth since 2020 when the market was first reeling from the impact of the pandemic and now responding to a significant global recovery in demand. Demand jumped on economic growth, and a cold northern hemisphere winter followed by a hot summer. Increased competition between Asia and Europe for sources of energy has further contributed to rising prices.

The Group's LNG business achieved strong financial results through successful physical and financial trading and portfolio management, efficient utilisation of its growing physical LNG flows, and close cooperation with suppliers and buyers. This is despite a backdrop of an operating environment where physical, financial and performance risk have been heightened by unprecedented market conditions. Economic value for 2021 was generated through profitable short-term spot deals and charters to ensure LNG cargoes are purchased and sold in margin-optimal markets, maximising utilisation of the LNG shipping fleet. The number of LNG cargoes traded within the year was comparable to 2020 (2021: 127 cargoes/8,596,437 tonnes; 2020: 113 cargoes/7,787,848 tonnes).

Shipping maintained its fleet of vessels to manage optionality associated with long term supply contracts and extract value from global LNG price spikes. While some vessels were contracted to external time charters, there was a continued focus on fulfilling internal requirements from the LNG trading desk. The Group also took delivery of two newbuild LNG carriers in order to manage its growing supply portfolio and capture geographic arbitrage opportunities.

Global Retail ("Retail")

The Group's Retail business has rebounded following the previous year's challenges relating to COVID-19, with better than planned debt collection leading to reduced impact from customer insolvencies, and successful optimisation of the portfolio through trading during the period which generated value despite turbulent market conditions. Retail remains one of the largest gas suppliers to UK industrial and commercial customers delivering 42,667 GWh of gas to end users (2020: 47,439 GWh). The UK gas market share decreased to 20.8% in the year (2020: 22.2%). The UK business power market share also reduced and represents an immaterial percentage of the market (0.5%) (2020: 0.6%), after supplying 1,078 GWh of power to end users (2020: 1,059 GWh).

In France, the business supplied 11,337 GWh of gas during 2021 (2020: 12,968 GWh).

Strategic report (continued)

Financial results for specific business units 2021 (continued)

In the Netherlands, the business supplied 4,751 GWh of gas to end users (2020: 3,953 GWh) and has increased the number of live gas sites to 27,831 (2020: 26,431 sites). The business also supplied 362 GWh of power to end users (2020: 363 GWh) and saw a decrease in the number of live power sites to 14,208 (2020: 14,459 sites).

The Retail Optimisation Desk ("ROD"), which formally sits in SM&T Ltd, but serves as the interface between the Retail sales business in SEFE Energy and the GCDT business, manages the Retail portfolio price and volume risk, enabling value to be locked in through a back-to-back hedging strategy for forecast Retail sales. During 2021, ROD navigated unprecedented price volatility by following several hedging strategies which delivered significant value to the business, whilst reducing exposure to demand and weather changes.

The Retail business has remained agile within the market, providing innovative solutions through turbulent market conditions including new products, frequent pricing updates and strong forecasting performance, whilst also contributing to the development of company-wide environmental strategies.

Principal risks and uncertainties facing the Group

The Directors of the Group are committed to embedding a culture of enterprise-wide risk management throughout the organisation. The risk management process is the co-ordinated set of activities that are implemented to manage the risks that may affect the ability of the organisation to achieve its objectives. The risk management process, together with the documented policies, procedures and specific methodologies for the identification, assessment and management of risk, comprise the Risk Management System.

Implementation and oversight of all elements of the Risk Management System, in addition to its responsibility for ensuring the Group meets its strategic, financial and operational objectives, is under the stewardship of the Managing Director of SEFE Group. The SM&T Directors are in turn responsible for ensuring that SM&T follows the risk strategy, principles and policies as defined by the Managing Director of SEFE Group.

The "Global Risk Management Policy" defines the scope, objectives, policy and strategies for the management of risks within SEFE Group, including the Group. The Risk function of the Group provides advice, control and oversight independent from the commercial business and other support functions.

Risk is defined as the potential events, circumstances, internal and/or external factors that could affect the achievement of defined goals. In pursuit of its strategic, financial and operational objectives the Group seeks to retain exposure to some risks, and avoid, minimise or eliminate others where possible and cost effective.

The principal risks (see Note 14 for more detail) can be aggregated under the following broad categories:

- **Strategic Risk:** The risk that the Group is unable to achieve its strategic objectives as a result of actions by governments, regulators and competitors as well as risks associated with strategic long-term decision making within the Group. Please refer to the section 'Future strategy of the business' for further relevant details

Strategic report (continued)

Principal risks and uncertainties facing the Group (continued)

- **Market Risk**: The risk of negative financial impacts due to changes in market factors. Market factors include (but are not limited to) commodity and derivative prices, interest rates, foreign exchange rates and volumes.

  The potential impact of the realisation of market risks has increased in the current high price, high volatility, market environment. These risks have been mitigated by SM&T's robust system of market risk management, principally relying on position limits, MVaR limits and stress tests, among other controls. This kept market risks at acceptable levels during the year and in the first quarter of 2022.

- **Credit Risk**: The risk of negative financial impact due to a counterparty's failure to meet its contractual obligations in accordance with agreed terms. This includes failure to make payment(s), or general non-performance of the full contract terms.

  The potential impact of the realisation of credit risks has increased in the current high price, high volatility, market environment. These risks have been mitigated by SM&T's robust system of credit risk management, relying on credit limits, counterparty analysis, trading restrictions, collateral and other mitigation measures as necessary. SM&T experienced no material credit risk realisation during the year and in the first half of 2022.

- **Operational Risk**: The risk of negative impact due to inadequate controls or failed internal processes, people and systems, or from external events. As with other risks, the potential impact of the realisation of operational risks has increased in the current market environment. These risks have been mitigated by SM&T's robust system of operational risk management, processes and controls. No material process risks were realised during the year.

  COVID – 19 risks

  The Company continued to be impacted by the COVID-19 pandemic during the year. However, its employees maintained incredible commitment and dedication to ensure no interruption to commercial and operational activities. Mitigating steps taken by the Company in 2020 have meant that the financial impacts from COVID-19 in 2021 have been minimal.

  The Company adapted its approach to the pandemic by trialling 'agile' working patterns when government restrictions allowed. This involved hybrid working arrangements, determined by individual functions based on their operational needs, where staff managed their time between 'working in the office' and 'remote home working'. The Company also demonstrated that they were able to act nimbly and respond rapidly to changes in government guidelines, maintaining smooth transitions between agile working patterns and complete 'remote home working' without any operational issues.

Strategic report (continued)

Principal risks and uncertainties facing the Group (continued)

- **Liquidity Risk**: The risk that the Group cannot satisfy the financial obligations that arise during the course of business due to insufficient funding lines or available cash reserves.

  The combination of all types of risks (Strategic, Market, Credit and Operational risks) may create pressure on the Group's liquidity and its ability to meet its financial obligations when they fall due.

  The robust liquidity risk reserve process (See Note 2), active management of exchange exposures and the management of funding sources meant the Group could seize additional business opportunities in 2021 and outperform its profit targets during the year.

  Liquidity risks and their management continue to remain the key focus of the Group in 2022. The liquidity planning for the next 12 months, as of the date of signing these Financial Statements, shows that the Group expects to have sufficient liquidity in the base case scenario to meet all its financial obligations as they fall due.

Changed circumstances after February 2022

The military conflict between Russia and Ukraine, which escalated in February 2022, impacted the SEFE Group, and SM&T as its subsidiary, at multiple levels. The key related risks and impacts are set out below.

Corporate structure and German Government support

At the end of March 2022, the owner of the SEFE Group, Gazprom Export, transferred all shares in SEFE ultimately to a Russian company outside of the Gazprom Group and then publicly announced its exit from the SEFE Group.

As SEFE is a German registered company, any transactions which affect the ownership of SEFE are subject to German and European law. Under German law such share transfers are required to be reported to the Federal Ministry of Economics and Climate Protection ("BMWK"). Any such transfer is considered to be pending and ineffective subject to the approval of the BMWK. Until this approval is received, the transfer of the shares is considered to have no legal effect.

In April 2022, due to the unclear shareholder relationships, the violation of the reporting obligation under the Foreign Trade and Payments Act, and the risks these created to the stability of European and German energy markets, the BMWK ordered the Federal Network Agency to operate as a trustee for SEFE and ultimately the SM&T Group companies. Whilst the trusteeship is in place, neither the original owner nor the intended transferee has authority to issue instructions or exercise any voting rights connected to its shares in SEFE. Instead, the Federal Network Agency has the power to exercise voting rights consistent with those of a shareholder but without the associated ownership of the residual interests of the company.

The goal of this trustee arrangement is the orderly continuation of business operations, the preservation of the going concern value of the SEFE Group, and maintenance of the energy supply in Germany and other European countries. On April 8, 2022, the Federal Network Agency appointed a general representative in addition to the existing management. On June 3, 2022, the general representative was appointed by the Trustee as a new Managing Director of SEFE.

Strategic report (continued)

Changed circumstances after February 2022 (continued)

Originally the trusteeship arrangement was set up until 30 September 2022. In June 2022 the Federal Network Agency publicly announced that, due to the key role that the SEFE Group plays in providing stability to the German and European energy markets, the German Government has an intention to secure long-term trusteeship over the SEFE Group and that the amended Energy Security Act allows the Government to extend the trusteeship by another 6 months several times when such measures are needed to protect the market. As a result, the German Government has taken then the next step and on 17 June it extended its trusteeship of SEFE until 15 December 2022.

In addition, the German Government granted a long-term 9.8bn EUR loan to SEFE via German Kreditanstalt für Wiederaufbau (“KfW”) to support and guarantee SEFE Group’s operations whilst the company is under governmental control. A substantial part of this loan is now available to the SM&T Group. The government has also announced in the press that it is examining options to convert this loan into an equity stake in SEFE in case this is required to secure the long-term supply of energy into Germany and Europe. The goal of the trusteeship is emphasised by the renaming of GPG to “Securing Energy for Europe” as of June 20, 2022. The subsidiary companies will follow this action in due course.

Sanctions & geopolitical risks

A range of international sanctions have been imposed against the Russian Federation (in particular, by the EU, UK and USA). As at the date of approval of these Financial Statements:

- None of the trade restrictions directly affect the Group’s ability to trade commodities with its counterparties;
- SEFE Group and its subsidiaries were exempted from USA Directive 3 sanctions until 30 September 2022;
- Specific sanctions directed at one of the Group’s Russian-owned counterparties forced the return of two LNG vessels during May 2022. These vessels were previously held under long term time charter. The Group continues to be able to access sufficient shipping capacity to fulfil its contractual obligations within the LNG business.

Although not otherwise impacted directly, the Group has experienced adverse indirect impacts of the sanctions and overall political situation in the Group’s core markets. This has included: increased prices and volatility in the energy markets; delays in payments due to additional compliance screening time taken by banks who operate under no specific service level agreements (“SLAs”) when processing payments; and some reputation-related terminations. Though these effects have decreased substantially after the announcement of the trusteeship extension and provision of the KfW loan, they could continue to have an adverse indirect impact and may increase liquidity and operational risks.

Counter-sanctions were imposed by the Russian Federation against specific entities, including all entities in the SEFE Group, during May 2022. As at the date of these Financial Statements, Russian companies are no longer permitted to continue performing under any existing contracts (including settlement of any contracted transactions) or conclude any new agreements with the companies of the SEFE Group unless they receive an exemption licence from the Russian government.

Strategic report (continued)

Changed circumstances after February 2022 (continued)

As a result of these sanctions, all future direct supply of gas from GPE to the Group has been suspended. The Group had no long term supply contract in place with the Gazprom Group. As such, the Group's direct exposure to Russian gas supply was limited to the purchase of relatively small volumes of Russian gas until the end of 2023 which were acquired through market mechanisms and the Gazprom Export public auction platform on an arm's length basis. These volumes were not significant in relation to the overall portfolio size, but have been replaced by purchases from other market counterparties at the current market price.

The Group holds long term contracts for the purchase of LNG from both Sakhalin Energy Investment Company Ltd (Sakhalin) and Yamal Trade Pte Ltd (Yamal). The impact of counter-sanctions on these contracts is complex and remains under review at the date of signing these Financial Statements. Both Yamal and Sakhalin have applied for exemption licences from the Russian counter-sanctions and communicated their readiness to look for solutions for their long-term contracts with the Group. If contracted volumes are not received, it is highly likely that the Group's hedging portfolio will be negatively impacted and certain balances from the cash flow hedge reserves will be released directly to the Statement of comprehensive income.

Risk Mitigation Measures

In order to minimise any adverse impact on liquidity, the Group took risk-reducing measures in response to the market turbulence related to the geopolitical escalation. These measures are intended to ensure that the Group remains able to meet all of its financial obligations as they fall due and include the following:

- Strict management of net gas exchange positions to minimise exposures to price volatility and the corresponding impact on liquidity from margin payments;
- Netting of payments/receipts where possible with minimal FX transactions executed in the market and a particular focus on netting down receipts and payments due to occur on the main payment day under standard European Federation of Energy Traders ("EFET") master agreements to reduce the risk of non-receipt;
- SEFE Group and its subsidiaries obtained an exemption from US Directive 3 sanctions until 30 September;
- Since SEFE was put under the trusteeship of the German Government on 4 April 2022, the SM&T business benefits from a letter of support issued by the German government that directly states their intention to protect the business operations of SEFE and to utilise all available means to achieve this goal;
- Initiating the process of re-branding and re-naming the company to emphasise the termination of the Group's relationship with Gazprom. GPG was rebranded as 'SEFE Securing Energy for Europe GmbH" ("SEFE") on June 20, 2022 with the re-branding of subsidiaries to follow shortly;
- Focus on liquidity management and the maintenance of adequate conservative liquidity reserves in order to be able to absorb the risks described. This is based on cash flow forecasts adjusted for potential variations in liquidity required to cover market, credit and operational risks; and

Strategic report (continued)

Changed circumstances after February 2022 (continued)

- On June 14, 2022, the German federal government announced that they granted a 9.8bn EUR loan to the SEFE Group to underpin its liquidity position and protect SEFE's ability to continue to operate as a going concern.

The Group liquidity forecast is assessed by the Company on a rolling 12 month basis. At the date of signing the Financial Statements, the Group has a positive net cash position, and has generated additional cash from its business activities during the first part of 2022. We expect to continue to generate profit from our core operations in Trading, LNG and Retail portfolio, however this profit may be offset by the substantial negative impact from Russian counter-sanctions, which would bring the Group into a net debt position.

Given the high level of volatility, the additional risks present in the market and the potential impact on the Group of the geopolitical situation, SM&T is maintaining an increased liquidity risk reserve to ensure that it is able to absorb future potential shocks. The base case liquidity forecast and liquidity risk reserve are covered within the combination of existing cash balances, forecast operational cash flows of the Group and the financing provided by the parent company, SEFE.

The Group's funding, available from SEFE, totals €4.8bn and is comprised of:

- €3,700m committed funding line until June 2028 matched to SEFE's external funding; and
- €1,100m cash pooling limit with SEFE.

SEFE lines to SM&T Group are supported by the external line from KfW provided by the German Government on a long-term basis to support the operations of SEFE Group.

Future strategy of the business

The Group operates in a market environment that is undergoing rapid fundamental change. The geopolitical events at the beginning of 2022 and the international reactions to them have led to an increase in risks for the Group and a high degree of uncertainty in the energy markets.

The current unstable political and economic environment may continue to have a negative impact on energy markets because of the possible short-term implementation of new regulatory packages affecting the segments in which we operate, including both the gas and LNG markets. There are various scenarios of the development of the energy markets which makes forecasting challenging.

On the other hand, we expect the role of the Federal Network Agency as a Trustee of SEFE to have a positive effect on the Group. The support of the German federal government is intended to stabilise the SEFE group and to ensure cooperation with our business partners, suppliers and service providers, allowing the Group to continue to do business as usual. The key objective of the Trustee is to protect the public interest and to maintain security of gas supply. The Group will support and focus on these targets. We are working with our parent company and the SEFE Trustee to develop a future business model that is sustainable over the long term.

The Group expects its future business to evolve and develop with an emphasis on:

- Supporting the security and continued operations of the European and Global energy markets;
- Ensuring that the business is stable and able to operate;
- Maintaining operations and access to energy markets;

Strategic report (continued)

Future strategy of the business (continued)

- Fulfilling our obligations to counterparties and customers both in Europe and beyond, including European end-users and customers;
- Protecting the substantial value which is present in the Group's portfolios in Gas, Power and LNG contracts; and
- Ensuring continued business profitability and operational efficiency.

S172(1) statement

The Directors, in executing the strategy and complying with their duties in the year, have considered how their actions would promote the success of the Group for the benefit of its members as a whole. The Directors take a long term view to the decision making process, allocating resources and investment to business areas which are expected to bring the most benefit to the Group in coming years. This is evidenced through continued investment in IT infrastructure to support future development of the business and an ongoing initiative to promote carbon trading (emissions credits and carbon offset products) alongside the Group's strategic business units.

Customers, Strategic partners and Suppliers Standards of business conduct

The Group is both a significant procurer and provider of energy, playing an active role in the European and Asian markets as a trading counterparty and in ensuring security of energy supply for customers. As such, the Directors consider high standards of business conduct to be critical. Substantial focus is placed on strong and professional relationships with the Group's counterparties, including suppliers and customers; uninterrupted operations in its markets is fundamental to meeting this objective. Throughout the year, and particularly during the COVID-19 pandemic, the Group has been in contact with trading counterparties, suppliers and customers to ensure that commercial commitments are honoured. During the year, including the periods impacted by the COVID-19 pandemic, there were no incidents which resulted in material disruption of the Group's operations, customer supplies, or which had an adverse impact on the wider community.

Corporate Social Responsibility (CSR)

As a responsible business, the Group is committed to offering support for our local communities. During 2021, the Group globally donated over £80,000 to not-for profit organisations:

- Gift of Life foundation to ensure children and young adults with cancer or haematological disease receive the most effective and modern medical care and non-medical support;
- Regents Place Foundation, a social initiative supporting local grassroots community organisations by contributing funding, sharing resources, bringing together skills & expertise, and creating opportunities for local people;
- ArtSocial Foundation, who collaborates with the Otakar Kraus Music Trust to support children with additional needs through specialist music lessons and the Lighthouse Children's Hospice in Moscow, which provides support to hundreds of terminally ill children and their families;
- University College London Hospital's (UCLH) NHS Foundation Trust to support their campaign, "Bringing the Colour", a project aimed at redecorating and enhancing the Children's Emergency Department;
- Macmillan Cancer Support, one of the largest British charities providing specialist health care, information and financial support to people affected by cancer;

Strategic report (continued)

Corporate Social Responsibility (CSR) (continued)

- MS Society UK, the UK's biggest multiple sclerosis (MS) charity providing support for people living with MS;
- FC Marylebone, which supports 10 pupils from disadvantaged backgrounds who now have an opportunity to be involved in the after-school football sessions for children at the CCB Primary School in Marylebone;
- University of Sheffield Men's Football Club to support weekly sports and social activities for local residents with mental health problems;
- Russian Arctic Convoy Project to support a commemorative event marking the 75th anniversary of the end of the Russian Arctic Convoy and World War II, as well as the production of a commemorative documentary with veterans and small commemorative gifts;
- Kent, Surrey & Sussex Air Ambulance Trust to support aviation repair work and maintenance of the necessary level of technical support at this health care organisation, providing emergency medical care through the provision of air ambulance helicopters;
- Institut Curie Paris, one of the leading medical, biological, and biophysical centres in the world focused on providing support to those affected by cancer. The donation went towards the purchase of multisensory equipment that uses sounds, smells and light to support psycho-bodily development of children and adolescents suffering from serious pathologies, in particular cancer;
- The Russian House, a place of Russian culture which consists of a retirement house, a chapel and a museum received a donation from SEFE Energy SAS. The donation went towards the construction of a fitness ground for retired people living on the premises and towards the purchase of medical equipment which can be used by the residents;
- Community Chest, the programme run by Singapore's National Council of Social Services who, on a yearly basis, raise funds to meet the needs of the social service agencies. The funds go towards caring for vulnerable seniors, empowering children with special needs and youth at risk, integrating adults with disabilities into society and supporting people with mental health conditions;
- The Lancashire Wildlife Trust, the UK's leading conservation charity dedicated to wildlife, with plans for at least 30% of the UK's land and sea to be connected and protected for nature's recovery by 2030;
- Terre d'Abeilles, a French NGO on a mission to protect honey bees and other pollinators by acting against the agro ecological practices which harm the pollinators;
- Jantje Beton, a Dutch charity that works with children and young people to develop playgrounds and outdoor spaces to ensure that children never stop playing and lead a healthy life;
- Duik de Noordzee Schoon, a Dutch charity which focuses on protection of the North Sea though various initiatives.

We are committed to conducting business ethically, with honesty and integrity, and in compliance with all relevant laws and regulations. We do not tolerate any form of bribery, corruption or other unethical business conduct.

Our Code of Conduct outlines our core values and business principles that guide how we do business at the SM&T Group. It helps all employees to act in line with the standards, behaviours and principles required to do business to a high standard of professional and ethical conduct. Our policies and supporting documents provide further guidance and instruction, in line with best industry practice. These include our Competition Compliance, Financial Crime Compliance, Data Protection, and Information Security policies. Specific training is provided to relevant employees on these topics.

Strategic report (continued)

Employees

The Directors believe that the Group's success is aligned with the interests and well-being of its employees. They have been active in balancing the need for the business to remain competitive, and the need to continue to provide the Group's employees with a stable work environment and development opportunities.

The Human Resources team within the Group run an annual employee engagement survey to assess the morale of staff and to actively identify any areas where working practices could be improved. Studies have been performed with representation from across the business to examine the long term impacts of working away from the office, and to what extent more flexible working practices can be utilised by the Company going forward. Employee wellbeing continues to be a key priority for the Directors, and a Wellbeing Programme has been established to support employees to maintain and improve their physical and mental wellbeing. The Group has 25 qualified Mental Health First Aiders on hand to offer support and advice for employees who need it.

Approved by, and signed on behalf of, the Board of Directors, in accordance with Section 414 of the Companies Act 2006.

W Skribot
18 August 2022

Independent auditors' statement to the members of SEFE Marketing & Trading Limited (formerly known as "Gazprom Marketing & Trading Limited")

We have examined the supplementary financial information included within the Strategic Report with Supplementary Financial Information for the year ended 31 December 2021, which comprises the Group and Company statements of financial position as at 31 December 2021; the Group and Company statements of comprehensive income, the Group and Company statements of cash flows and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements.

Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the Strategic Report with Supplementary Financial Information, in accordance with the Companies Act 2006, which includes information extracted from the full Annual Report and Consolidated Financial Statements of SEFE Marketing and Trading Limited (formerly known as "Gazprom Marketing and Trading Limited") for the year ended 31 December 2021.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report with Supplementary Financial Information, with the full Annual Report and Consolidated Financial Statements.

This statement, including the opinion, has been prepared for and only for the SEFE Marketing and Trading Limited's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances disclosed in the summary financial information to full annual financial statements. Our audit report on the Group and Company's full Annual Report and Consolidated Financial Statements describes the basis of our opinion on those financial statements.

Opinion

In our opinion the supplementary financial information is consistent with the full Annual Report and Consolidated Financial Statements of SEFE Marketing and Trading Limited (formerly known as "Gazprom Marketing and Trading Limited") for the year ended 31 December 2021.

Emphasis of matter - disclosures in relation to judgements on the future control of the Company and the Group applied in respect of the going concern basis of preparation of the financial statements

In forming our opinion on the supplementary financial information, which is not modified, we draw your attention to the disclosures made in Note 2 concerning the preparation of the Group's and the Company's financial statements on a going concern basis. The disclosures set out the importance of the extension of the trusteeship arrangements with the German Federal Network Agency beyond 15

Independent auditors' statement to the members of SEFE Marketing & Trading Limited (formerly known as "Gazprom Marketing & Trading Limited")

December 2022, and the related judgements which the directors have made in reaching their conclusion that it is appropriate to prepare the financial statements on the going concern basis, and that there are no matters requiring disclosure as material uncertainties. Our conclusions in respect of going concern are set out in the audit report on the Group and Company's full Annual Report and Consolidated Financial Statements.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements (21 July 2022) and the date of this statement.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
18 August 2022

Statements of comprehensive income
For the year ended 31 December 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000s**	£'000s	**£'000s**	£'000s
Revenue		**6,291,535**	2,616,966	**-**	89
Cost of sales		**(4,942,124)**	(2,630,567)	**-**	-
Gross profit/(loss)		**1,349,411**	(13,601)	**-**	89
Trading and hedging activities:					
Net (loss)/income from trading and hedging activities	5	**(354,455)**	557,636	**550,203**	272,860
Net income		**994,956**	544,035	**550,203**	272,949
Administrative expenses	6	**(314,019)**	(243,172)	**(197,671)**	(152,333)
Net impairment (losses)/reversals on financial and contract assets	14	**(5,906)**	(17,232)	**8,986**	4,662
Income from subsidiaries		**-**	-	**14,431**	16,253
Operating profit		**675,031**	283,631	**375,949**	141,531
Interest income		**6,953**	8,323	**2,866**	491
Interest expense		**(29,529)**	(29,187)	**(12,414)**	(14,619)
Other income		**6,135**	8,224	**5,771**	7,739
Dividend income from subsidiaries		**-**	-	**-**	8,095
Loss on disposal of non-current assets		**-**	(14)	**-**	(14)
Profit before tax		**658,590**	270,977	**372,172**	143,223
Tax		**(98,063)**	(35,156)	**(69,317)**	(22,615)
Profit for the financial year		**560,527**	235,821	**302,855**	120,608
Hedge reserves:					
Hedging losses recognised during the year		**(837,044)**	(60,961)	**-**	(1,935)
Cost of hedging		**1,122**	2,247	**-**	-
Tax on items taken directly to equity		**(115,592)**	(15,729)	**-**	327
Hedging gains/(losses) reclassified to profit or loss		**838,207**	(102,895)	**(17)**	-
Tax on items transferred from equity		**(33,509)**	(9,535)	**3**	-
Loss on foreign currency translation		**(595)**	(23,275)	**-**	-
Total other comprehensive expense		**(147,411)**	(210,148)	**(14)**	(1,608)
Total comprehensive income[1]		**413,116**	25,673	**302,841**	119,000
Total comprehensive income attributable to:					
Equity owners of the parent		**413,116**	25,673	**302,841**	119,000

[1]All amounts are subsequently reclassified to profit and loss when specific conditions are met.

All operations were continuing in the current and prior year. The notes on pages 22 to 74 form an integral part of the Supplementary Financial Information.

Statements of financial position
As at 31 December 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000s**	£'000s	**£'000s**	£'000s
Assets					
Non-current assets					
Intangible assets		**50,406**	50,699	**30,259**	29,492
Property, plant and equipment		**11,583**	11,649	**8,999**	8,646
Right-of-use assets	7	**411,099**	264,800	**15,365**	18,854
Financial assets measured at fair value	15	**2,773,561**	230,848	**3,058,969**	299,933
Investments in subsidiaries	8	**-**	-	**7,958**	7,958
Deferred tax assets		**111,889**	37,096	**2,261**	4,442
Trade and other receivables	13	**21,882**	19,415	**-**	-
Lease receivables		**124,352**	143,475	**1,989**	2,823
		3,504,772	757,982	**3,125,800**	372,148
Current assets					
Inventories	9	**1,084,704**	754,742	**1,058,665**	725,901
Trade and other receivables	13	**4,152,217**	1,955,777	**3,807,833**	1,739,760
Lease receivables		**20,593**	20,484	**555**	1,467
Financial assets measured at fair value	15	**8,656,558**	2,011,155	**10,222,924**	2,175,015
Current tax assets		**154**	752	**-**	-
Cash equivalents receivable from related parties	13	**906,965**	40,937	**1,076,675**	47,252
Cash at bank and in hand	13	**35,876**	21,339	**6,500**	8,017
		14,857,067	4,805,186	**16,173,152**	4,697,412
Total assets		**18,361,839**	5,563,168	**19,298,952**	5,069,560

Statements of financial position (continued)
As at 31 December 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000s**	£'000s	**£'000s**	£'000s
Liabilities					
Current liabilities					
Trade and other payables	13	**5,674,266**	1,691,739	**5,174,872**	1,361,168
Financial liabilities measured at fair value	15	**8,155,515**	1,990,496	**9,698,357**	2,163,034
Provisions	11	**19,283**	11,310	**11,061**	11,531
Current tax liabilities		**72,162**	25,239	**47,597**	4,653
Loans and overdrafts	13	**-**	464,335	**793,578**	979,568
Lease liabilities		**85,425**	57,609	**5,028**	5,882
		14,006,651	4,240,728	**15,730,493**	4,525,836
Non-current liabilities					
Trade and other payables	13	**47,599**	806	**47,599**	190
Lease liabilities		**501,616**	401,557	**16,007**	20,361
Financial liabilities measured at fair value	15	**2,641,698**	270,710	**3,111,966**	323,178
Provisions	11	**10,212**	8,312	**9,021**	6,928
Deferred tax liabilities		**255,480**	12,517	**-**	-
		3,456,605	693,902	**3,184,593**	350,657
Total liabilities		**17,463,256**	4,934,630	**18,915,086**	4,876,493
Net assets		**898,583**	628,538	**383,866**	193,067
Equity					
Ordinary share capital		**20,000**	20,000	**20,000**	20,000
Other reserves		**(337,125)**	(159,280)	**-**	14
Foreign currency translation reserve		**30,365**	30,960	**-**	-
Retained earnings		**1,185,343**	736,858	**363,866**	173,053
Equity attributable to:					
Owners of the parent		**898,583**	628,538	**383,866**	193,067
Total equity		**898,583**	628,538	**383,866**	193,067

The notes on pages 22 to 74 form an integral part of the Supplementary Financial Information.

The full Consolidated Financial Statements of SEFE Marketing & Trading Limited (registered number 3768267) and of the Company were approved by the Board of Directors and authorised for issue on 21 July 2022 and signed by the Directors as a consistent extract thereof as a part of the Strategic Report with Supplementary Financial Information on 18 August 2022.

Signed on behalf of the Board
W Skribot
18 August 2022

Statement of changes in equity
For the year ended 31 December 2021

Group	Ordinary share capital £'000s	Hedge reserve £'000s	Foreign currency translation reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2020	**20,000**	**29,192**	**54,235**	**679,837**	**783,264**
Profit for the year	-	-	-	235,821	235,821
Other comprehensive expense:	-	(186,873)	(23,275)	-	(210,148)
Total comprehensive (expense)/income	**-**	**(186,873)**	**(23,275)**	**235,821**	**25,673**
Less: Currency translation difference	**-**	(1,599)	-	-	(1,599)
Transactions with owners:					
Dividends declared or paid	**-**	-	**-**	**(178,800)**	**(178,800)**
Balance at 31 December 2020	**20,000**	**(159,280)**	**30,960**	**736,858**	**628,538**
Profit for the year	**-**	**-**	**-**	**560,527**	**560,527**
Other comprehensive expense:	**-**	**(146,816)**	**(595)**	**-**	**(147,411)**
Total comprehensive (expense)/income	**-**	**(146,816)**	**(595)**	**560,527**	**413,116**
Less: Currency translation difference	**-**	**(31,029)**	**-**	**-**	**(31,029)**
Transactions with owners:					
Dividends declared or paid	**-**	**-**	**-**	**(112,042)**	**(112,042)**
Balance at 31 December 2021	**20,000**	**(337,125)**	**30,365**	**1,185,343**	**898,583**

Statement of changes in equity (continued)
For the year ended 31 December 2021

Company	Ordinary share capital £'000s	Hedge reserves £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2020	**20,000**	**1,622**	**231,245**	**252,867**
Profit for the year	-	-	120,608	120,608
Other comprehensive expense:	-	(1,608)	-	(1,608)
Total comprehensive (expense)/income	**-**	**(1,608)**	**120,608**	**119,000**
Transactions with owners:				
Dividends declared or paid	-	-	**(178,800)**	**(178,800)**
Balance at 31 December 2020	**20,000**	**14**	**173,053**	**193,067**
Profit for the year	**-**	**-**	**302,855**	**302,855**
Other comprehensive expense:	**-**	**(14)**	**-**	**(14)**
Total comprehensive (expense)/income	**-**	**(14)**	**302,855**	**302,841**
Transactions with owners:				
Dividends declared or paid	**-**	**-**	**(112,042)**	**(112,042)**
Balance at 31 December 2021	**20,000**	**-**	**363,866**	**383,866**

The notes on pages 22 to 74 form an integral part of the Supplementary Financial Information.

Statements of cash flows
For the year ended 31 December 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000s**	£'000s	**£'000s**	£'000s
Operating activities					
Operating profit		**675,031**	283,631	**375,949**	141,531
Depreciation of property, plant and equipment and right-of-use assets		**56,478**	42,732	**6,214**	6,984
Amortisation of intangible assets		**18,199**	19,569	**10,617**	12,946
Unrealised fair value movements on trading contracts at fair value		**(960,285)**	(300,101)	**(769,759)**	(116,721)
Other unrealised movements		**(5,698)**	(27,347)	**(3,994)**	(8,610)
Increase/(decrease) in provisions	11	**9,873**	(2,056)	**1,623**	(1,666)
Other income		**6,135**	8,225	**5,771**	7,738
Impairment losses/(reversal) on financial, contract and other assets		**5,906**	17,232	**(8,986)**	(4,661)
Operating cash flows before movements in working capital		**(194,361)**	41,885	**(382,565)**	37,541
(Increase) in inventories		**(329,962)**	(363,846)	**(332,764)**	(357,581)
(Increase) in receivables		**(2,223,056)**	(340,993)	**(2,063,938)**	(402,798)
Increase/(decrease) in payables		**4,050,774**	(133,492)	**3,874,851**	(181,718)
Decrease in financial contracts measured at fair value through profit or loss		**281,180**	432,962	**286,909**	377,058
Cash generated from/(used in) operations		**1,584,575**	(363,484)	**1,382,493**	(527,498)
Interest and banking charges paid		**(9,415)**	(8,147)	**(11,756)**	(16,421)
Interest income received		**312**	273	**1,626**	568
Income taxes paid		**(30,687)**	(32,043)	**(28,300)**	(29,200)
Net cash generated from/(used in) operating activities		**1,544,785**	(403,401)	**1,344,063**	(572,551)
Investing activities					
Investment income received		**-**	-	**-**	8,095
Interest received on lease receivables		**6,641**	8,050	**42**	89
Purchases of property, plant and equipment		**(2,889)**	(2,401)	**(2,705)**	(2,277)
Proceeds from disposal of property		**-**	276	**-**	276
Purchases of intangible assets		**(18,413)**	(17,286)	**(11,384)**	(10,459)
Proceeds from lease agreements		**21,143**	19,985	**1,695**	368
Capital contribution to subsidiary		**-**	-	**-**	(3,841)
Net cash generated from/(used in) investing activities		**6,482**	8,624	**(12,352)**	(7,749)

Statements of cash flows (continued)
For the year ended 31 December 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000s**	£'000s	**£'000s**	£'000s
Financing activities					
Drawdown of loan from the Group	12	**-**	-	**278,965**	45,234
(Repayment) of obligations under lease agreements		**(73,289)**	(52,884)	**(5,182)**	(2,864)
Interest paid on lease payables		**(20,030)**	(20,954)	**(433)**	(217)
(Repayment)/drawdown of loan from parent undertakings	12	**(464,335)**	466,848	**(464,335)**	466,848
Dividends paid		**(112,042)**	(178,800)	**(112,042)**	(178,800)
Net cash (used in)/generated from financing activities		**(669,696)**	214,210	**(303,027)**	330,201
Net increase/(decrease) in cash and cash equivalents		**881,571**	(180,567)	**1,028,684**	(250,099)
Exchange (loss)/gain on cash and cash equivalents		**(487)**	342	**(170)**	-
Movement in loss allowance for cash and cash equivalents		**(519)**	-	**(608)**	-
Cash and cash equivalents at the beginning of the year		**62,276**	242,501	**55,269**	305,368
Cash and cash equivalents at the end of the year		**942,841**	62,276	**1,083,175**	55,269

The notes on pages 22 to 74 form an integral part of the Supplementary Financial Information.

Notes to the Financial Statements

Year ended 31 December 2021

1. Corporate information

SEFE Marketing & Trading Limited is a private company limited by shares incorporated and domiciled in England and Wales at 20 Triton Street, London, NW1 3BF. The principal activities of the Group and Company are referred to in the Strategic Report on page 1. The Company was formerly known as Gazprom Marketing & Trading Limited until 29 July 2022.

2. Basis of preparation

Statement of compliance

The Group's Annual Financial Statements have been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006. The primary statements in this Annual Report and Financial Statements are presented in accordance with International Accounting Standards (IAS) 1 'Presentation of financial statements'.

The Strategic report with Supplementary financial information is made up of the Strategic report and summary financial information extracted from the full Annual Financial Statements and has been prepared in accordance with the requirements of the Companies Act 2006 section 426A. It does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Audited statutory accounts for the year ended 31 December 2022 are delivered to the Registrar of Companies in England and Wales in accordance with section 441 of the UK Companies Act 2006. The Auditors' Report on those accounts was unqualified and the auditors' statement under section 496 of the Companies Act 2006 was unqualified.

Basis of measurement

The Financial Statements have been prepared using the historical cost basis, modified for certain financial instruments and inventories measured at fair value, and using the going concern basis as disclosed below.

Statement of going concern

The Group and Company continuously monitor and assess uncertainties and risks which may affect its performance and position, especially in relation to its liquidity. The key liquidity risks that the Group and Company faces are:

- Impact of countersanctions from the Russian Federation that may influence several of the Group's long-term LNG contracts
- Unpredictable payments or receipts on trading contracts due to price volatility for gas, power and LNG
- Changes in the need for initial or variation margin to be paid on exchange traded contract exposures due to price volatility for gas, power and LNG
- Counterparty credit risk

The Group and Company mitigates these risks through;

- Use of risk based limits for trading activity such as market value at risk and credit value at risk (see note 14 for further detail)
- Daily cash flow forecasting
- Ensuring that it either has sufficient available cash reserves to hand or access to committed financing that will enable it to meet all anticipated needs as well as to cover stressed market conditions or extreme or unplanned events.

2. Basis of preparation (continued)

Statement of going concern (continued)

As at the date of approval of these accounts, the Group has unrestricted cash balances of £29.3m deposited with Western financial institutions with a minimum investment grade credit rating of "A-1". In addition, through intercompany agreements with its parent company SEFE, the Group and Company have access to committed facilities of €3.7bn until June 2028 and a cash pool facility of €1.1bn.

These intercompany agreements are supported by the German federal government loan provided to SEFE via KfW in order to ensure the ability of SEFE to continue as a going concern. The loan takes the form of a committed facility, with a nominal of €9.8 billion and a maximum tenor of 6 years. The loan contains a change of control clause that gives KfW a right to cancel the loan with 15 days' notice if the Federal Republic of Germany directly or indirectly ceases control over the SEFE Group.

As described in the Strategic Report on page 6, the Group and Company is currently dealing with an unprecedented level of market volatility and uncertainty as a result of the war in Ukraine, the related geopolitical tensions and sanctions imposed on or by the Russian Federation. In addition, as a consequence of actions taken by PJSC Gazprom, the Company's previous ultimate parent company, the German Federal Network Agency, an independent German regulatory authority, has been appointed as the Trustee of SEFE and its subsidiaries, including SM&T.

Originally the trusteeship arrangement was set up until 30 September 2022. In June 2022 the Federal Network Agency publicly announced that, due to the key role that the SEFE Group plays in providing stability to the German and European energy markets, the German Government has an intention to secure long-term trusteeship over the SEFE Group and that the amended Energy Security Act allows the Government to extend the trusteeship by another 6 months several times when such measures are needed to protect the market. As a result, the German Government has taken the next step and on 17 June it extended its trusteeship of SEFE until 15 December 2022 with the option to extend this relationship multiple times.

In preparing these accounts on a going concern basis, the Group has prepared a base case liquidity forecast which takes into account current trading positions, forecast market prices and current cash and available facilities.

In addition, the Group has modelled cash flows under severe but plausible downside scenarios by calculating a Liquidity Risk Reserve ('LRR') projection and overlaying this to the base case liquidity forecast. The LRR calculation is undertaken in order to determine the level of funding facilities the Group requires to have in place in order to cover certain potential downside scenarios and be able to continue trading. The LRR is determined by a Monte Carlo simulation set at a 95% confidence level using scenarios covering market, credit and operational risks. Under the LRR calculation methodology, market risk scenarios are based on market value at risk ("MVaR") limits and include stresses against the Group's material energy commodity market exposures. Operational risks are focused on scenarios of delays in receivables due to increased sanction screening time with banks, increases in initial margin requirements for exchange trading, as well as additional negative credit events based on credit value at risk ("CVaR") metrics.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

2. Basis of preparation (continued)

Statement of going concern (continued)

Given the increased volatility in the market and the increased geopolitical risks, the LRR has substantially increased by comparison with prior periods. The current LRR, which was approved in June 2022, is 111% higher when compared with the results of the same calculation performed in December 2020. This reflects the current pressures on energy markets and the potential impact of geopolitical risks.

The Group and Company are dependent on its immediate parent, SEFE, for funding facilities. SEFE is in turn, reliant on the continuation of the Federal Network Agency trusteeship and support of the German Government. The management of SEFE are highly confident of this continued support given that the German Government has already provided significant financial support via the KfW loan to allow SEFE to maintain its operations; has committed to the trustee relationship which can be extended multiple times; has changed the law to protect the energy markets in Germany; appointed its representative as Managing Director of the Group and renamed SEFE in line with its future strategy; the management of SEFE are confident that, should they prove necessary, requests for additional support from the German Federal Government would be met with corresponding decisions made in the interests of SEFE, in line with its purpose of securing energy for Europe, and its continuation of financial support.

As of the date of approval of these financial statements, the Group and the Company have sufficient cash and access to funding from SEFE, as described above, to meet the needs of both the base case cash flow profile and the LRR overlay scenario. As noted above, this is wholly dependent on the continuation of the Federal Network Agency trusteeship and German Government support throughout the going concern period. The Directors have no doubt that this will continue and, as a result, have prepared the Financial Statements on a going concern basis. In the opinion of the Directors there are no reasonably plausible circumstances in which the going concern basis might not be appropriate, and as a result, there are no material uncertainties requiring disclosure.

3. Summary of significant accounting policies

These policies have been consistently applied to all the years presented.

Consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries made up to 31 December each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group (i) has power over the entity, (ii) is exposed to, or has rights to, variable returns from its involvement with the entity and (iii) has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The Financial Statements of overseas subsidiaries are translated into Great British Pounds (“Sterling”) as described below in the Foreign currency accounting policy.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Investment in subsidiaries

Investments in subsidiaries are carried in the Company Financial Statements at cost less provision for impairment.

Revenue recognition

Revenues consist of amounts recognised in relation to the Group's Retail gas and electricity supply contracts, and the Group's physical LNG activities. Revenue is recognised on an accruals basis as performance obligations are satisfied, either at a point in time or over time.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Given the straightforward nature of the contractual terms within the respective revenue streams, the Group does not expect significant uncertainty over the timing or amount of revenue.

Retail

Performance obligations for Retail gas and electricity supply contracts; gas storage; and transportation contracts are satisfied over time, as the goods or services are supplied over the term of the contract and control is transferred. Progress is measured using either the input method or the invoiced amount when applicable, to reflect the value to the customer of the Group's performance completed to date.

For Retail gas and electricity supply contracts, the performance obligations reflect delivery of the respective products over the life of the contract. The transaction price allocated to the performance obligation is the contractually agreed price per unit. This is the amount of consideration the Group expects to receive, net of discounts, rebates, VAT and other sales taxes or duty. There is no variable price element in the performance obligations.

Revenue for energy supply activities in Retail contracts includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (this value must be estimated as most meters will not be read on the year end date). This estimate for unread gas and electricity meters is based upon historical consumption patterns. Such amounts are recognised within contract assets (accrued income) until they are invoiced, at which point they become trade receivables (being an unconditional right to receive consideration).

Contract assets also arise when contract modifications on "blend and extend" contracts are treated as a separate contract, when a customer extends the term of an existing supply contract at a lower rate to the original contract and is charged at a blended rate of the original and new contract.

This treatment results in revenue being recognised at the contractual rate on the original contract for the remaining original contractual period, with the customer being invoiced at the new, comparatively lower blended rate. When the original contract expires and the extension contract begins, revenue will be recognised at the lower contractual rate of the extension contract, whilst the customer is invoiced at the comparatively higher blended rate, realising the contract assets.

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Retail (continued)

Contract liabilities (deferred income) arise when customers prepay for gas and power. Revenue is subsequently recognised when the performance obligations are satisfied i.e. when the products are delivered.

LNG

Performance obligations for physical LNG activities are satisfied at a point in time, when control of the goods is transferred to the customer, per the contractual Incoterms. The transaction price is allocated to this performance obligation.

There are no significant financing components in the Group's contracts with customers, as payment is usually due within 20 days.

Cost of sales

Cost of sales includes the cost of LNG, Retail gas and Retail electricity purchased during the period and related transportation, distribution costs, balancing charges, bought-in materials, costs of emissions certificates to satisfy regulatory requirements and other services. It also includes the net costs of chartering and sub-chartering of vessels which are not captured within the scope of IFRS 16: Leases (refer to the accounting policy on leases below).

Net income from trading and hedging activities recognition

The Group undertakes significant activities which, for the purposes of disclosure in the Financial Statements, have been classified as "trading". The Group uses the net gains and losses generated from non-financial and financial instruments classified as held for trading per IFRS 9 as the basis for this categorisation.

Net income from trading activities is recognised on transactions that optimise the performance of the Group's energy portfolio. The Group routinely enters into sale and purchase transactions for commodities. These contracts, which are non-financial instruments, include pricing terms that are based on a variety of commodities and indices. Where required by IFRS 9, these contracts are recognised in the Statement of financial position at fair value with movements in fair value recognised in the Statement of comprehensive income within 'Net income from trading and hedging activities'.

Net income from trading and hedging activities' includes amounts released from cash flow hedge reserves. The timing of these releases is matched to the impact of the hedged cargoes on the Statement of comprehensive income.

'Net income from trading and hedging activities is attributable to the Group's principal activities, those are the marketing and trading of energy products, except in relation to Retail gas and electricity contracts, gas storage and transportation contracts, and physical LNG activities.

In addition to net gains and losses from items classified as held for trading within the scope of IFRS 9, revenues and costs of complementary contracts are also disclosed within Net income from trading and hedging activities.

3. Summary of significant accounting policies (continued)

Net income from trading and hedging activities recognition (continued)

These include products which are considered to be part of the Group's trading activities: certain emission certificates, held at the lower of cost or net realisable value; and gas and other energy storage and transportation capacities against which revenue is recognised on an accrual basis. Revenue in respect of gas storage and transportation is subject to the Revenue recognition accounting policy set out above. Energy purchase and sale transactions entered to optimise the performance of the storage facilities are also presented within 'Net income from trading and hedging activities'.

Right-of-use assets

Right-of-use assets are recognised to represent those assets to which the Group has access under lease contracts. They are measured at cost comprising of:

- The amount of initial measurement of the corresponding lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Right-of-use assets are depreciated over the lease term on a straight-line basis, as each asset's useful life is considered equal to or greater than the lease term.

In instances where the timing of cash flows under the lease has changed or the total expected cash flows have changed due to the exercise of extension or termination options, or other lease modifications which have not been accounted for as separate leases; the right-of-use asset is adjusted in an amount corresponding to the amount of change in the lease liability (see below).

Inventory

The valuation approach for the Group's inventory is based on the Group's specific activities in relation to each product. Physical commodities principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-trader's margin are held at fair value less costs to sell. These commodities include physical gas, oil products and certain emission allowances. Movements in the fair value of inventory between reporting dates are recognised directly in the Statement of comprehensive income. The fair value is measured at the price for the soonest available delivery of gas, oil and emission allowances (respectively) at the reporting date.

LNG and certain gas positions which are managed outside of the trading books; and certain emissions certificates are held at the lower of cost and net realisable value. Net realisable value is the price at which inventory can be sold in the ordinary course of business after allowing for the estimated costs of sale. Bunker fuel and LNG heel for chartered vessels are recorded at the lower of cost and net realisable value.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Inventory (continued)

Gas storage

Physical gas storage contracts are treated as executory contracts and carried at amortised cost. Inventory stored in this manner is accounted for separately from the storage contract.

Virtual gas storage contracts are treated as financial instruments held at fair value with gains and losses reported through Net income from trading and hedging activities. Any inventory placed within virtual storage arrangements is derecognised from the Statement of financial position, and a corresponding financial asset receivable is recorded.

Where virtual gas storage capacity has been sold and the Group receives gas inventory under the arrangement, a financial liability measured at the fair value of the gas to be returned to the counterparty is recorded.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits, excluding cash required as margin held with brokers. Cash equivalents comprise short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value and have an original maturity of three months or less.

Trade payables and receivables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade receivables are initially recognised at the amount of consideration that is unconditional, less expected credit losses, unless they contain a significant financing component in which case they are recognised at fair value.

Leases

The Group leases various offices, ships, equipment and vehicles for fixed periods of up to 15 years. The ships are used for the purpose of transporting LNG in the Group's Global LNG, Oil and Shipping business.

Extension options in some contracts provide the lessee with the right to extend the lease past the initial term of the contract. Termination options in some contracts provide the lessee with the right to terminate the lease before the end of the lease term.

For ships, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For all other classes of right-of-use assets, the Group has elected not to separate non-lease components from lease components, and instead accounts for these as a single lease component.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Leases (continued)

Lessee

Where the Group is the lessee, it recognises a right-of-use asset and a corresponding lease liability in the Statement of financial position on the date that the leased asset is made available for use to the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. The Group's lease payments consist only of fixed payments during the lease term, and as such the lease liability is the net present value of the fixed payments. The accounting policy for right-of-use assets can be found above on page 27.

Where the lease contains extension or termination options, the lease term is determined to be the non-cancellable period of the lease plus any additional period where the Group is reasonably certain to exercise an extension option or not to exercise a termination option.

The Group makes use of the exemption under IFRS 16 for short-term leases, under which payments for leases with a term shorter than 12 months are recognised on a straight-line basis through the Statement of comprehensive income. No right-of-use asset is recognised in these instances.

Where possible, lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Uses a bottom-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the related asset to the lessee; otherwise it is classified as an operating lease.

a) *Finance leases*

Assets held under finance leases are presented as receivables in the Statement of financial position at an amount equal to the net investment in the lease. Finance income recognition is based on a pattern reflecting a constant periodic return on the net investment in the finance lease.

b) *Operating leases*

Payments received under operating leases, net of lease incentives or premiums, are recognised in the Statement of comprehensive income on a straight-line basis over the period of the lease.

3. Summary of significant accounting policies (continued)

Leases (continued)

c) *Intermediate lessor*

The Group acts as an intermediate lessor by subleasing ships to external counterparties and subleasing office space to both related and unrelated counterparties. These subleases are treated in line with normal lessor activity, except that the assessment of the transfer of risks and rewards is now with reference to the term of the head lease, rather than the useful economic life of the underlying asset.

Provisions and impairment

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and for which it is probable that economic resources will be required from the Group to settle that obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date discounted to its present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Statement of comprehensive income within interest expense.

Assets which are not measured at fair value through profit or loss are assessed for impairment on an ongoing basis. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses are recognised to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use. Intangible assets (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Onerous contract provisions are recognised for those contracts which do not form part of cash-generating units and for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Foreign currency

a) Functional and presentation currency

The Financial Statements of the Group and Company are presented in Sterling, which is also the functional currency of the Company.

All currency amounts in the Financial Statements are rounded to the nearest thousand Sterling unless stated otherwise.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

c) Translation of subsidiaries results

Subsidiaries of the Company have been consolidated into the Group Financial Statements using the average conversion rate for the year for items presented on the Statements of comprehensive income and the closing rate for items presented on the Statements of financial position. Translation differences arising from net investments in foreign operations are taken to the Foreign currency translation reserve.

Financial and non-financial instruments within the scope of IFRS 9

Trading assets and liabilities are recognised in the Statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or when the Group transfers the financial asset and substantially all the risk and rewards of ownership to another party.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

3. Summary of significant accounting policies (continued)

Financial and non-financial instruments within the scope of IFRS 9 (continued)

Financial assets within the scope of IFRS 9 are classified at amortised cost, fair value through profit or loss or fair value through other comprehensive income, on the basis of the business model within which they are held, and on their contractual cash flow characteristics. Financial liabilities within the scope of IFRS 9 are classified as held at amortised cost or fair value through profit or loss.

The Group determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end in line with business model assessments.

Trading contracts at fair value through profit and loss

Trading assets and liabilities are carried in the Statements of financial position at fair value with gains or losses recognised in the Statements of comprehensive income within 'Net income from trading and hedging activities', except for certain financial instruments designated as hedging instruments. Financial assets or financial liabilities classified as held for trading are recognised on trade date at fair value (as described in more detail below), usually being the transaction price excluding transaction costs. These transaction costs are included within 'Net income from trading and hedging activities' in the Statement of comprehensive income. The determination of fair value and the treatment of financial instruments designated as hedging instruments are described below.

The Group enters into contracts to buy or sell commodities for trading purposes and not for the purpose of receipt or delivery of the underlying commodity in order to meet the Group's expected own-use requirements. Even though the majority of these contracts are physically delivered, where such contracts are deemed to be capable of net settlement, for example where the commodity is deemed to be readily convertible to cash, they are treated as financial assets or liabilities within the scope of IFRS 9 and measured at fair value with associated gains or losses recognised directly in the Statement of comprehensive income within 'Net income from trading and hedging activities'.

Financial assets and liabilities at amortised cost

Financial assets held within a business model where the objective is to collect contractual cash flows, and where such contractual cash flows are solely payments of principal and interest, are classified as assets held at amortised cost. They are initially recognised on settlement date at fair value, plus any directly attributable transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method, less an allowance for expected credit losses.

Financial liabilities which are not measured at fair value through profit and loss are classified as liabilities held at amortised cost. They are initially recognised on settlement date at fair value, less any directly attributable transaction costs, and subsequently measured at amortised cost, using the effective interest rate method.

Trade and other receivables, and short-term payables, for which the effect of discounting would be immaterial, are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Financial and non-financial instruments within the scope of IFRS 9 (continued)

Financial assets and liabilities at amortised cost (continued)

Interest is recognised in the Statement of comprehensive income within 'Interest income' or 'Interest expense' as appropriate. The fair value on initial recognition includes directly attributable transaction costs.

Fair value

The Group uses various methods to determine the fair value of items for both initial recognition and subsequent measurement.

At the close of business on the reporting date, the fair value of assets traded in an active market is determined by reference to the bid price for net open asset positions; the ask price for net open liability positions; and mid-market prices where there are assets and liabilities with offsetting risks.

Where the instrument is not traded in an active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially similar, discounted cash flow analysis and option pricing models.

The Group endeavours to utilise valuation techniques that maximise dependence on market observable inputs and minimise the use of unobservable inputs. Refer to note 16 for further details on the Group's use of fair value measurement.

Treatment of "day-one" gains and losses

In the normal course of its business, the Group will acquire non-financial and financial instruments where the fair value on initial recognition is the transaction price. For certain transactions the fair value on initial recognition is based on other observable market data for the same instrument or calculated using a valuation technique where all input variables are based on observable market data. When evidence from observable market data that the fair value is different to the transaction price, the Group recognises a "day-one" gain or loss at inception within 'Net income from trading and hedging activities'.

When significant unobservable data is used to determine the fair value at inception of the transaction, the difference between the transaction price and the calculated fair value is not recognised immediately. These "day-one" gains or losses are deferred and recognised in 'Net income from trading and hedging activities' on a straight-line or other appropriate systematic basis as observable market data becomes available.

Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with gains or losses reported in Net income.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Financial and non-financial instruments within the scope of IFRS 9 (continued)

Embedded derivatives (continued)

The nature of embedded derivatives is reassessed when there is a change in the terms of the contract which significantly modifies its future cash flows. Where a contract contains one or more embedded derivatives, and providing that the embedded derivative significantly modifies the cash flows under the contract, the option to fair value the entire contract may be taken and the contract will be recognised at fair value with changes in fair value recognised in Net income from trading and hedging activities.

Offsetting of balances

Financial and non-financial assets and liabilities are reported on a net basis only where there is a currently enforceable legal right of offset and there is an intention to settle on a net basis.

Impairment of financial assets and expected credit loss model

The Group applies an expected loss model for the impairment of financial assets which are not measured at fair value through profit and loss. The Group has the following types of financial instruments that are subject to the expected credit loss model:

- Trade and other receivables
- Finance lease receivables from affiliated companies
- Contract assets
- Financial guarantee contracts
- Cash and cash equivalents

The measurement of expected credit losses on financial assets and financial guarantee contracts is based on the term of the asset, the credit quality of the obligor and assumptions about the future risk of default and expected loss rates. The Group uses judgement in making these assumptions; selecting the inputs to the impairment calculation based on the Group's past credit loss experience, existing market conditions, and forward-looking estimates at the end of each reporting period.

For details of the key assumptions and inputs used, see note 14 on credit risk.

Expected credit losses, and any subsequent reversals, are recognised in the Statement of comprehensive income and are reflected in the carrying amount of the impaired asset on the Statement of financial position.

Reversals of expected credit losses occur when the expected credit loss decreases as a result of changes in inputs regarding risk of default and expected loss rates. These reversals are limited such that the value of the asset cannot exceed the amortised cost value that would have been recorded at the reporting date had the impairment not been recognised.

Where recoveries of actual credit losses are achieved from independent credit enhancements (e.g. guarantees), those inflows are accounted for independently from the original exposure.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Impairment of financial assets and expected credit loss model (continued)

The Group applies the simplified approach, as described by IFRS 9, to measure expected credit losses for trade and other receivables, contract assets and finance lease receivables. The simplified approach permits the use of a lifetime expected loss allowance.

Loss allowances on financial guarantees are based on expectations of credit losses over a 12-month horizon, unless there has been a significant increase in credit risk of the reference entity in the contract since initial recognition. Where there has been a significant increase in credit risk on the contract since initial recognition, the lifetime expected loss model is applied.

Hedge accounting

IFRS 9 sets out the criteria for the application of hedge accounting. A key requirement is that the hedging relationship must be documented in detail and an economic relationship between the hedged item and hedging instrument be demonstrated.

The Group uses certain financial and non-financial instruments to hedge exposures to financial risks, such as commodity price risks and foreign exchange risks which arise in the normal course of business. All such hedging instruments are measured at fair value upon initial recognition and are re-measured to fair value at each subsequent reporting date.

For those instruments designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the Group's risk management strategy and objective for undertaking the hedge. It also includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements, including an analysis of sources of hedge ineffectiveness and how the hedge ratio is determined.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging exposure to changes in the fair value of a recognised asset, liability, or firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The treatment of gains and losses arising from the revaluation of hedging instruments depends on the nature of the hedging relationship.

Fair value hedges

Fair value hedges are used to hedge the risk of changes in fair value of unrecognised firm commitments. The Group applies fair value hedge accounting when hedging commodity price risks of natural gas storage contracts.

3. Summary of significant accounting policies (continued)

Fair value hedges (continued)

The change in fair value of derivatives designated within effective fair value hedges continues to be recognised in the Statement of comprehensive income. During the life of the hedge, the change in fair value of the designated firm commitments attributable to the risk being hedged is recognised on both the Statement of financial position and in the Statement of comprehensive income as a financial instrument at fair value through profit and loss.

Fair value hedge accounting is discontinued only when the hedging relationship or a part thereof ceases to meet the qualifying criteria. This includes instances where the risk management objective changes or when the hedging instrument is sold, terminated or exercised. The accumulated adjustment to the carrying amount of the hedged item at the point of discontinuation is then amortised prospectively to profit or loss over the hedged item's remaining period to maturity.

Cash flow hedges

Cash flow hedges are used to hedge the risk of variability in cash flows related to an asset or liability carried on the Statement of financial position or a highly probable forecast transaction. The effective portions of changes in the fair value of instruments that are designated and qualify as cash flow hedges are deferred in Equity. The gain or loss relating to the ineffective portion is recognised immediately in ‘Net income from trading and hedging activities’.

Amounts deferred in Equity are recycled to the Statement of comprehensive income in the periods during which the hedged item is recognised in the Statement of comprehensive income. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred are transferred from Equity and included in the initial measurement of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the risk management objective for the hedge relationship has changed, the hedging instrument expires, is sold, terminated, exercised or the hedge relationship no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in Equity is recognised immediately as described above.

4. Impact of changes in accounting policy

Certain new accounting standards, amendments and interpretations have been published during the period; these have been fully adopted where the requirements of these publications are mandatory for this reporting period. These standards did not have a material impact on the Group in the current reporting period.

The Group has adopted the guidance included within ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (the Amendments)’ which was issued in May 2021. This amendment provides clarity around the application of IAS 12 and the timing of recognition of deferred tax balances when a company enters lease agreements.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

4. Impact of changes in accounting policy (continued)

The Group has not early adopted the requirements of any other standard, amendment or interpretation which is not mandatory for the reporting period. These standards are not currently expected to have a material impact on the Group in the current or future reporting periods, nor on foreseeable future transactions.

5. Net income from trading and hedging activities

Included within Group Net income from trading and hedging activities is a net loss of £(928.1)m (2020: gain of £303.5m) representing releases of cash flow hedge reserves from Other reserves; this loss is more than offset by the results in Gross profit from the underlying hedged portfolio to which these hedges apply. The remaining gain of £573.6m (2020: £254.1m) represents the trading results of gas, power and derivatives businesses including contracts mandatorily measured at fair value through profit or loss of £532.4m (2020: £187.6m), and Group revenue from gas storage and transportation of £41.2m (2020: £66.5m).

Company Net income from trading and hedging activities is a net gain of £504.9m (2020: £189.5m gain) relating to trading contracts mandatorily measured at fair value through profit or loss, and Company revenue from gas storage and transportation of £45.3m (2020: £83.4m).

6. Administrative expenses

	Group		**Company**	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Administrative expenses				
Staff costs	**195,859**	130,850	**145,319**	95,283
Other employee costs	**13,060**	12,560	**10,923**	10,294
Office costs	**26,396**	33,051	**22,420**	24,323
Rentals under short-term leases	**104**	10	**109**	7
Travel expenses	**627**	739	**302**	416
Consultancy (excluding Auditors' remuneration)	**1,973**	2,416	**881**	1,246
Auditors' remuneration	**1,323**	1,245	**886**	834
Depreciation	**56,478**	42,732	**6,214**	6,984
Amortisation	**18,199**	19,569	**10,617**	12,946
	314,019	243,172	**197,671**	152,333

Within Administrative expenses is a rebate received against long term leases. The Group claimed amounts against the lessor under the contractual terms of certain vessel time charters. The value of claims recognised during the year was £4.0m (2020 £nil).

Notes to the Financial Statements (continued)
Year ended 31 December 2021

7. Right-of-use assets

Group	Leasehold Property £'000s	Vessels £'000s	Office Equipment £'000s	Vehicles £'000s	Total £'000s
Cost					
At 1 January 2020	44,535	299,503	-	49	344,087
Additions	910	-	52	-	962
Transfers	441	-	-	-	441
Remeasurement	(773)	-	-	-	(773)
Currency translation	(215)	(9,635)	(3)	-	(9,853)
At 1 January 2021	**44,898**	**289,868**	**49**	**49**	**334,864**
Additions	427	193,080	-	26	193,533
Retirement of assets	(223)	-	-	-	(223)
Remeasurement	373	-	-	-	373
Currency translation	(172)	7,712	1	1	7,542
At 31 December 2021	**45,303**	**490,660**	**50**	**76**	**536,089**
Accumulated depreciation					
At 1 January 2020	6,682	28,900	-	21	35,603
Charge for the year	5,105	32,297	4	25	37,431
Currency translation	(84)	(2,886)	-	-	(2,970)
At 1 January 2021	**11,703**	**58,311**	**4**	**46**	**70,064**
Charge for the year	6,308	47,209	10	6	53,533
Retirement of assets	(223)	-	-	-	(223)
Currency translation	(41)	1,657	-	-	1,616
At 31 December 2021	**17,747**	**107,177**	**14**	**52**	**124,990**
Net book value					
At 31 December 2021	**27,556**	**383,483**	**36**	**24**	**411,099**
At 31 December 2020	33,195	231,557	45	3	264,800

Notes to the Financial Statements (continued)
Year ended 31 December 2021

7. Right-of-use assets (continued)

Company

	Leasehold Properties £'000s	Vehicles £'000s	Total £'000s
Cost			
At 1 January 2020	31,254	49	31,303
Additions	648	-	648
Remeasurement	(6,248)	-	(6,248)
At 1 January 2021	**25,654**	**49**	**25,703**
Remeasurement	373	-	373
At 31 December 2021	**26,027**	**49**	**26,076**
Accumulated depreciation			
At 1 January 2020	4,331	21	4,352
Charge for the year	2,471	26	2,497
At 1 January 2021	**6,802**	**47**	**6,849**
Charge for the year	3,860	2	3,862
At 31 December 2021	**10,662**	**49**	**10,711**
Net book value			
At 31 December 2021	**15,365**	**-**	**15,365**
At 31 December 2020	18,852	2	18,854

Notes to the Financial Statements (continued)
Year ended 31 December 2021

8. Investments in subsidiaries

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name of subsidiary	Previous name (pre 29 July 2022)	Registered address	Place of incorporation and operation	Business activity	Ordinary shares owned	Proportion of voting power
SEFE LNG Limited	Gazprom Global LNG Ltd ("GGLNG")	20 Triton Street, London, NW1 3BF	United Kingdom	Energy trading	100%	100%
SEFE Energy Limited	Gazprom Marketing & Trading Retail Ltd ("GM&T Retail")	20 Triton Street, London, NW1 3BF	United Kingdom	Energy supply	100%	100%
SEFE Marketing & Trading Mex (UK) 1 Limited	Gazprom Mex (UK) 1 Ltd	20 Triton Street, London, NW1 3BF	United Kingdom	Holding company	100%	100%
SEFE Marketing & Trading Mex (UK) 2 Limited	Gazprom Mex (UK) 2 Ltd	20 Triton Street, London, NW1 3BF	United Kingdom	Holding company	100%	100%
SEFE Energy SAS	Gazprom Marketing & Trading France SAS ("GM&T France")	68 Avenue des Champs Elysées 75008, Paris, France	France	Energy supply	100%	100%
Gazprom Marketing & Trading USA, Inc. ("GM&T USA")	Gazprom Marketing & Trading USA, Inc. ("GM&T USA")	1675 S State St, Ste B, Dover, Kent County, State of Delaware, 19901 USA	USA	Energy trading	100%	100%
SEFE Marketing & Trading Singapore Pte Limited ("SM&T Singapore")	Gazprom Marketing & Trading Singapore Pte Ltd ("GM&T Singapore")	10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315	Singapore	Energy trading	100%	100%
Gazprom Marketing & Trading Mexico S.de R.L.de C.V. ("GM&T Mexico")	Gazprom Marketing & Trading Mexico S.de R.L.de C.V. ("GM&T Mexico")	Bosque de Ciruelos 180 PP 101, Bosques de las Lomas, Del. Miguel Hidalgo, Distrito Federal, 11700, Mexico	Mexico	Energy trading	100%	100%
SEFE Marketing & Trading Switzerland AG ("SM&T Switzerland")	Gazprom Marketing & Trading Switzerland AG ("GM&T Switzerland")	Poststrasse 2 Zug, 6300, Switzerland	Switzerland	Energy trading	100%	100%

All investments were held directly by the Company, except for the investment in Gazprom Marketing & Trading Mexico S.de R.L. de C.V. of whose equity SEFE M&T Mex (UK) 1 Ltd holds 99.99% and SEFE M&T Mex (UK) 2 Ltd holds 0.01%. In addition, SEFE M&T Mex (UK) 1 Ltd holds 100% of the equity of SEFE M&T Mex (UK) 2 Ltd. Dividend income of £nil was received by the Company from its subsidiaries in 2021 (2020: £8.1m).

Notes to the Financial Statements (continued)

Year ended 31 December 2021

8. Investments in subsidiaries (continued)

Movements in the investments in subsidiaries during the year are as follows:

	Company	
	2021	2020
	£'000s	£'000s
At 1 January	**7,958**	4,117
Capital contribution to subsidiaries	**-**	3,841
At 31 December	**7,958**	7,958

9. Inventories

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Gas in storage	**949,062**	661,445	**949,062**	661,246
Emissions, green energy and other compliance certificates	**129,333**	72,300	**109,603**	58,105
LNG inventories	**183**	18,600	**-**	6,550
Other inventories	**6,126**	2,397	**-**	-
	1,084,704	754,742	**1,058,665**	725,901

£3,110.0m of Group inventory was recognised as an expense in the year (2020: £1,474.9m). £161.0m of Company inventory was recognised as an expense in the year (2020: £163.9m).

At year end no gas in storage was accounted for at the lower of cost or net realisable value (2020: £5.3m).

10. Leases

The Group leases various offices, ships, office equipment and vehicles for fixed periods up to 15 years. The ships are used for transporting LNG in the Group's Global LNG, Oil and Shipping business.

Disclosure of the carrying value, additions and depreciation of right-of-use assets can be found in note 7, Right-of-use assets.

The Group also acts as an intermediate lessor by subleasing ships and office space to both related and unrelated counterparties.

The Company subleases office space to both related and unrelated counterparties.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

10. Leases (continued)

a) Amounts recognised in the Statement of comprehensive income

The Statement of comprehensive income includes the following amounts relating to leases:

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000s**	£'000s	**£'000s**	£'000s
Depreciation of right-of-use assets, included within administrative expenses	7	**53,533**	37,431	**3,862**	2,497
Lease interest expense, included within interest expense		**20,030**	20,954	**433**	217
Expense relating to short-term leases, included within cost of sales		**13,941**	7,529	**115**	255
Income relating to short-term leases for right-of-use assets, included within cost of sales		**22,506**	29,835	**328**	-
Finance income on the net investment in leases		**6,641**	8,050	**42**	89

b) Extension and termination options

Some of the Group's office leases contain termination options, and some of the Group's shipping leases contain extension options. These options provide flexibility for the Group to respond to the dynamic and constantly evolving nature of the commodity marketplace by managing its assets and infrastructure.

Some of the Group's shipping contracts contain flexibility around redelivery dates at the end of the lease term, between 30 and 90 day extensions. These provisions allow the Group to avoid penalties for late delivery where ships are delayed due to poor weather, congestion at ports, or other operational difficulties.

The majority of extension and termination options held can be exercised only at the Group's discretion. The Group takes the view that there is no reasonable certainty that the Group will exercise such options unless there are existing approved business plans to do so at the reporting date.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

10. Leases (continued)

b) Extension and termination options (continued)

As of 31 December 2021, potential future cash flows of £783.2m (undiscounted) (2020: £480.7m (undiscounted)) have not been included in the lease liability, because it is not reasonably certain that the leases will be extended or not terminated.

c) Committed leases not yet commenced

The Group signed a vehicle lease with a three-year lease term, commencing in 2022. The total future payments (relating to the base term) under contract is £0.02m.

d) Lease commitments

The Group has entered into long term contracts that are within the scope of IFRS 16. These contracts include LNG tankers chartered by the Group and property leases.

The maturities of the undiscounted lease liabilities under IFRS 16 are as follows:

	Group		**Company**	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Not later than one year	**116,853**	73,850	**4,839**	6,385
Later than one year and not later than five years	**400,375**	290,832	**15,981**	20,659
Later than five years	**154,286**	170,821	**772**	1,283
	671,514	535,503	**21,592**	28,327

e) Intermediate lessor

In managing the Group's right-of-use assets, the Group and the Company may sublease certain assets to external or related counterparties, with the purpose of maximising the economic value accruing to the Group from utilising the assets.

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangements in which it subleases office spaces and vessels to third parties in return for monthly lease payments. The sub-lease periods do not represent a significant proportion of the remaining lease terms of the head leases and accordingly are classified as operating leases.

Income from subleasing these assets recognised during the financial year 2021 was £22.5m (2020: £29.8m) for the Group

Notes to the Financial Statements (continued)
Year ended 31 December 2021

10. Leases (continued)

e) Intermediate lessor (continued)

Undiscounted lease payments from operating leases to be received on an annual basis are shown below:

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Operating leases				
Within 1 year	**4,491**	1,434	**298**	-
More than 2 years	**21**	-	**-**	-
Total undiscounted lease payments	**4,512**	1,434	**298**	-

Subleases – classified as finance leases

The Group's subleases of two LNG vessels and certain property leases are classified as finance leases because these subleases comprise the majority of the remaining term of the related head leases. The corresponding right-of-use assets are derecognised and a net investment in the sublease is recognised under "Lease receivables".

Finance income related to net investments in sub-leases during the financial year was £6.6m (2020: £8.1m) for the Group.

The following table shows a maturity analysis of the undiscounted lease payments to be received:

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Within 1 year	**26,827**	27,499	**865**	1,788
Between 1 and 2 years	**26,827**	26,499	**865**	865
Between 2 and 3 years	**26,777**	26,499	**865**	865
Between 3 and 4 years	**26,039**	26,451	**283**	865
Between 4 and 5 years	**25,756**	25,714	**-**	283
Later than 5 years	**34,092**	59,095	**-**	-
Total: undiscounted lease payments	**166,318**	191,757	**2,878**	4,666
Less: unearned future finance income	**(21,051)**	(27,529)	**(64)**	(157)
Less: Loss allowance for leases (Note 14)	**(322)**	(269)	**(270)**	(219)
Net investment in finance lease	**144,945**	163,959	**2,544**	4,290
Current	**20,593**	20,484	**555**	1,467
Non-current	**124,352**	143,475	**1,989**	2,823
Total	**144,945**	163,959	**2,544**	4,290

Notes to the Financial Statements (continued)
Year ended 31 December 2021

10. Leases (continued)

f) Net investment in leases as an intermediate lessor

Changes in the carrying amount of the net investment in leases are shown below:

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Opening net investment in leases	**163,959**	188,833	**4,290**	5,053
Remeasurement of existing finance leases	**(53)**	(276)	**(51)**	(526)
Lease payments received	**(27,784)**	(28,035)	**(1,737)**	(457)
Finance income earned in the year	**6,641**	8,050	**42**	89
Translation differences	**2,182**	(4,613)	**-**	131
Closing net investment in leases	**144,945**	163,959	**2,544**	4,290

11. Provisions

	Property	Onerous Contracts	Other	Total
Group	**£'000s**	**£'000s**	**£'000s**	**£'000s**
At 1 January 2020	2,403	16,028	3,247	21,678
Additional provisions	-	8,150	351	8,501
Provisions utilised/released	-	(7,298)	(3,297)	(10,595)
Currency translation	19	-	19	38
Transfer	-	(530)	530	-
At 1 January 2021	**2,422**	**16,350**	**850**	**19,622**
Additional provisions	-	16,467	4,571	21,038
Provisions utilised/released	-	(10,922)	(191)	(11,113)
Currency translation	(2)	-	(50)	(52)
At 31 December 2021	**2,420**	**21,895**	**5,180**	**29,495**

	Property	Onerous Contracts	Other	Total
Company	**£'000s**	**£'000s**	**£'000s**	**£'000s**
At 1 January 2020	1,500	15,466	3,159	20,125
Additional provisions	-	8,150	-	8,150
Provisions utilised/released	-	(7,266)	(2,550)	(9,816)
At 1 January 2021	**1,500**	**16,350**	**609**	**18,459**
Additional provisions	-	12,019	526	12,545
Provisions utilised/released	-	(10,922)	-	(10,922)
At 31 December 2021	**1,500**	**17,447**	**1,135**	**20,082**

Notes to the Financial Statements (continued)
Year ended 31 December 2021

11. Provisions (continued)

Property provisions represent the expected net present value of the future costs of reinstating leasehold improvements at the end of the lease term. These provisions will be released when the reinstatement obligations have been fulfilled. These provisions give rise to related assets which are included as part of the initial measurement of right-of-use assets, see note 7.

Onerous contract provisions include amounts relating to a long-term contract for capacity on a gas transportation pipeline which has been treated as an onerous contract during both the current and prior period. Judgement has been exercised to determine the expected amount of onerous payments which exceed expected future benefits, particularly for future periods where market prices are not readily available. The provision is expected to be fully utilised by year end 2023. In the current period, further balances relate to long term energy supply contracts in the Retail business from which the Group expects the future cost of energy to exceed the fees charged to the customers. The provision will be substantially utilised during 2022.

Other provisions may include legal provisions. In the ordinary course of business, from time to time the Group becomes engaged in contractual disputes with trading counterparties which may result in litigation for which a provision is required. The provision at 31 December 2021 represents the best estimate of the amount required to settle such obligations.

12. Net debt reconciliation

The table below sets out an analysis of the movement in net debt during the year:

Group	**Cash**	**Loan from parent entity**	**Finance lease liabilities**	**Total**
31 December 2021	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Net debt as at 1 January 2021	**62,276**	**(464,335)**	**(459,166)**	**(861,225)**
Acquisitions and remeasurement of leases	**-**	**-**	**(193,798)**	**(193,798)**
Cash flow	**881,571**	**464,335**	**73,289**	**1,419,195**
Currency translation and other non-cash movements	**(1,006)**	**-**	**(7,366)**	**(8,372)**
Net debt as at 31 December 2021	**942,841**	**-**	**(587,041)**	**355,800**

Group	**Cash**	**Loan from parent entity**	**Finance lease liabilities**	**Total**
31 December 2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Net debt as at 1 January 2020	242,501	-	(524,480)	(281,979)
Acquisitions and remeasurement of leases	-	-	410	410
Cash flow	(180,567)	(466,848)	52,884	(594,531)
Currency translation	342	2,513	12,020	14,875
Net debt as at 31 December 2020	**62,276**	**(464,335)**	**(459,166)**	**(861,225)**

Notes to the Financial Statements (continued)
Year ended 31 December 2021

12. Net debt reconciliation (continued)

Company	**Cash**	**Loan from parent and subsidiary entities**	**Finance lease liabilities**	**Total**
31 December 2021	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Net debt as at 1 January 2021	**55,269**	**(979,568)**	**(26,243)**	**(950,542)**
Acquisitions and remeasurement of leases	**-**	**-**	**-**	**-**
Cash flow	**1,028,684**	**185,370**	**5,182**	**1,219,236**
Currency translation and other non-cash movements	**(778)**	**620**	**26**	**(132)**
Net debt as at 31 December 2021	**1,083,175**	**(793,578)**	**(21,035)**	**268,562**

Company	**Cash**	**Loan from parent and subsidiary entities**	**Finance lease liabilities**	**Total**
31 December 2020	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Net debt as at 1 January 2020	305,368	(470,767)	(35,802)	(201,201)
Acquisitions and remeasurement of leases	-	-	6,247	6,247
Cash flow	(250,099)	(512,082)	2,864	(759,317)
Currency translation	-	3,281	448	3,729
Net debt as at 31 December 2020	**55,269**	**(979,568)**	**(26,243)**	**(950,542)**

13. Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all the financial instruments held by the Group, including trading contracts to deliver non-financial items which are within the scope of IFRS 9;
- specific information about each type of financial instrument.

For information about determining the fair value of the instruments, including judgements and estimation uncertainty involved, refer to note 15 and 16, financial and non-financial instruments within the scope of IFRS 9.

The Group holds the following financial instruments:

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000s**	£'000s	**£'000s**	£'000s
Financial assets					
Financial assets at amortised cost:					
Trade and other receivables	13a	**4,174,099**	1,975,192	**3,807,833**	1,739,760
Lease receivables		**144,945**	163,959	**2,544**	4,290
Cash equivalents receivable from related parties	13b	**906,965**	40,937	**1,076,675**	47,252
Cash and cash equivalents	13b	**35,876**	21,339	**6,500**	8,017
Financial assets measured at fair value through profit or loss:					
Trading contracts	15	**11,302,445**	2,179,286	**13,154,219**	2,412,231
Fair value storage contracts	15	**127,674**	62,717	**127,674**	62,717
		16,692,004	4,443,430	**18,175,445**	4,274,267
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and other payables	13c	**5,721,865**	1,692,545	**5,222,471**	1,361,358
Lease liabilities		**587,041**	459,166	**21,035**	26,243
Loans and overdrafts	13d	**-**	464,335	**793,578**	979,568
Financial liabilities measured at fair value through profit or loss:					
Trading contracts	15	**10,794,020**	2,223,300	**12,807,130**	2,448,306
Fair value storage contracts	15	**3,193**	37,906	**3,193**	37,906
		17,106,119	4,877,252	**18,847,407**	4,853,381

For financial assets and financial liabilities measured at fair value through profit or loss, changes in fair value are immediately recognised in profit or loss, except for effective amounts in hedging relationships. The Group's exposure to various risks associated with financial instruments, the maximum exposure to credit risk at the end of the reporting period, and the carrying amount of each class of financial assets is discussed in note 14.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

13. Financial assets and financial liabilities (continued)

a) Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Due within one year				
Amounts receivable from sale of commodities:	**3,784,716**	1,775,020	**3,750,024**	1,670,180
from third parties	**2,942,220**	1,659,763	**2,180,955**	1,442,289
from subsidiary companies	**-**	-	**726,677**	125,446
from affiliated companies	**842,496**	115,257	**842,392**	102,445
Contract assets	**262,477**	154,515	**-**	-
Prepayments	**98,896**	20,653	**15,902**	8,761
Other debtors	**6,128**	5,589	**41,907**	60,819
	4,152,217	1,955,777	**3,807,833**	1,739,760
Due after one year				
Other long-term receivables	**21,882**	19,415	**-**	-
	21,882	19,415	**-**	-
Relating to:				
Financial assets	**3,812,726**	1,800,024	**3,791,931**	1,730,999
Non-financial assets	**361,373**	175,168	**15,902**	8,761
	4,174,099	1,975,192	**3,807,833**	1,739,760

Included within trade and other receivables are contract assets and prepayments, which are non-financial assets. These items have been aggregated within trade and other receivables as they represent a material class of similar items.

The Group holds these financial assets with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 14.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The estimated fair value of all classes of receivables is the same as their carrying amounts.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

13. Financial assets and financial liabilities (continued)

b) Cash and cash equivalents

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Cash at bank and in hand	**35,876**	21,339	**6,500**	8,017
Cash equivalents with parent companies	**906,965**	40,937	**906,965**	40,937
Cash equivalents with subsidiary companies	**-**	-	**169,710**	6,315
Total cash and cash equivalents	**942,841**	62,276	**1,083,175**	55,269

Cash equivalents with subsidiaries comprise balances held with subsidiaries under cash pooling arrangements.

The estimated fair value of all classes of cash and cash equivalents is the same as their carrying amounts. The maximum exposure to credit risk at the reporting date is the fair value of cash and cash equivalents mentioned above.

c) Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Due within one year				
Amounts owed for purchase of commodities:	**5,406,056**	1,492,282	**5,051,952**	1,284,391
to third parties	**5,365,075**	1,311,196	**4,945,008**	1,073,679
to subsidiaries	**-**	-	**95,283**	35,714
to affiliated companies	**40,981**	181,086	**11,661**	174,998
Contract liabilities	**10,575**	7,351	**-**	-
Accruals	**129,765**	70,571	**103,769**	56,405
Deferred income	**6,331**	3,677	**4,315**	2,013
Other payables	**121,539**	117,858	**14,836**	18,359
	5,674,266	1,691,739	**5,174,872**	1,361,168
Due after more than one year				
Other long-term payables	**47,599**	806	**47,599**	190
Relating to:				
Financial liabilities	**5,704,959**	1,681,517	**5,218,156**	1,359,345
Non-financial liabilities	**16,906**	11,028	**4,315**	2,013
	5,721,865	1,692,545	**5,222,471**	1,361,358

Notes to the Financial Statements (continued)
Year ended 31 December 2021

13. Financial assets and financial liabilities (continued)

c) Trade and other payables (continued)

Included within trade and other payables are contract liabilities and deferred income, which are non-financial in nature.

Included within the Group's trade and other payables to third parties is an amount of £232.5m (2020: £162.1m) relating to gas commodity prepayments.

d) Loans and overdrafts

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Amounts owed:				
to parents	**-**	464,331	**-**	464,333
to subsidiaries	**-**	-	**793,578**	515,235
to third parties	**-**	4	**-**	-
	-	**464,335**	**793,578**	**979,568**

As at 31 December 2021, the Group had access to various uncommitted and committed rolling credit facilities. Details of the facilities of the Group are discussed in the Liquidity risk section of note 14.

The estimated fair value of all classes of payables is the same as their carrying amounts.

14. Financial risk management objectives and policies

The Risk Management System is an integral component of the business processes and activities of the Group; it comprises of the Group's risk management processes, together with the documented policies, procedures and specific methodologies for the identification, assessment and management of risk. Implementation and oversight of all elements of the Risk Management System, in addition to its responsibility for ensuring the Group meets its strategic, financial and operational objectives, is under the stewardship of the Managing Director of SEFE Group. The SM&T Directors are in turn responsible for ensuring that SM&T follows the risk strategy, principles and policies as defined by the Managing Director of SEFE Group. The system is run on the principle of three lines of defence, with the Risk Owners (principally the Commercial Department) operating as the first-line of defence; the Risk Co-ordinators (the independent Group Risk Department) operating as the second-line of defence; and the parent company's internal audit function operating as the third-line of defence.

The SEFE Marketing & Trading Commercial Department, as Risk Owners, are primarily responsible for managing the Group's risks. They are supported by the Group Risk Department that provides an advisory, control and oversight function, independent of the Commercial and other Support Functions. The SEFE Managing Director is further supported in his risk management responsibilities by the SEFE Risk Oversight Committee ("ROC"). The ROC provides recommendations and advice to the SEFE Managing Director on risk-related matters.

14. Financial risk management objectives and policies (continued)

The Risk Management System defines enterprise risk management throughout the SEFE Group, setting out a unified framework of risk management throughout the SEFE group companies, including the Group. This policy is further supported by specific risk policies for credit, market and liquidity risk, as well as other risk management policies, frameworks and methodologies. SM&T follows the SEFE risk policies and related documentation and as the main trading entity for the SEFE Group plays a key role in establishing the application of effective risk management throughout the SEFE Group.

Capital management

The Group's objectives in managing its capital are to safeguard its ability to continue as a going concern and to generate long-term profitability. It achieves this through maintaining adequate reserves and loans from related parties. Share capital and reserves at 31 December 2021 were £898.6m (2020: £628.5m). The Group has £nil borrowings from its parent company, SEFE (2020: £464.3m). The Group manages its liquidity to ensure that sufficient cash is available to meet all contractual commitments as they fall due and also to ensure that there is sufficient funding to withstand stressed market conditions or extreme or unplanned events. Liquidity is managed by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Market risk

Market risk is the risk of loss that results from changes in market factors (e.g. commodity prices, foreign currency exchange rates, interest rates, volumes, etc). The Group's exposure to market risk is variable and is dependent on current market conditions, expectations of future prices or volatility and the current composition of the Group's assets and liabilities.

Whilst the Group successfully increased its market risk-taking activities during 2021, it still maintains a relatively low level of exposure to market risk primarily by entering into offsetting contracts whereby the commercial terms are broadly matched. The Group does hold some unhedged positions, subject to certain limits approved by the Company's Managing Director, largely in relation to its proprietary energy trading businesses. The proprietary energy trading businesses expose the Group to commodity price risk and foreign currency risk.

The Group uses a Value-at-Risk ("VaR") measure to monitor and review its exposure to market risk. VaR is an estimate of the potential loss on a given position or portfolio over a specific holding period, based on normal market conditions and within a given statistical confidence interval. The Group uses a Monte Carlo simulation methodology for computing VaR, with a confidence interval of 97.5% and an assumed holding period of one day.

Executive management has approved VaR limits for all trading activities, regularly reviews the limits and monitors performance against these limits. It is recognised that VaR cannot be relied upon solely to predict the size of potential losses, and as such, additional market risk monitoring techniques are employed such as stress testing and sensitivity analysis.

14. Financial risk management objectives and policies (continued)

Market risk (continued)

Based upon VaR and taking into account approved limits and other risk management techniques, the Group's senior management will determine the need to adjust the Group's market risk profile. The 97.5% trading VaR during the year was:

	2021		2020	
Group	**Average**	**Year End**	Average	Year End
	£'000s	**£'000s**	£'000s	£'000s
Trading VaR	**10,280**	**16,510**	3,490	2,590

These VaR values are within the limits set by the Company's Managing Director and increased during 2021 to reflect the impact of higher prices and volatilities on the VaR calculation.

i. Commodity price risk

The Group's cash flows and profitability are sensitive to the underlying price of a number of commodities, including natural gas, electricity, LNG, carbon certificates and oil (and related price spreads) which are dependent on a number of factors and on global supply and demand. The Group's portfolio and trading business optimises the purchase contract portfolio by procuring gas, LNG, carbon and electricity at optimal cost and making use of volume and location flexibility in order to realise a margin. The Group is exposed to commodity price risk in the portfolio and trading business as the cost of procurement varies with wholesale commodity prices.

The risk that market prices for commodities will fluctuate between the time that sales prices are fixed or made determinable and the time at which the corresponding procurement cost is fixed, thereby potentially reducing or eliminating expected margins. The Group is also exposed to volumetric risk in sales contracts agreed in the Retail business in the form of an uncertain consumption profile arising from a range of factors, including weather, and in the trading business where there is uncertain demand from counterparties when volumetric optionality exists within the contracts.

Forward contracts, swaps, options and futures are used to mitigate price risk specific to each commodity. These contracts are carried at fair value with changes in fair value recorded in the Statement of comprehensive income unless they are designated as hedging instruments in an effective hedge relationship. Retail energy supply contracts and physical LNG contracts are not accounted for under the scope of IFRS 9 and are treated as executory contracts. Changes in fair value of these contracts do not immediately impact Operating profit or Equity and, as such, the contracts are not exposed to commodity price risk as defined by IFRS 7: *Financial Instruments – Disclosure*. The carrying value of commodity contracts at 31 December 2021 is disclosed in note 15.

14. Financial risk management objectives and policies (continued)

Market risk (continued)

ii. Foreign currency risk

The Group is exposed to currency risk on foreign currency denominated forecast transactions, firm commitments, monetary assets and liabilities (transactional exposure) and on its net investments in foreign operations (translational exposure). The majority of the Group's trading is denominated in Sterling, Euros and US Dollars. When currency exposure arises as a result of purchase and sale commitments, the Group seeks to use forward foreign exchange transactions to manage the exposure.

a. Transactional currency risk

The Group is exposed to transactional currency risk on transactions denominated in currencies other than the underlying functional currency of the transacting entity. The Group's primary functional currencies are Sterling in SM&T Limited and SEFE Energy Limited and US Dollars in SEFE LNG Limited, GM&T USA, SM&T Singapore and SM&T Switzerland. Transactional risk is the risk that the functional currency value of cash flows will vary as a result of movements in exchange rates.

Transactional exposure primarily arises from two sources: firstly, from the operating activities of SM&T Limited where a proportion of transactions are denominated in Euros and US Dollars; secondly from the operating activities of GGLNG and GM&T Singapore, where a proportion of transactions are denominated in Euros and Sterling.

Material transactional exposures are managed using derivative contracts to fix the functional currency value of non-functional currency cash flows. Currency risk is monitored and managed as part of the Group's VaR analysis. The ROC sets restrictions by currency on the level of open positions allowed. A formal policy is in place for the management of non-trading related transactional foreign currency risks such as inter-company loans and non-functional currency overheads.

b. Translational currency risk

The Group has foreign currency exposure arising from its foreign operations. The Group does not have a formal hedging policy to protect the sterling asset value of its net investments in foreign operations; however, budgeted exchange rates are set and Group performance against budgeted exchange rates is monitored by management. The budgeted exposures are assessed against the costs to hedge and management decides whether any action is required. The table below details the Group's foreign currency exposure, by currency, and calculates the impact on total comprehensive income of a reasonably possible parallel shift of the foreign currency against Sterling.

14. Financial risk management objectives and policies (continued)

Market risk (continued)

ii. Foreign currency risk (continued)

b. *Translational currency risk (continued)*

	2021 Sensitivity analysis			2020 Sensitivity analysis		
	Net assets £000s	**Percentage change applied**	**Total comprehensive income £000s**	Net assets £000s	Percentage change applied	Total comprehensive income £000s
Euro	**(3,252)**	**7.08%**	**(230)**	739	(5.49)%	(41)
US Dollar	**(594,081)**	**3.32%**	**(19,743)**	346,532	3.45%	11,970
	(597,333)		**(19,973)**	347,271		11,929

The percentage change applied for the foreign currency rate against Sterling has been calculated based on the greatest absolute annual percentage change over a two-year period from 1 January 2020 to 31 December 2021 and is therefore not necessarily the same percentage change in each foreign currency exchange rate in the current year.

iii. Interest rate risk

The Group is not exposed to interest rate risk to the extent that borrowings are executed at floating rates. Cash flows associated with floating rate borrowings will fluctuate with changes in interest rates. The Group has no borrowings at year-end, therefore the application of a parallel shift in the interest rate curve of 50 basis points on drawn loan balances extant at year-end would result in an additional expense of £nil per day as at 31 December 2021 (2020: £6.4k).

Credit risk

Credit risk management practices

The Group's exposure to credit risk takes the form of any potential loss associated with a counterparty's failure to meet their payment or performance obligations. These risks may arise in all forms of commercial agreements which include those relating to amounts owed for physical product sales, the use of derivative instruments and the investment of surplus cash balances.

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Counterparty credit limits are approved by the Company's Managing Director and by certain individuals to whom authority has been delegated. All counterparties are assigned a grading based on external ratings where available and an internal assessment methodology in other cases, with this used to set the maximum exposure that would be accepted against any particular counterparty. The internal assessment methodology is reviewed by the ROC. The credit exposure to each counterparty is then monitored on a daily basis to ensure those limits are not exceeded.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

14. Financial risk management objectives and policies (continued)

Credit risk (continued)

Credit risk management practices (continued)

The majority of significant exposures arising through trading activities are with investment grade counterparties. The Group incorporates counterparty credit risk in determining the fair value of financial instruments. The impact of the Group's own credit risk has been reflected in the fair value of derivative financial instruments.

The Group trades under credit enhancement agreements which include payment netting (to reduce settlement exposure in the normal course of business) and close-out netting (to reduce pre-settlement credit exposure by netting offsetting payments to and from the defaulting party in insolvency situations), material adverse change and default provisions. The Group obtains credit support such as letters of credit, bank guarantees and parent company guarantees against exposures where appropriate.

The Group's credit position is impacted by cash pledged or received under margin and collateral agreements. The terms and conditions of these agreements depend upon the counterparty and the specific details of the transaction. In the Group, credit risk is managed by determining and monitoring a customer's creditworthiness and financial strength before commencing trading, with regular reviews thereafter. Creditworthiness is ascertained by reviewing an appropriate mix of internal and external information to determine limits, contract types and payment mechanisms required to reduce credit risk to an acceptable level.

The Group defines default as having occurred where receivables are more than 90 days past due or where irrecoverability is certain.

The Group's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £11,430.1m (2020: £2,242.0m) and on financial assets held at amortised cost is £4,900.5m (2020: £2,026.3m). The Group also actively manages its portfolio to avoid concentrations of credit.

The Company's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £13,281.9m (2020: £2,474.9m) and on financial assets held at amortised cost is £4,877.7m (2020: £1,790.6m), of which £1,803.4m (2020: £172.7m) related to transactions within the Group.

For financial assets and financial guarantee contracts subject to the impairment requirements of IFRS 9, the exposure to credit risk of the Group as at 31 December 2021 is disclosed in the expected credit loss section below, based on the carrying amounts of the financial assets the Group believes are subject to credit risk.

14. Financial risk management objectives and policies (continued)

Credit risk (continued)

Expected credit losses

The Group has the following types of financial assets which are not measured at fair value through profit and loss and which are subject to the expected credit loss (“ECL”) model:

- Trade and other receivables, including contract assets
- Lease receivables
- Cash and cash equivalents
- Financial guarantee contracts

For trade and other receivables, including contract assets, the Group applies the simplified approach to measure a loss allowance using the lifetime expected credit loss model.

For lease receivables, cash and cash equivalents and financial guarantee contracts, the Group measures the loss allowance at the 12-month expected credit loss amount unless there has been a significant increase in credit risk since initial recognition. Where there has been a significant increase in credit risk since initial recognition, the lifetime expected loss model is applied.

ECL methodology

For trade receivables in the Retail business, for which the counterparties tend to be of lower credit quality, where the balance is considered to be at an increased risk of default, specific loss allowance provisions are applied using assumptions based on past history, existing market conditions and forward-looking estimates.

For all other balances, the loss allowance is based on the counterparty’s probability of default (“PD”), multiplied by the loss given default rate (“LGD”), multiplied by the credit exposure. The approach uses both historical and forward-looking data such as credit ratings, audited annual financial statements, credit default swaps pricing and industry and company specific analysis of the counterparty’s future prospects.

Exposure to credit risk

In order to assess the Group’s exposure to credit risk, the gross carrying amount of financial instruments subject to the ECL model, or for financial guarantee contracts, their gross notional amount, are grouped by credit risk ratings in the table below.

14. Financial risk management objectives and policies (continued)

Credit risk (continued)

Expected credit losses (continued)

Exposure to credit risk (continued)

The available credit ratings range from AAA (highest credit quality) to D (lowest credit quality), with the latter representing exposure to counterparties already in default. Where the Group is unable to obtain a credit rating for a counterparty at the reporting date, the exposure is included in the 'Unrated' category. Expected credit losses for these entities are calculated in line with C rated counterparties. Contract assets represent receivables for gas supplied to the customer portfolio of the Retail business which has not yet been allocated to specific customer accounts or invoiced. Expected credit losses for these balances are calculated using the weighted average credit rating of the Retail portfolio.

	Credit rating					
Group	**AAA to BBB-**	**BB+ to B-**	**CCC+ to C**	**D**	**Unrated**	**Contract asset**
31 December 2021	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Lifetime ECL						
Gross carrying amount – trade and other receivables	**3,173,999**	**612,120**	**42,833**	**3,537**	**50,759**	**219,899**
12-month ECL						
Gross carrying amount – cash and cash equivalents	**942,102**	**465**	**282**	**-**	**542**	**-**
Gross carrying amount – lease receivables	**142,453**	**149**	**2,665**	**-**	**-**	**-**
Exposure to credit risk –financial guarantee contracts	**-**	**-**	**-**	**-**	**-**	**-**

	Credit rating					
Company	**AAA to BBB-**	**BB+ to B-**	**CCC+ to C**	**D**	**Unrated**	**Contract asset**
31 December 2021	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Lifetime ECL						
Gross carrying amount – trade and other receivables	**2,743,242**	**1,056,084**	**2,213**	**-**	**3,165**	**-**
12-month ECL						
Gross carrying amount – cash and cash equivalents	**913,358**	**170,175**	**282**	**-**	**-**	**-**
Gross carrying amount – lease receivables	**-**	**149**	**2,665**	**-**	**-**	**-**
Exposure to credit risk –financial guarantee contracts	**-**	**224,013**	**-**	**-**	**-**	**-**

14. Financial risk management objectives and policies (continued)

Credit risk (continued)

Expected credit losses (continued)

Exposure to credit risk (continued)

The loss allowance as at 31 December 2020 was determined as follows:

Group	Credit rating					
31 December 2020	AAA to BBB- £'000s	BB+ to B- £'000s	CCC+ to C £'000s	D £'000s	Unrated £'000s	Contract asset £'000s
Lifetime ECL						
Gross carrying amount – trade and other receivables	1,370,821	399,661	76,264	5,120	14,694	115,474
12-month ECL						
Gross carrying amount – cash and cash equivalents	59,399	2,700	147	-	-	-
Gross carrying amount – lease receivables	160,718	172	3,338	-	-	-
Exposure to credit risk –financial guarantee contracts	-	-	-	-	-	-

Company	Credit rating					
31 December 2020	AAA to BBB- £'000s	BB+ to B- £'000s	CCC+ to C £'000s	D £'000s	Unrated £'000s	Contract asset £'000s
Lifetime ECL						
Gross carrying amount – trade and other receivables	1,219,233	450,435	62,059	-	-	-
12-month ECL						
Gross carrying amount – cash and cash equivalents	46,140	9,015	147	-	-	-
Gross carrying amount – lease receivables	999	172	3,338	-	-	-
Exposure to credit risk –financial guarantee contracts	-	130,437	-	-	-	-

14. Financial risk management objectives and policies (continued)

Credit risk (continued)

Expected credit losses (continued)

Collateral and other credit enhancements

The Group receives cash collateral from certain counterparties as a method of mitigating credit risk on trade receivables. Where the carrying value of the trade receivables is supported by cash collateral, no expected credit loss has been recognised on these amounts. The carrying value of trade receivables where no expected credit loss has been recognised amounts to £34.8m.

Write-off policy

The Group's write-off policy on trade receivables in the Retail business requires derecognition of amounts where irrecoverability is certain on amounts greater than six months overdue. Examples where irrecoverability is certain may include:

- The counterparty is in insolvency or bankruptcy proceedings, or undergoing financial reorganisation;
- The debt is overdue and it is considered uneconomical to pursue; or
- The debt has been passed to collection agencies and is more than one year overdue.

For all other balances, due to the higher credit quality of the counterparties involved, and the low rate of expected credit loss, the write-off policy only requires derecognition of amounts on an individual basis where it has been assessed that irrecoverability is certain.

Amounts recognised in profit or loss

During the year, the following losses/(gains) were recognised in the Statement of comprehensive income in relation to expected credit loss.

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Individual receivables written off directly	**3,484**	7,709	**-**	3
Movement in loss allowance for trade and other receivables	**1,850**	10,591	**(10,172)**	(1,739)
Movement in loss allowance for lease receivables	**53**	(1,039)	**51**	(794)
Movement in loss allowance for cash and cash equivalents	**519**	(29)	**608**	(57)
Movement in loss allowance for financial guarantee contracts	**-**	-	**527**	(2,075)
Net impairment losses/(gains) on financial assets and financial guarantee contracts	**5,906**	17,232	**(8,986)**	(4,662)

14. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk represents the risk that the Group is unable to satisfy the financial obligations that arise during the course of business due to insufficient funding lines or available cash reserves.

Liquidity risk is monitored on a daily basis with cash flow forecasts amended as appropriate and adjustments made to the funding plan or business plan if required. Working capital requirements are actively managed to ensure the Group's financing facilities are sufficient even in stress case scenarios.

The Group protects itself against this risk by ensuring that it either has sufficient available cash reserves to hand or access to committed financing that will enable it to meet all anticipated needs as well as to cover stressed market conditions or extreme or unplanned events.

The Group's funding, available from SEFE, totals €4.8bn and is comprised of €3,700m committed funding line until June 2028 matched to SEFE's external funding; and €1,100m cash pooling limit with SEFE.

Cash balances are managed centrally by the SEFE Group's Treasury function. Interest is received based on market interest rates.

The following tables detail the Group's liquidity analysis for its financial and certain non-financial instruments. The tables have been drawn up based on the undiscounted gross cash inflows and outflows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected settlement amounts based on commodity price curves and other relevant market data at the reporting date.

The undiscounted gross cash inflows to be received on an annual basis related to lease receivables have been separately disclosed in note 10.

The table below presents contractual undiscounted cash flows within relevant maturity groupings based on the contractual tenor remaining at the date of the Statement of financial position.

14. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Group 31 December 2021	Within 1 month £'000	Within 2-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Due for receipt						
Commodity trading contracts	**10,026,660**	**24,250,133**	**6,872,648**	**3,083,894**	**44,236**	**44,277,571**
Derivative instruments	**114,611**	**1,555,500**	**568,358**	**196,084**	**1,598**	**2,436,151**
Fair value storage contracts	**127,674**	**-**	**-**	**-**	**-**	**127,674**
Cash and cash equivalents	**942,841**	**-**	**-**	**-**	**-**	**942,841**
Trade and other receivables	**3,958,860**	**193,357**	**21,882**	**-**	**-**	**4,174,099**
Total	**15,170,646**	**25,998,990**	**7,462,888**	**3,279,978**	**45,834**	**51,958,336**
Due for payment						
Commodity trading contracts	**10,010,592**	**24,115,107**	**5,989,941**	**2,170,532**	**-**	**42,286,172**
Derivative instruments	**74,902**	**652,284**	**79,001**	**2,172**	**205**	**808,564**
Fair value storage contracts	**-**	**3,193**	**-**	**-**	**-**	**3,193**
Trade and other payables	**5,194,947**	**479,319**	**47,409**	**190**	**-**	**5,721,865**
Loans and overdrafts	**-**	**-**	**-**	**-**	**-**	**-**
Total	**15,280,441**	**25,249,903**	**6,116,351**	**2,172,894**	**205**	**48,819,794**

Group 31 December 2020	Within 1 month £'000	Within 2-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Due for receipt						
Commodity trading contracts	4,744,427	21,765,578	6,445,302	2,178,308	-	35,133,615
Derivative instruments	31,573	166,334	32,998	14,800	-	245,705
Fair value storage contracts	-	62,717	-	-	-	62,717
Cash and cash equivalents	62,276	-	-	-	-	62,276
Trade and other receivables	1,802,289	153,488	19,415	-	-	1,975,192
Total	6,640,565	22,148,117	6,497,715	2,193,108	-	37,479,505
Due for payment						
Commodity trading contracts	4,736,319	21,943,115	6,253,555	1,856,905	-	34,789,894
Derivative instruments	40,443	458,398	44,997	35,962	-	579,800
Fair value storage contracts	-	27,192	10,714	-	-	37,906
Trade and other payables	1,521,714	170,025	616	190	-	1,692,545
Loans and overdrafts	329,426	134,909	-	-	-	464,335
Total	6,627,902	22,733,639	6,309,882	1,893,057	-	37,564,480

Notes to the Financial Statements (continued)
Year ended 31 December 2021

14. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Company	**Within 1 month**	**Within 2-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
31 December 2021	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Due for receipt						
Commodity trading contracts	**10,231,631**	**25,185,711**	**7,350,029**	**3,372,044**	**44,384**	**46,183,799**
Derivative instruments	**116,376**	**3,064,905**	**840,599**	**196,419**	**1,598**	**4,219,897**
Fair value storage contracts	**127,674**	**-**	**-**	**-**	**-**	**127,674**
Cash and cash equivalents	**1,083,175**	**-**	**-**	**-**	**-**	**1,083,175**
Trade and other receivables	**3,654,544**	**153,289**	**-**	**-**	**-**	**3,807,833**
Total	**15,213,400**	**28,403,905**	**8,190,628**	**3,568,463**	**45,982**	**55,422,378**

Due for payment						
Commodity trading contracts	**10,060,963**	**24,315,663**	**6,070,626**	**2,198,535**	**33**	**42,645,820**
Derivative instruments	**105,934**	**1,150,257**	**144,688**	**3,365**	**205**	**1,404,449**
Fair value storage contracts	**-**	**3,193**	**-**	**-**	**-**	**3,193**
Trade and other payables	**4,714,511**	**460,361**	**47,409**	**190**	**-**	**5,222,471**
Loans and overdrafts	**663,723**	**129,855**	**-**	**-**	**-**	**793,578**
Total	**15,545,131**	**26,059,329**	**6,262,723**	**2,202,090**	**238**	**50,069,511**

Company						
31 December 2020	**Within 1 month**	**Within 2-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
Due for receipt	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Commodity trading contracts	4,878,183	22,604,789	6,984,242	2,511,920	215	36,979,349
Derivative instruments	43,157	313,631	87,389	14,806	-	458,983
Fair value storage contracts	-	62,717	-	-	-	62,717
Cash and cash equivalents	55,269	-	-	-	-	55,269
Trade and other receivables	1,630,619	109,141	-	-	-	1,739,760
Total	6,607,228	23,090,278	7,071,631	2,526,726	215	39,296,078

Due for payment						
Commodity trading contracts	4,758,000	22,061,336	6,311,689	1,887,093	18	35,018,136
Derivative instruments	78,669	527,262	77,130	35,958	-	719,019
Fair value storage contracts	-	27,192	10,714	-	-	37,906
Trade and other payables	1,191,388	169,780	-	190	-	1,361,358
Loans and overdrafts	621,200	358,368	-	-	-	979,568
Total	6,649,257	23,143,938	6,399,533	1,923,241	18	38,115,987

Notes to the Financial Statements (continued)
Year ended 31 December 2021

14. Financial risk management objectives and policies (continued)

Economic capital

The Group employs an economic capital framework to ensure that sufficient capital is retained for the Group to withstand unexpected financial losses.

The capital requirement for holding an asset or group of assets is assessed by applying a statistical approach to measure the risk of potential value loss. The total economic capital requirement cannot exceed the tangible net worth of the Group, thereby setting a limit on the aggregate amount of risk that can be taken.

15. Financial and non-financial instruments within the scope of IFRS 9

As part of its business operations, the Group uses derivative financial instruments ("derivatives") in order to manage exposure to fluctuations in commodity prices and foreign exchange rates. Trading activities are undertaken sometimes using a range of contract types in combination to create incremental gains by arbitraging prices between markets, locations and time periods. The Group enters into currency derivatives to hedge certain foreign currency cash flows and to adjust the currency composition of its assets and liabilities. The Group's policy is to enter into currency derivatives only where these are matched by an underlying asset, liability or forecast transaction.

The Group enters into contracts to buy or sell commodities for trading purposes and not for the purpose of receipt or delivery of the underlying commodity to meet the Group's expected own-use requirements. Even though the majority of these contracts are physically delivered, where such contracts are deemed to be capable of net settlement, for example where the commodity is deemed to be readily convertible to cash, they are treated as financial assets or liabilities and measured at fair value through profit and loss. These contracts are within the scope of IFRS 9 and associated gains or losses are recognised directly in the Statement of comprehensive income within Net income from trading and hedging activities.

The Group also uses various commodity-based derivative instruments to manage some of the risks arising from its normal operating activities that give rise to commodity price exposures. Such instruments include financial or net-settled forwards, futures, swaps and options.

Where certain instruments have been designated as cash flow hedges of underlying commodity price exposures, certain gains and losses attributable to these instruments are deferred in equity and subsequently recognised in the Statement of comprehensive income when the underlying hedged transaction affects profit or loss. All instruments that are not part of a hedging relationship are recognised in the Statement of financial position at fair value with movements in fair value recognised in the Statement of comprehensive income.

For the Group and the Company, all derivatives not subject to hedge accounting are classified as held-for-trading instruments and no financial instruments have been designated at fair value through profit or loss in accordance with the fair value option available within IFRS 9 (2020: £nil).

15. Financial and non-financial instruments within the scope of IFRS 9 (continued)

The following tables show further information on the fair value of held-for-trading assets and liabilities:

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Non-current assets				
Commodity trading contracts	**2,721,950**	222,174	**3,007,358**	278,379
Emission allowance contracts	**34,834**	8,496	**34,834**	8,496
Foreign exchange contracts	**16,777**	178	**16,777**	13,058
	2,773,561	230,848	**3,058,969**	299,933
Current assets				
Commodity trading contracts	**8,407,854**	1,858,615	**9,970,885**	1,984,978
Emission allowance contracts	**37,263**	56,589	**37,263**	56,590
Foreign exchange contracts	**83,767**	33,234	**87,102**	70,730
Fair value storage contracts	**127,674**	62,717	**127,674**	62,717
	8,656,558	2,011,155	**10,222,924**	2,175,015
Current liabilities				
Commodity trading contracts	**8,073,379**	1,831,297	**9,562,999**	1,988,515
Emission allowance contracts	**41,250**	65,150	**41,250**	69,642
Foreign exchange contracts	**37,693**	66,857	**90,915**	77,685
Fair value storage contracts	**3,193**	27,192	**3,193**	27,192
	8,155,515	1,990,496	**9,698,357**	2,163,034
Non-current liabilities				
Commodity trading contracts	**2,596,351**	236,622	**3,052,412**	284,296
Emission allowance contracts	**44,532**	10,875	**44,532**	10,876
Foreign exchange contracts	**815**	12,499	**15,022**	17,292
Fair value storage contracts	**-**	10,714	**-**	10,714
	2,641,698	270,710	**3,111,966**	323,178

16. Fair value measurement

In determining the fair value of assets and liabilities, the Group utilises market data or assumptions that market participants would use in setting a price for the asset or liability. Where quoted market prices are not available, the Group uses valuation techniques to determine the fair values of these instruments. Inputs to the valuation technique can be observable and readily obtainable, market corroborated or generally unobservable. The Group endeavours to maximise the use of observable inputs and minimise the use of unobservable inputs.

16. Fair value measurement (continued)

Fair value hierarchy

Based on the observability of inputs to the valuation techniques employed, the Group classifies all assets and liabilities carried at fair value within the fair value hierarchy. The determination of the classification gives the highest standing to unadjusted quoted prices in active exchange markets for identical assets or liabilities (Level 1 measurement) and the lowest standing to those fair values determined with reference to significant unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are:

***Level 1* –** Quoted prices are available in active markets for identical assets and liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 instruments are primarily exchange traded derivatives.

***Level 2* –** Quoted prices are not available, however, pricing inputs are either directly or indirectly observable at the reporting date. Level 2 instruments include those valued using industry standard models and valuation techniques. These inputs include quoted forward prices for commodities, implied volatility factors, spot market prices, contractual prices and expected volumes of the underlying instruments. Substantially all of these inputs or assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable transaction prices executed in the marketplace. Level 2 instruments include non-exchange traded derivatives such as forward contracts, swaps and options.

***Level 3* –** Valuation techniques or models include significant inputs that are generally less observable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that are structured or individually tailored. At each reporting date, the Group performs an analysis of all assets and liabilities at fair value and includes in Level 3 those whose fair value is derived using significant unobservable inputs.

The following tables show the Group's assets and liabilities that were accounted for at fair value at the reporting date according to their level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement as a whole. The Group's assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

Notes to the Financial Statements (continued)
Year ended 31 December 2021

16. Fair value measurement (continued)

Fair value hierarchy (continued)

2021	Group			
	Level 1	Level 2	Level 3	Total
	£'000s	£'000s	£'000s	£'000s
Held for trading assets				
Commodity trading contracts	**2,059,100**	**8,966,451**	**104,253**	**11,129,804**
Emission allowance contracts	**72,045**	**52**	**-**	**72,097**
Forward foreign exchange contracts	**-**	**100,544**	**-**	**100,544**
Fair value storage contracts	**-**	**127,674**	**-**	**127,674**
	2,131,145	**9,194,721**	**104,253**	**11,430,119**
Inventories held at Fair value	**74,870**	**949,062**	**-**	**1,023,932**
Held for trading liabilities				
Commodity trading contracts	**426,276**	**10,233,749**	**9,705**	**10,669,730**
Emission allowance contracts	**56,219**	**29,563**	**-**	**85,782**
Forward foreign exchange contracts	**-**	**38,508**	**-**	**38,508**
Fair value storage contracts	**-**	**3,193**	**-**	**3,193**
	482,495	**10,305,013**	**9,705**	**10,797,213**

2020	Group			
	Level 1	Level 2	Level 3	Total
	£'000s	£'000s	£'000s	£'000s
Held for trading assets				
Commodity trading contracts	155,963	1,921,073	3,753	2,080,789
Emission allowance contracts	31,997	33,088	-	65,085
Forward foreign exchange contracts	-	33,412	-	33,412
Fair value storage contracts	-	62,717	-	62,717
	187,960	2,050,290	3,753	2,242,003
Inventories held at Fair value	32,815	662,723	-	695,538
Held for trading liabilities				
Commodity trading contracts	404,390	1,658,007	5,522	2,067,919
Emission allowance contracts	44,743	31,282	-	76,025
Forward foreign exchange contracts	-	79,356	-	79,356
Fair value storage contracts	-	37,906	-	37,906
	449,133	1,806,551	5,522	2,261,206

Notes to the Financial Statements (continued)
Year ended 31 December 2021

16. Fair value measurement (continued)

Fair value hierarchy (continued)

2021	Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Held for trading assets				
Commodity trading contracts	**2,059,100**	**10,814,890**	**104,253**	**12,978,243**
Emission allowances contracts	**72,045**	**52**	**-**	**72,097**
Forward foreign exchange contracts	**-**	**103,879**	**-**	**103,879**
Fair value storage contracts	**-**	**127,674**	**-**	**127,674**
	2,131,145	**11,046,495**	**104,253**	**13,281,893**
Inventories held at Fair value	**74,870**	**949,062**	**-**	**1,023,932**
Held for trading liabilities				
Commodity trading contracts	**426,276**	**12,179,430**	**9,705**	**12,615,411**
Emission allowances contracts	**56,219**	**29,563**	**-**	**85,782**
Forward foreign exchange contracts	**-**	**105,937**	**-**	**105,937**
Fair value storage contracts	**-**	**3,193**	**-**	**3,193**
	482,495	**12,318,123**	**9,705**	**12,810,323**

2020	Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Held for trading assets				
Commodity trading contracts	155,963	2,103,641	3,753	2,263,357
Emission allowances contracts	31,997	33,089	-	65,086
Forward foreign exchange contracts	-	83,788	-	83,788
Fair value storage contracts	-	62,717	-	62,717
	187,960	2,283,235	3,753	2,474,948
Inventories held at Fair value	32,815	662,523	-	695,338
Held for trading liabilities				
Commodity trading contracts	404,390	1,862,899	5,522	2,272,811
Emission allowances contracts	44,745	35,773	-	80,518
Forward foreign exchange contracts	-	94,977	-	94,977
Fair value storage contracts	-	37,906	-	37,906
	449,135	2,031,555	5,522	2,486,212

Notes to the Financial Statements (continued)
Year ended 31 December 2021

16. Fair value measurement (continued)

Fair value hierarchy (continued)

The following table shows a reconciliation of changes in the fair value of instruments classified as Level 3 in the fair value hierarchy:

	Group	Company
	£'000s	£'000s
Fair value at 1 January 2020	(4,256)	(4,256)
Purchases	(1,769)	(1,769)
Settlements	4,256	4,256
Fair value at 1 January 2021	**(1,769)**	**(1,769)**
Sales	**94,547**	**94,547**
Settlements	**1,769**	**1,769**
Fair value at 31 December 2021	**94,547**	**94,547**

Changing one or more of the less observable inputs within a valuation model is not expected to materially change the fair value of the instruments as reported.

The carrying amounts of financial assets and financial liabilities measured at amortised cost in the Financial Statements are approximately equal to their fair values.

Significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy:

There were no significant transfers between Level 1 and Level 2, nor Level 2 and Level 3 (2020: £nil).

It is the Group's policy to treat all transfers between levels of the fair value hierarchy as if they occurred at the start of the reporting period.

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives:

All instruments are valued in accordance with the techniques outlined in the fair value hierarchy disclosure above. The majority of Level 3 assets and liabilities comprise power interconnector contracts. The Group uses a proprietary model with unobservable inputs, for which the valuation differs on day one to the transaction price. The model price is then calibrated to ensure that it reflects the transaction price. The impact of varying the unobservable parameters as at 31 December 2021 and at 31 December 2020 was immaterial.

16. Fair value measurement (continued)

Fair value hierarchy (continued)

Day-one P&L

If, at inception of a contract, the fair value cannot be supported entirely by observable market data, any gain or loss determined by the valuation methodology is not recognised in the Statement of comprehensive income but is deferred. These amounts are commonly known as “day-one” gains and losses. This deferred gain or loss is recognised in the Statement of comprehensive income over the life of the contract on a straight-line, or otherwise appropriate, basis until substantially all of the remaining contract term can be valued using observable market data. At this point, any remaining deferred gain or loss is recognised in the Statement of comprehensive income. Changes in the fair value of held-for-trading assets and liabilities after initial recognition are included in the Statement of comprehensive income in the period in which they occur. The following table shows the changes in the day-one gains and losses deferred:

	Group	
	2021	2020
	£’000s	£’000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statement of comprehensive income at 1 January	**7,337**	9,309
Initial fair value of new contracts not recognised in the Statement of comprehensive income	**13,353**	7,337
Fair value recognised in the Statement of comprehensive income during the year	**(7,337)**	(9,309)
Fair value of contracts not recognised through the Statement of comprehensive income at 31 December	**13,353**	7,337

	Company	
	2021	2020
	£’000s	£’000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statement of comprehensive income at 1 January	**7,337**	9,309
Initial fair value of new contracts not recognised in the Statement of comprehensive income	**13,353**	7,337
Fair value recognised in the Statement of comprehensive income during the year	**(7,337)**	(9,309)
Fair value of contracts not recognised through the Statement of comprehensive income at 31 December	**13,353**	7,337

17. Contingencies

Contingent liabilities

In the normal course of business, the Company incurs certain contingent liabilities arising from guarantees provided to third parties on behalf of subsidiary entities. No material losses are anticipated as a result of these guarantees.

The following contingent liabilities have not been provided for by the Group or the Company, as it is anticipated that no material liabilities will arise from these contingencies.

	Group		Company	
	2021	2020	**2021**	2020
	£'000s	£'000s	**£'000s**	£'000s
Letters of credit and bank guarantees	**-**	-	**2,407**	2,409
Parent company guarantees	**-**	-	**139,414**	19,725
	-	-	**141,821**	22,134

The table above shows the exposure to the Company on its issued guarantees as at 31 December.

18. Related party transactions

a) Transactions

During the year, the Group entered into various transactions with related parties as shown in the table below.

Group	**Sales to related party £'000s**	**Purchases from related party £'000s**	**Amounts owed by related party £'000s**	**Amounts owed to related party £'000s**
Related party				
Parent				
2021	**95,323**	**30,503**	**1,034,995**	**6,593**
2020	5,834	10,523	77,728	468,523
Other entities with indirect control over the Group				
2021	**41,869**	**647,870**	**291,678**	**23,429**
2020	638,633	1,514,008	539,364	126,691
Other related parties				
2021	**11,024,979**	**13,397,476**	**1,115,179**	**4,612,267**
2020	5,959,405	6,148,018	713,269	187,763

18. Related party transactions (continued)

a) Transactions (continued)

Company	Sales to related party £'000s	Purchases from related party £'000s	Amounts owed by related party £'000s	Amounts owed to related party £'000s
Related party				
Parent				
2021	**95,323**	**30,503**	**1,034,995**	**6,361**
2020	5,834	10,523	77,728	468,315
Other entities with indirect control over the Group				
2021	**20,947**	**630,874**	**291,534**	**19,864**
2020	542,302	1,489,429	524,789	126,370
Subsidiaries				
2021	**4,354,911**	**2,130,329**	**2,799,580**	**2,905,483**
2020	2,159,878	1,443,071	430,601	789,397
Other related parties				
2021	**11,016,222**	**13,026,386**	**972,726**	**4,583,344**
2020	5,949,962	6,015,384	552,974	177,183

b) Commitments

The Group and Company have the following commitments with related parties:

	Group		Company	
	2021	2020	**2021**	2020
	£m	£m	**£m**	£m
Parent company purchases	**6**	15	**6**	15
Other entities sales	**-**	4	**-**	4
Other entities purchases	**671**	557	**40**	41
Subsidiaries purchases	**-**	-	**-**	60

Sales and purchases with related parties are in the ordinary course of business and support for the arm's length nature of related party transactions is sought from comparable third party transactions which are on substantially the same terms.

At 31 December 2021 the Company had provided £518.0m of parental guarantees on behalf of its subsidiaries (2020: £361.0m).

19. Ultimate parent and controlling party

The ultimate parent company and controlling party is PJSC Gazprom, a company incorporated in Russia. Please refer to note 20 below for details of post balance sheet corporate events.

The parent undertaking of the smallest group which includes the Group and for which consolidated Financial Statements are prepared, is SEFE Securing Energy for Europe GmbH (previously known as Gazprom Germania GmbH), a company incorporated in Germany. Copies of the consolidated Financial Statements of SEFE Securing Energy for Europe GmbH are available from SEFE Securing Energy for Europe GmbH, Markgrafenstraße 23, D-10117 Berlin Germany. Copies of the consolidated Financial Statements of PJSC Gazprom are available from Nametkina str., 16 V-420, GSP-7, 117997, Moscow, Russia.

20. Significant events after the balance sheet date

The military conflict which escalated in February 2022 between Russia and Ukraine is accompanied by sanctions by the EU, Great Britain and the USA, amongst others, against the Russian Federation and numerous economic sectors.

Additional risks arose from the rejection of the Group from business relationships not directly impacted by sanctions. These included certain trading partners, financial institutions or other service providers. In general, an immense loss of reputation for the Gazprom brand has resulted in a difficult business climate for the Group.

By shareholder resolution dated March 25, 2022, Gazprom Export transferred all shares in SEFE to Gazprom Export Business Services LLC (“GPEBS”), a subsidiary company in which Gazprom export holds 100% of the shares. According to the Russian commercial register, 0.1% of the shares in GPEBS were transferred to the Joint Stock Company Palmary (“Palmary”) on April 1, 2022. The other 99.9% stake in GPEBS was transferred by Gazprom Export to GPEBS itself on March 31, 2022. Under these transactions, Palmary controls 100% of the voting rights in GPEBS and thus also in SEFE from April 1, 2022.

After these transfers, on March 31, 2022, Gazprom publicly announced the termination of its subsidiary Gazprom Export's participation in GPEBS.

As SEFE is a German registered company, any transactions which affect the ownership of SEFE are subject to German and European law. Section 55a Paragraph 4 of the Foreign Trade and Payments Ordinance (“AWV”) under German law requires that such transfers are reported to the Federal Ministry of Economics and Climate Protection (“BMWK”). Any such transfer is considered to be pending and ineffective subject to the approval of the BMWK under Section 15 Paragraph 3 of the Foreign Trade and Payments Act (“AWG”). Until this approval is received, the transfer of the shares to Palmary is considered to have no legal effect.

Subsequent to the share transfer, the management of SEFE received a notarized resolution from the shareholders of SEFE which, amongst other matters, communicated the shareholder’s decision to voluntarily liquidate SEFE and instructed management to carry out this process. This instruction was in violation of the prohibition on exercising voting rights according to Section 15 paragraph 4 sentence 1 number 1 in the AWG.

On April 4, 2022; due to the unclear shareholder relationships, the violation of the reporting obligation under the Foreign Trade and Payments Act and the illegal decision to liquidate SEFE; and on the basis of Section 6(1), (1) in conjunction with Section 4(1), (4) as well as Section (13),(6) of the

20. Significant events after the balance sheet date (continued)

Foreign Trade Act; the BMWK ordered the Federal Network Agency to operate as a trustee for SEFE and published this mandate in the Federal Gazette. Under this arrangement, the Federal Network Agency ("Bundesnetzagentur") will operate all voting rights from shares in SEFE; is entitled to dismiss and reappoint members of the SEFE management board and to issue instructions to the management board. The authority to manage and dispose of SEFE's assets is subject to the approval of the Federal Network Agency. The arrangement was originally due to last until September 30, 2022. The German federal government announced its plan to extend the trustee relationship beyond this date on June 14, 2022; noting that several extensions are permissible under newly revised legislation.

The goal of this trustee arrangement is the orderly continuation of business operations, the preservation of the going concern value of SEFE, to maintain the energy supply in Germany and other European countries. The Federal Network Agency is granted the possibility of exercising voting rights, in this respect voting rights are wide-ranging rights similar to the status of a shareholder but without the associated ownership of the assets of the company.

On April 8, 2022, the Federal Network Agency appointed a general representative in addition to the existing management. This representative was appointed as the Managing Director of the SEFE Group on June 3, 2022 and as a Director of SM&T Limited on July 13, 2022.

The German federal government announced on June 14, 2022 that it will provide significant financial support to the SEFE Group in the form of a committed credit facility. The facility has a nominal value of €9.8 billion and a maximum tenor of 6 years.

Currently, the further financial impact of the fiduciary holding period and subsequent periods on the Group can only be estimated with difficulty. The Group continues to monitor the uncertainties resulting from sanctions passed against, and by, the Russian Federation and analyses their impact on the Group. Due to the current speed of change, the full financial impact on the Group is difficult to estimate at the reporting date. There were no other significant events after the balance sheet date that were not included in the accounts.

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E Laege (appointed on 13 July 2022)

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