2023

Strategic Report
with Supplementary
Financial Information

SEFE Marketing & Trading Limited

Contents

STRATEGIC REPORT

The Directors present the Annual Report and the 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 2023. The Company is 100% owned by SEFE Securing Energy for Europe GmbH ("SEFE"). The Company's business is closely integrated into the business of other subsidiary undertakings of SEFE (collectively referred to as the "SEFE Group").

Principal activities

The principal activities of the Group and Company are the supply, transportation, storage, marketing and trading of energy products including natural gas, power, liquefied natural gas ("LNG") and environmental products, and related hedging and financial trading activities. 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 to the Company's retail subsidiaries, SEFE Energy Limited and SEFE Energy SAS (collectively "SEFE Energy"). These entities supply gas and power to end user customers in the UK, France and the Netherlands;
- supply of natural gas and balancing services to Wingas GmbH (an affiliate company engaged in marketing of natural gas to end consumers in Germany);
- managing a portfolio of physical LNG sales and purchases (including for deliveries into Europe and European regasification/import terminals), and a fleet of LNG vessels;
- managing other physical assets, including storage and transportation; and
- risk management, hedging and optimisation of its portfolio of contracts and assets.

The global reach of the Group is reflected in the Consolidated Financial Statements, which comprise the consolidated results of 10 (2022: 9) individual legal entities covering the UK, continental Europe, North America and Asia (see note 10).

Group key developments and financial results in 2023

The unprecedented challenges in 2022 brought about by the Russian invasion of Ukraine ultimately led to the German Government assuming full ownership of the SEFE Group on 14 November 2022. Since ownership transfer SM&T Group has taken substantial measures in 2023 to rebuild its portfolio and restore relationships with trading counterparties. As a result, the Company has returned to profitability in 2023, recovering from the losses incurred in 2022 that were driven by significant impacts from Russian counter-sanctions, which overshadowed the business's underlying performance, causing an overall loss.

Underpinning this return to stable trading operations was an equity injection of £880.0m made to SM&T on 6 March 2023 through issuance of preference shares to SEFE and repayment of intercompany debt to SEFE in the same amount. As a result, the total equity position of SM&T Group improved and is of the level of £1,776.3m at 31 December 2023.

In addition to being its sole shareholder, the Federal Republic of Germany continues to provide financial support to SEFE and its subsidiaries, in the form of a loan facility from Kreditanstalt für Wiederaufbau ("KfW"). Treasury is a centrally managed function within the SEFE Group and SM&T is provided with appropriate levels of liquidity from its parent company to support its role as the face to traded markets for the SEFE Group. SM&T currently benefits from a €4.8bn liquidity line from SEFE and it is expected that the size of this line will be reviewed on an ongoing basis taking into account SM&T's potential requirements (including risks).

2022 financial results included a number of exceptional items which were a direct result of the invasion of Ukraine by the Russian Federation. No further exceptional impacts have materialised in 2023, with some of the losses incurred in 2022 reversing in 2023.

These reversals reported as exceptional items in the current year have been excluded from underlying performance in 2023. Further details on exceptional items' impacts in 2023 are detailed in note 5 to the Financial Statements as detailed later in this report.

2022 was an exceptional year across the whole energy industry, with record price levels and extreme market volatility creating unprecedented trading opportunity for the Group to generate profit and partially offset some of the exceptional impacts caused by sanctions. Matching industry expectations, market prices reduced and calmed in 2023 following the Ukraine invasion in 2022, and as a result, the record gains in underlying business generated by the Group in 2022 were not predicted to be repeated in 2023, with the Group instead focusing on rebuilding its portfolio and reopening market access with counterparties. Despite the reduction in underlying performance compared to 2022, all business unit results exceeded planned expectations in 2023, with the Group accelerated on its path to recovery following the Ukraine invasion in 2022.

Optimal structuring of the Company's balanced and diversified portfolio, sound risk management practices and prudent utilisation of financial resources have enabled significant value to be captured through trading across a variety of products and strategies. SM&T supported the SEFE Group mission of ensuring security of supply in 2023 by bringing LNG to Europe with 42 cargoes, 3.1 Mt, delivered to Europe (2022: 48 cargoes, 3.4 Mt) out of 84 total cargoes, 5.9 Mt, sold in 2023 (2022: 80 cargoes, 5.4 Mt). In addition, the Company operated 27.0 TWh (2022: 20.0 TWh) of storage capacities in Europe keeping them 88% filled by the end of 2023 (2022: 86%). SEFE Energy Ltd securely delivered 32.4 TWh (2022: 38.2 TWh) of gas and 0.7 TWh (2022: 1.0 TWh) of power to its customers in the UK and 7.7 TWh (2022: 10.9 TWh) of gas and 0.3 TWh of power (2022: 0.3 TWh) in continental Europe. SM&T continues to provide energy procurement and balancing services to SEFE Energy and to SEFE Group affiliate company, WINGAS GmbH. SM&T net delivered 126.4 TWh of gas in 2023 (2022: 169.2 TWh) to WINGAS GmbH for further supply to WINGAS GmbH's German customers.

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.

Global Commodity & Derivative Trading ("GCDT")

GCDT Underlying Net Income in 2023 was £408.8m (2022: £1,265.9m) which was a 68% year-on-year decrease from 2022, mainly as a result of a calming of market conditions following the extreme volatility seen in 2022. The business accounted for 56% of the Group's Underlying Net Income in 2023 (2022: 53%). The business continued its structured trading offering and bilateral dealings with a broad range of counterparties during the year, whilst also continuing to provide hedging, optimisation and risk management services to other Group companies, including the balancing of the SEFE Group marketing portfolio, specifically, hedging the volumes sold by Wingas GmbH into the German wholesale market for the horizon of three to five years. Strong profits have been generated in 2023 through the origination and optimisation of gas storage and gas and power transportation capacity portfolios. 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. During 2023 the Group continued to take advantage of new technologies, delivering new digital/algorithmic trading solutions, to monetise market opportunities and reduce the level of risk in the portfolio. SM&T has also managed to retain part of, and start to rebuild, its early stage portfolio of energy transition asset services, offering renewable PPA, green certificate uptake and flexible asset management.

Global LNG & Shipping ("LNG")

LNG Underlying Net Income in 2023 was £170.2m (2022: £977.8m) which was a 83% year-on-year decrease from 2022, mainly as a result of a calming of market conditions following the extreme volatility seen in 2022. The business accounted for 23% of the Group's Underlying Net Income in 2023 (2022: 40%). The Group's LNG business achieved strong underlying results for 2023 through managing our supply and demand positions, monetising contractual optionality (including volume, schedule, destination/location flexibility and regasification), securing short-term spot deals, procuring LNG to fill contracted European regas capacity, and through financial trading and position management.

Through our shipping desk we managed various vessel delivery/re-deliveries, and overall maintained a fleet of six LNG carriers under time-charters to deliver our remaining portfolio supply and extract value from both LNG and freight price volatility. The fleet has continued to serve both internal shipping requirements from the physical portfolio, and has also capitalised on market rates by sub-chartering to external counterparties.

Global Retail

Global Retail Underlying Net Income in 2023 was £148.2m (2022: £170.9m) which was a 13% year-on-year decrease from 2022. The decrease was largely driven by a reduction in both delivered volumes and market prices, with the extreme volatility in both gas and power prices seen across 2022 starting to stabilise. Global Retail business is managed primarily within SEFE Energy which has continued to focus on the supply of gas to the UK business gas market. The activities within the UK business gas market are complemented by a presence in the UK business power market and markets outside of the UK, which comprise the French business gas market and the Netherlands business gas and power markets.

As the unprecedented price volatility seen in 2021 and 2022 has stabilised, SEFE Energy has continued to service customers and remain active and agile within all the markets it participates in. It has remained actively engaged with the relevant regulatory bodies in each jurisdiction to ensure it is meeting its obligations and complying with all new regulations put in place. UK business gas market share increased to 19.6% in the year (2022: 18.8%). SEFE Energy Limited still holds the second highest share in the UK business gas market (2022: 2nd) by supplying 32.4 TWh of gas to end users (2022: 38.2 TWh). The UK business power market share also remained stable in the year at 0.6% in the year (2022: 0.5%), after supplying 0.7 TWh of power to end users (2022: 1.0 TWh). In France, 4.4 TWh of gas was supplied during 2023 (2022: 6.8 TWh). In the Netherlands, 3.3 TWh of gas was supplied to end users (2022: 4.1 TWh) and the number of live gas sites has decreased to 26,374 (2022: 26,570 sites). In the Netherlands also, 0.3 TWh of power was supplied to end users (2022: 0.3 TWh) and the number of live power sites increased to 16,646 (2022: 13,815 sites). As in previous years, SEFE Energy does not retail gas or power directly to domestic customers and does not intend to expand in that market segment.

Key performance indicators

The Group's Underlying EBITDA for the financial year 2023 was £418.3m (2022: £2,069.0m). 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	2023 £m	2022 £m	Change %
Profitability	Net income/(loss)	**784.1**	(337.4)	**332.4%**
	Underlying Net Income*	**727.3**	2,414.6	**(69.9%)**
Profitability	EBITDA	**552.2**	(882.2)	**162.6%**
	Underlying EBITDA*	**418.3**	2,069.0	**(79.8%)**
Profitability	Profit/(loss) for the financial year	**351.3**	(926.1)	**137.9%**
	Underlying profit for the financial year*	**240.3**	1,707.0	**(85.9%)**

EBITDA is defined as Earnings (Profit/(loss)) for the financial year before Interest, Tax, Depreciation and Amortisation.

* excludes impact of exceptional items as detailed in note 5. It is calculated in a manner similar to the standard KPIs, but the inputs are sourced from the Business performance column of the Financial Statements on page 11 and does not include the effect of exceptional items.

Future strategy of the business

The Group has made significant progress in revitalising its commercial business, particularly in rebuilding its gas and LNG portfolio, and restoring its market access. With the return to operational normality following the unprecedented impacts of the Ukraine crisis in 2022, the Group is well-positioned to benefit from its LNG portfolio, and increased trading and sales activities. It is now pursuing a balanced strategy, focusing on long-term prospects whilst taking advantage of short-term opportunities.

The Group's deep understanding of the global LNG markets and European physical gas and power markets combined with re-established relationships with all major counterparties and its customer base constitute a significant opportunity in the short term. In the current markets, the Group's capabilities provide a significant opportunity to monetise the flexibility of its portfolio and to capture profits, whilst focusing on delivering value to its shareholder and customers. These strengths will also enable the Group to continue growing its pipeline gas and LNG portfolio through medium- and long-term transactions.

The Group sees substantial opportunities in diversifying its operational capabilities in the mid-term horizon. The Group is looking to expand its Energy Transition power generation portfolio, including solar, wind and biomass green power, combined with flexibility management of batteries, and also to participate in several global projects, generating high-quality green certificates. Expanding these initiatives will enable the Group to make substantial progress towards its sustainability goals and create competitive advantage through brand enhancement.

The ambition to develop new products tailored to meet future challenges could serve as a critical differentiator in the market. Geographical diversification also presents an opportunity, in particular the expansion of operations to Eastern Europe, by utilising and optimising underground gas storage facilities in these markets and capitalising on wholesale market activities.

In the longer term, the Group's strategy is aligned with its dual mission – ensuring the security of energy supply and driving the green energy transition. The Group's strategy to drive the green energy transition focuses on facilitating green energy infrastructure and supply chains (offering PPA and associated energy balancing service management, hydrogen project support, green certificates origination in both gas and power), expanding supply chains (focused on hydrogen and other green gases) and growing green energy offerings to customers, whilst creating potential for long-term decarbonisation of its own portfolio. This strategy is being implemented by a practical evaluation and in-depth analysis of emerging opportunities and consideration of potential foundational partnerships along related value chains, as well as progressing towards implementation of the Group's first projects in hydrogen infrastructure.

The Group is undergoing a rapid advancement in its digital capabilities, marked by a simultaneous transition in both its ETRM system and Retail systems. This strategic shift sets the stage for a significantly more efficient deal life cycle. Furthermore, a state-of-the-art Digital Trading initiative has been launched, offering a robust platform to navigate fast-paced market environments, handle high trade volumes, and manage the inflow of extensive market information. This initiative is instrumental in establishing a new trading landscape, supported by cutting-edge algorithms. The Group is committed to accelerating its digital capabilities to stay at the forefront of the industry.

In conclusion, the Group is well-positioned to capitalise on its multifaceted capabilities, particularly extracting value and managing risks in volatile markets. The short-term and long-term strategic pathways are leveraged by the organisation's core competencies in infrastructure, excellent market accesses and also associated market intelligence. By executing a balanced strategy that effectively integrates immediate opportunities with long-term endeavours, the Group aims to preserve its competitive advantage and drive value creation for its stakeholders.

Principal risks and uncertainties facing the Group

The SEFE Group operates an Enterprise Risk Management ("ERM") System to manage risks effectively and consistently across the Group. ERM is pivotal in realising organisational objectives and ensuring coherent and comprehensive oversight over financial and commercial operations. Additionally, it augments business decision-making by identifying optimal risk-return alternatives.

The risk management system is an integral component of SEFE Group's business processes and activities. The commercial and support units are responsible for risk management as risk owners. The centralised Risk Management department supports these units by providing advisory, independent control, reporting and oversight services.

The SM&T Directors are in turn responsible for ensuring that SM&T follows the risk strategy, principles and policies as defined by its shareholder.

The principal risks can be aggregated under the following broad categories:

- **Market Risk:** The Group assesses its market risk, primarily affected by commodity and derivative prices, interest rates, and foreign exchange rates with a Value-at-Risk ("VaR") approach based on sophisticated Monte Carlo simulations. Operating units manage this risk in coordination with the Group's Risk Management department and within defined limits. The Group complements VaR assessments (and its shortcomings) with additional complex methods and controls, such as stress tests, correlations/diversification modelling, sensitivity analysis and exposure limits. Long-term LNG contracts, whose margins are impacted by the long-term trends in LNG and oil prices, as well as emerging markets for hydrogen and green products, constitute significant challenges for risk management. Therefore in 2023, Group Risk Management worked on enhancing its scenario-based long-term risk framework.
- **Credit Risk:** The Group manages its credit risk through a clear credit policy, a system of credit limits, and robust credit risk assessment and monitoring processes. In 2023, the Group made significant progress in rebuilding its relationship with its key trading counterparties. The broader, more diversified credit risk portfolio helps the Group to maintain its credit risk exposures at an acceptable level.
- **Liquidity Risk:** The Group regularly reconciles its financial commitments with available liquidity to meet its financial obligations. The liquidity risk management process is based on the assessment of the potential negative deviations from the planned cash flows arising from margin calls, as well as modelled realisations of market, credit and operational risks. The Group estimates maturity-dependent liquidity risk reserves, that must be covered by available liquidity, including committed financing lines. In 2023, the Group re-established trade-finance lines with several banks, enabling the return of cash collateral and the improvement of the Group's overall liquidity position. The KfW committed credit facility, reduction of the initial margin levels due to lower commodity prices, replacement of cash collateral by bank guarantees, positive cash generation from the Group's business activities, and continuous working capital optimisation all significantly reduced the liquidity risk for the Group.

- **Strategic Risk:** The organisation is fulfilling its security of supply obligations by procuring long-term LNG and pipeline gas supply as well as acquiring regasification capacity. The interplay of the security of supply requirements, the observed reduced demand for gas in Europe and the accelerated green transition represent the most challenging strategic risk, as the benefits from long-term supply contracts may be offset by the broader shift towards renewable energy with trading revenues being adversely impacted by the lower price and volatility levels. In addition we work closely alongside the guidelines provided to us by the European Commission as part of the ownership transfer to the German Government.
- **Operational Risk:** The Group defines operational risks as losses resulting from inadequate or failed internal processes, people, systems or external events. Based on the operational incident statistics, the level of the Group's operational risk has reduced closer to its historical average levels; this is due to falling energy prices and volatility as well as continuing process improvements. The Group's approach to mitigating operational risks relies both on thorough analysis of the realised incidents and on the pro-active identification of potential weaknesses through regular process reviews. These reviews are conducted by Risk and Internal Audit functions with the active participation of the process owners.
- **Information Security Risk:** The Group evaluates the level of this risk as high due to the new ownership structure and the current geopolitical situation. To deal with the new potential threats, in 2023 the Group updated its information security risk governance structure by creating a team dedicated to setting information security standards and independently monitoring adherence to them. The Group also embarked on an ambitious IT improvement programme, including replacement of the outdated IT systems, upgrade of the IT infrastructure and migration of existing IT systems to the cloud. All these measures are expected to significantly reduce information security risks.
- **Environmental Risks:** Severe weather, low tides, and other climate-related anomalies present notable risks, impeding gas and LNG transportation and delivery. These adversities can lead to operational delays and financial losses. With regards to LNG, the Group does not own LNG carriers but charters its required shipping capacity on spot and time-charters.
- **Regulatory Risks:** The Group considers these risks elevated in the wake of the European energy crisis. The changes in the regulatory landscape may expose the Group to energy-specific regulatory risks, including tighter regulations of energy trading activities resulting in higher capital requirements, energy transition regulations and cross-border regulatory discrepancies. The Group manages these risks by continuously monitoring and analysing emerging national and international, including EU, regulatory policies, and engaging with critical stakeholders such as regulatory bodies, industry associations and the German Government.

  In addition, additional regulatory risk may materialise from potential further EU or Russian sanctions, as the Group still has one legacy Russian supply contract in its portfolio, which has recently become operational again during 2023 following a period of force majeure; the Group however does not undertake any other trading activity with Russian counterparties, and is constantly evaluating mitigating strategies.
- **Supply Chain Risk:** The highly globalised natural gas and LNG supply chain makes the Group vulnerable to geopolitical instability, such as war, sanctions or political unrest. The Group reduces these risks by diversifying its supply sources, conducting a robust Know Your Customer ("KYC") process for its counterparties and vendors, ensuring compliance with international regulatory requirements, and using contractual clauses where possible.

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 in the decision-making process, allocating resources and investment to business areas which are expected to bring the most benefit to the Group in the coming years. This is evidenced through continued investment in IT infrastructure to support the future development of the business.

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, suppliers and customers; uninterrupted operations in its markets is fundamental to meeting this objective. Throughout the year the Group was in contact with trading counterparties, suppliers and customers to ensure that commercial commitments were mutually honoured.

The Group is 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 which guide how we do business. 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.

Corporate Social Responsibility ("CSR")

As a conscientious business, the Group remains steadfast in its commitment to providing support for local communities. During 2023, the Group globally donated over £137,500 to various not-for-profit organisations:

- **KK Women's and Children's Hospital** – Donation purpose: To offer financial assistance and support research and education programmes enhancing women's and children's health in Singapore.
- **Willing Hearts** – Donation purpose: To provide daily meals to various vulnerable groups in Singapore.
- **Habitat for Humanity** – Donation purpose: To rehabilitate homes for vulnerable families in Singapore.
- **London Air Ambulance** – Donation purpose: To support the London Air Ambulance.
- **FC Marylebone** – Donation purpose: To fund the after-school football club for kids from disadvantaged backgrounds near Marylebone Station.
- **Royal Marines Charity** – Donation purpose: To support returning and retired Royal Marines and their families.
- **Manchester Youth Zone** – Donation purpose: To provide annual memberships and support various activities for young people in a deprived area.
- **Hulphond Nederland** – Donation purpose: To train dogs to provide support to people with physical disabilities, epilepsy, developmental disorders and psychological problems.

- **Stichting Kinderen Kankervrij** – Donation purpose: To support cancer research focused on improving medicines, reducing pain during treatments, increasing chances of recovery, and enhancing the quality of life for patients.
- **Stichting Ambulance Wens** – Donation purpose: To help fulfil the last wishes of terminally ill patients through the Ambulance Wish Foundation.
- **Handi'Chiens** – Donation purpose: To finance a two-year training programme for dogs to support vulnerable people or those with reduced mobility in their daily lives.
- **EPIDE (Etablissement Public Insertion dans l'emploi)** – Donation purpose: To support the renovation of the "Employment area" at the EPIDE centre in Compiègne, aiding young people from disadvantaged backgrounds to enter the job market.
- **Paratonnerre Association** – Donation purpose: To finance research on Norse and Fires syndromes, rare forms of epilepsy, at Parisian hospitals Pitié Salpêtrière, Bichat, Sainte Anne and Institut du Cerveau.

Employees

The Directors believe that the Group's success is aligned with the interests and wellbeing 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. Employee wellbeing continues to be a key priority for the Directors, and the Group has 22 qualified Mental Health First Aiders on hand to offer support and advice to employees.

SM&T TCFD Report

Governance

SM&T and its subsidiary companies (which together comprise the SM&T Group) and the wider SEFE Group consist of three functional areas (led by the Chief Executive Officer, the Chief Financial Officer and the Chief Information Officer) and two business areas (led by the Chief Commercial Officer and the Chief Sales Officer) that span the SEFE Group's legal entity structure. As a 100% owned subsidiary of the SEFE Group, the SM&T Group is primarily responsible for the sourcing and trading of natural gas, LNG, power and carbon products, and the supply of energy products to its retail subsidiary, SEFE Energy, and other SEFE Group companies including WINGAS GmbH. As an integral part of the SEFE Group, the SM&T Group companies adhere to the governance, strategy, risk processes and targets established by the SEFE Group for all of the Group's activities.

The current remit and roles of key SEFE and SM&T Group bodies in relation to climate change are detailed below:

- **SEEHG (Securing Energy for Europe Holding Group) Supervisory Board:** Responsible for supervising and monitoring the activities of the SEFE Group, including oversight of SEFE climate risk management and energy transition activities. In 2023, the SEFE Group's ESG strategy, proposed targets and key initiatives, including climate-related opportunities, were discussed at two Supervisory Board meetings. The Supervisory Board may establish professional committees from among its members and such committees form part of the Supervisory Board.
- **Risk Committee of the Supervisory Board:** Oversees the identification, assessment, management and mitigation of the key risks facing the SEFE and SM&T Group, including climate-related risks, and reports on its findings to the Supervisory Board, including climate-related activities.
- **SEFE ESG Committee of the Supervisory Board:** Advises the Supervisory Board and Management Council on the SEFE and SM&T Group's ESG activities.
- **SEFE Group Management Council:** Steers the day-to-day business of the SEFE Group including initiatives to support energy transition activities and reduce SEFE Group GHG emissions and undertakes reporting on its activities to the Supervisory Board.
- **SEFE Group ESG Taskforce:** Coordinates climate-related activities across the SEFE Group (amongst other ESG initiatives) and makes recommendations to the SEFE Group Management Council on key ESG-related topics. The Taskforce will be replaced by a permanent SEFE Group Strategy & Sustainability team in 2024. This team's roles, amongst others, will be to coordinate the delivery of ESG initiatives, undertake ESG reporting and monitor progress against ESG targets. This will include initiatives and reporting on abating greenhouse gas emissions and reducing physical climate risks. This team will work closely with departments across the Group, including Commercial Functions, Accounting, Management Reporting, Procurement, Communications, Regulatory Affairs, Human Resources and Legal & Compliance.

Key Executive Directors' climate responsibilities

The SEFE Group CEO is accountable for strategy development and execution, including the Group's approach to ESG topics such as climate change, in consultation and collaboration with the SEFE Group Management Council and SEEHG Supervisory Board.

The SEFE Group CFO (starting with effect from 1 January 2024) is responsible for ensuring processes are in place to manage and mitigate ESG risks including climate-related risks.

Strategy

The SM&T Group and the wider SEFE Group is a major supplier, seller and trader of natural gas, LNG, power and emissions products in European and global energy markets, and is a key gas infrastructure owner and operator in Europe.

In support of SEFE and SM&T Group's energy transition-related activities, SM&T is undertaking the following:

- **Hydrogen Accelerator:** The development of clean hydrogen-related supply chains to meet the decarbonisation needs of customers in Europe;
- **Sales:** The sale of low carbon products to UK and European customers through its subsidiary, SEFE Energy Limited;
- **Digital Trading & Energy Transition:** The risk management and optimisation of third-party power assets, including renewable power balancing activities, and the origination of green gas and power certificates. The Energy Transition Accelerator is a Group initiative to serve customers who utilise renewables and batteries and require trading and marketing support;
- **Environmental Products:** The origination, trading and marketing of voluntary carbon offset products;
- **Gas, Power & Derivatives:** The trading and sales of European and UK emissions allowances.

In setting Group strategy, a broad range of stakeholders were consulted to identify key ESG topics, including climate-related risks and opportunities. These risks and opportunities are currently being assessed and include the following impacts for SM&T:

- **The value of SM&T's gas and LNG activities,** which could be impacted by climate change and the energy transition. Changes in regulations or consumer preferences, due to concerns over climate change, could reduce demand for fossil fuels over the long term (10-25 years). Alternatively, fossil fuel demand could remain higher if energy security concerns remain at the forefront of society and policymakers' concerns;
- **SM&T's ability to grow its hydrogen and other low carbon businesses,** possibly due to lack of supportive policies, strong competition, insufficient consumer demand, slower development of new technologies and supporting supply chain constraints.

  This could particularly impact short- to medium-term business plans (1-10 years) as the Group builds its hydrogen and low carbon energy businesses. Alternatively, stronger demand, policy support or faster technology development and adoption of low carbon energy could support a more rapid development of the hydrogen and low carbon energy businesses;
- **SM&T's ability to implement SEFE Group strategy being impacted by societal attitudes towards the energy sector.** If negative perceptions about the energy sector grow, this could result in adverse litigation, reputational impacts, reduced access to financing, an inability to attract & retain talent and shareholder action. These impacts could occur across the whole time period (1-25 years). Alternatively, increased stakeholder support could enable new or increased sources of capital for low carbon energy and emissions reduction opportunities;
- **Increasing climate-related physical risks impacting SM&T operations,** including the impact of severe weather in the long term, this could impede the transportation and delivery of gas and LNG to European and global customers such as, for example, extreme sea conditions impacting sailing times. These impacts may become more severe over time if climate change accelerates.

Impact on Group strategy

The Group's vision, strategy and business planning is informed by the climate-related risks and opportunities listed above.

The Group's vision is to ensure both the security of gas supply in Germany and Europe and, as a key climate-related opportunity, drive the green energy transition.

The Group's strategy and business planning addresses key climate-related risks and opportunities through the following key initiatives:

- **Reducing SM&T emissions** – SM&T Group and the wider SEFE Group have established net zero targets for its Scope 1 & 2 emissions. A range of emissions reduction activities have already been identified to deliver its Scope 1 & 2 targets, including SM&T office-related energy use and emissions reduction initiatives.
- **Growing SM&T's portfolio of low-carbon energy products** – These include targets for low-carbon product sales based on expected market developments in Europe. SM&T is in the process of securing agreements and partnerships to source low-carbon hydrogen and renewable power, with a focus on gaining access to competitive supply.
- **Supporting SM&T customers and partners to improve energy efficiency and reduce their carbon emissions** – Through energy audits for retail customers and state-of-the-art asset optimisation solutions to energy asset owners, which support the active balancing of low carbon electricity.
- **Developing SM&T's low carbon energy trading capability and managing associated risks** – These activities will enable SM&T to replace trading gross margin from its current fossil fuel-based trading activities with new sources of trading income, as well as provide trading access and risk management services to third parties.
- **Growing a SM&T carbon offset business to mitigate emissions impacts in SEFE Group's and its customers' businesses** – This includes investments in carbon offset projects, where these offer access to high quality carbon credits at an attractive price.

Financial planning

SM&T Group and the wider SEFE Group expect to allocate capital to energy transition activities, both to capture climate change-related opportunities and reduce emissions impacts. This includes investment in hydrogen and carbon offset activities.

While there are risks that financial institutions may reduce capital available for existing fossil fuel-based activities in response to climate change impacts, the Group will work closely with its banking partners to answer all of their ESG questions and maintain access to ongoing funding.

The Group also plans to raise internal awareness of climate change through the introduction of an internal carbon price. This is expected to be used in future long-term contract evaluations.

Scenario testing

The Group's business and financial plans are currently being tested against different market scenarios. To date, these have been mainly derived from International Energy Agency published scenarios. By assessing the implications of various climate pathways on its sales, trading and operations' activities, the Group is able to adjust its business and financial plans as needed and identify further risks and opportunities as they emerge.

The Group's business is currently expected to remain resilient under different climate scenarios, with earnings from low carbon businesses gradually displacing reduced income from existing fossil fuel-based sales, trading and optimisation activities.

Risk management

SM&T Group and the wider SEFE Group are committed to managing climate-related risks and opportunities in a responsible and effective manner, having a comprehensive risk management framework in place that applied to the SM&T Group includes the following elements:

- **Governance:** As covered in the Governance section above, the Supervisory Board is responsible for overseeing the Group's risk management framework. The Supervisory Board has established a Risk Committee that is responsible for reviewing and approving the Group's risk appetite, policies and procedures.

- **Risk Identification and Assessment:** The Group's risk management framework includes climate-related risks. The process to identify and assess these risks involves the following steps:
  - Identifying the Company's exposure to climate-related risks. The Group faces a range of climate-related risks, including:
    i. Physical risks such as extreme weather events and sea level rises. These risks could disrupt the SEFE Group's operations, damage its assets, and lead to financial losses; and
    ii. Energy transition risks, including the costs of adapting to a low-carbon economy resulting from changes in regulations, market prices and consumer preferences. These could also lead to financial losses for the SEFE Group.
  - Assessing the likelihood and impact of these risks.
  - Prioritising the risks based on their potential impact on the Group.
- **Risk mitigation:** The Group is implementing a range of risk mitigation strategies to address climate-related risks. These strategies include:
  - **Energy transition risks:** SM&T is undertaking a range of initiatives to reduce energy transition risks, including evaluating and investing in low carbon energy, logistics decarbonisation and carbon offset opportunities.
  - **Physical risks:** The Group will develop plans to mitigate against the risks of extreme weather events and ensure its operations are resilient to the impacts of climate change, including its logistics activities.
  - **Other risk management approaches:** Transferring Group risks through instruments such as insurance will also help to protect the Group from financial losses in the event of a climate-related event.
- **Risk monitoring and reporting:** The Group's risk management framework is being expanded to include a process for monitoring and reporting on climate-related risks. This process will involve the following steps:
  - Monitoring the Company's exposure to climate-related risks.
  - Reporting on the Company's risk mitigation strategies.
  - Communicating the Company's risk management framework to stakeholders.

In summary, SM&T Group is committed to managing climate-related risks in a responsible and effective manner. The Group is developing a comprehensive risk management framework that will cover the identification, assessment, mitigation and monitoring of climate-related risks. The Group is also taking steps to reduce its greenhouse gas emissions and adapt to the impacts of climate change.

Targets and metrics

The SM&T Group and wider SEFE Group have established an initial set of emissions and energy transition-related targets for its businesses. SM&T plays a critical role in delivering these targets through its supply, trading and optimisation activities.

The key targets are as follows:

- **To achieve net zero on its Scope 1 & 2 emissions by 2040.** In support of this, the aim is to reduce Scope 1 & 2 emissions by more than 50% by 2030 in Group controlled operations and office-related activities (relative to its 2021 baseline). SM&T's contribution to this target will focus on reducing office emissions.
- **To sell in excess of 25 Terawatt hours ("TWh") p.a. of low-carbon energy by 2030.** SM&T will contribute towards this aim through its low carbon hydrogen and renewable power sourcing and sales activities.

Streamlined Energy and Carbon Report (SM&T Group and Company):

The statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting ("SECR") covers energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

	Group		Company		
	2023	2022	**2023**	2022*	
Emissions from Scope 1 (Direct)	**49.5**	54.6	**13.0**	1.8	tCO_2e
Emissions from Scope 2 (Energy Indirect)	**331.1**	288.4	**269.8**	230.2	tCO_2e
Emissions from Scope 3 (Other Indirect)**	**5.1**	4.0	**1.7**	2.2	tCO_2e
Company's chosen intensity metric: Emissions reported per employee	**0.5**	0.5	**0.8**	0.6	tCO_2e per employee

* The 2023 SECR figures for SEFE Marketing & Trading Limited record different Company figures compared to the 2022 submission. This is due to the change in method for allocating "gas energy" and adjustments to calculation logic to allow for conversions that are more precise. To ensure consistent reporting between the current year and prior years, the same methodology has been applied to 2022 figures.

** Scope 3 emissions are limited to only emissions related to Business Travel by employee cars.

The reduction in direct emissions in Scope 1 for Group was made possible by the switch from diesel, hybrid and petrol to electric vehicles. This was partially offset at Company level where the return of employees to the office also meant that more gas was needed to prepare food, which had a negative impact on Scope 1 emissions.

Methodology used in the calculation of disclosures

The UK-based entities within the SM&T Group comply with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our approach to reporting is based on the Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (2019) and the GHG Protocol: Corporate Accounting and Reporting Standard Revised Edition (2004).

Energy use has been reported in kWh and emissions in tCO_2e, SM&T's reporting period is 1 January 2023 to 31 December 2023. The following emissions scopes and categories have been included:

- **Scope 1** – Fuel combustion by company owned or leased cars and direct gas consumption for the kitchen.
- **Scope 2** – Energy consumption (electricity and heat) in offices leased (i.e. those within the financial control boundary) by SM&T.
- **Scope 3** – Includes fuel combustion of employee cars during business trips.

The methodology used to calculate total energy consumption and carbon emissions utilises invoice data, submetering data, business transport mileage and fuel records, and UK Government conversion factors for company reporting of greenhouse gas emissions.

All figures have been presented as location-based emissions. The location-based emissions reflect the average emission of the grid where the energy consumption occurs and is calculated using these UK Government GHG conversion factors for company reporting we have used.

Energy efficiency actions

SM&T is committed to responsible energy management and improving energy efficiency throughout its organisation.

Actions already taken and planned for the immediate future include:

- As Air-conditioning accounts for a large proportion of total energy consumption, efforts are being made to reduce the use of AC units in certain areas and especially on days with fewer staff (Mondays and Fridays);
- The AC of communication rooms should be monitored and contribute to minimising energy consumption through a new temperature setpoint;
- The complete switch to LED lights has already been successfully completed by some offices and is to be completed throughout SM&T Group soon;
- Energy-intensive equipment (kitchen equipment) was successfully replaced;
- The employees have been and will be provided with better office equipment (more energy-efficient monitors and laptops);
- Minimising the use of energy intensive equipment during periods of low occupancy; and
- Promoting Behavioural Changes for Energy Conservation with initiating a campaign to encourage employees to adopt energy-saving habits.

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

F Barnaud
15 March 2024

DIRECTORS' REPORT

Directors and their interests

The Directors who served during the year, and up to the date of the signing of the audited Consolidated Financial Statements, were as follows:

E Laege
F Barnaud

There are no Directors' interests in the share capital of the Company as at the date of this report requiring disclosure under the Companies Act 2006.

Likely future developments

The likely future developments of the Group's business have been disclosed in the Strategic Report.

Overseas branches

The Group has branch activities across Europe covering the Czech Republic, Romania, Slovak Republic, the Netherlands and France.

Financial instruments

The Group's normal operating and financing activities expose it to a variety of financial risks. The primary financial risks are market risk (including risks from commodity and derivative prices, interest rates and foreign exchange rates), credit risk and liquidity risk. The Group's overall risk management process is designed to identify, manage and mitigate such risk. Information on the Group's exposure to financial risks and its risk management objectives and policies, including hedge accounting, can be found in note 15. The use of financial instruments in the Group is outlined further in the Strategic Report.

Employees

The Directors continue to place significant value on the Company's investment in its employees and to ensure that employees are kept informed on matters affecting them, while encouraging all employees to contribute their views on the Company's strategy and performance to management. The Company also operates a compensation policy that allows employees to participate in the ongoing success of the business.

Details of how the Directors have considered employees' interests in executing the Group's strategy in the year can be found in the Strategic Report, in the S172(1) statement section.

Disabled applicants and existing disabled employees of the Company are treated fairly and on terms comparable with those of other employees. Equally, employees who become disabled during their employment receive training, where necessary, in order to promote their ongoing career development.

Other stakeholders

Details of how the Directors have considered the Group's other stakeholders' interests in executing its strategy during the year can be found in the Strategic Report, in the S172(1) statement section.

Corporate governance

The Company has not applied a specific corporate governance code during the year, as it seeks to align itself to the extent applicable with the corporate governance principles of the SEFE Group. This is reflective of the Company's status as a wholly owned subsidiary within the SEFE Group.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions, as defined in the Companies Act 2006, were in force during the year and up to the date of the Directors' Report for the benefit of all Directors of the Company.

Political contributions

The Group and the Company made no political donations during the year (2022: £nil).

Statement of going concern

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, these Financial Statements have been prepared on a going concern basis. Please see note 2 Basis of preparation for the Group's Statement of going concern.

Dividends

The Company had no dividends declared or paid during the year. No dividend income was received by the Company from its subsidiaries in 2023 (2022: £172.7m). Since the reporting date, no further dividends were paid or proposed.

Streamlined Energy and Carbon Report (Company)

The statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting ("SECR") has been disclosed as part of the TCFD reporting in the Strategic Report.

Directors' disclosure to the auditors

Each Director in accordance with Section 418 of the Companies Act 2006 has confirmed the following statement, that in respect of the audit of the Group and Company Financial Statements of SEFE Marketing & Trading Limited for the year ended 31 December 2023:

- so far as the Directors are aware there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Independent auditors

Pursuant to Section 485 of the Companies Act 2006, PricewaterhouseCoopers LLP was appointed auditors of the Group for the year ended 31 December 2023.

The Financial Statements on pages 11 to 46 were approved by the Board of Directors on 15 March 2024 and signed on its behalf by

F Barnaud
15 March 2024

INDEPENDENT AUDITORS' STATEMENT TO THE MEMBERS OF SEFE 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 2023, which comprises the Group and Company Statements of financial position as at 31 December 2023, 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 & Trading Limited for the year ended 31 December 2023.

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 & 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 & Trading Limited for the year ended 31 December 2023.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
15 March 2024

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023			2022		
Group	Note	**Business performance £'000s**	**Exceptional items £'000s**	**Results for the year £'000s**	Business performance £'000s	Exceptional items £'000s	Results for the year £'000s
Revenue	6	**5,367,931**	**–**	**5,367,931**	9,152,988	–	9,152,988
Cost of sales	5	**(5,109,460)**	**–**	**(5,109,460)**	(6,394,586)	(177,161)	(6,571,747)
Gross profit		**258,471**	**–**	**258,471**	2,758,402	(177,161)	2,581,241
Trading and hedging activities:							
Net result from trading and hedging activities	5,7	**468,814**	**56,774**	**525,588**	(343,843)	(2,574,828)	(2,918,671)
Net income/(loss)		**727,285**	**56,774**	**784,059**	2,414,559	(2,751,989)	(337,430)
Administrative expenses	8	**(393,076)**	**–**	**(393,076)**	(376,805)	–	(376,805)
Net impairment (loss)/reversals on financial and contract assets	5,15	**(12,285)**	**77,042**	**64,757**	(57,109)	(209,311)	(266,420)
Operating profit/(loss)		**321,924**	**133,816**	**455,740**	1,980,645	(2,961,300)	(980,655)
Interest income	14	**58,545**	**–**	**58,545**	32,815	–	32,815
Interest expense	5,14	**(85,245)**	**(7,437)**	**(92,682)**	(164,065)	–	(164,065)
Other income		**4,319**	**–**	**4,319**	5,320	–	5,320
Loss on disposal of non-current assets and liabilities		**(143)**	**–**	**(143)**	(483)	–	(483)
Gain on derecognition of non-current assets and liabilities	5,9	–	–	–	–	10,100	10,100
Profit/(loss) before tax		**299,400**	**126,379**	**425,779**	1,854,232	(2,951,200)	(1,096,968)
Tax	5	**(59,082)**	**(15,446)**	**(74,528)**	(147,226)	318,124	170,898
Profit/(loss) for the financial year		**240,318**	**110,933**	**351,251**	1,707,006	(2,633,076)	(926,070)
Hedge reserves:							
Hedging gains/(losses) recognised during the year		**541,201**	**–**	**541,201**	(3,286,571)	–	(3,286,571)
Tax on items taken directly to equity		**107,328**	**–**	**107,328**	31,803	–	31,803
Hedging (gains)/losses reclassified to profit or loss		**(341,712)**	**–**	**(341,712)**	1,888,332	1,564,363	3,452,695
Tax on items transferred from equity		**113,135**	**–**	**113,135**	17,150	(66,322)	(49,172)
(Loss)/gain on foreign currency translation		**(14,051)**	**–**	**(14,051)**	138,150	–	138,150
Total other comprehensive income/(expense)[1]		**405,901**	**–**	**405,901**	(1,211,136)	1,498,041	286,905
Total comprehensive income/(expense)		**646,219**	**110,933**	**757,152**	495,870	(1,135,035)	(639,165)
Total comprehensive income/(expense) attributable to:							
Equity owners of the parent		**646,219**	**110,933**	**757,152**	495,870	(1,135,035)	(639,165)

(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 16 to 46 form an integral part of the Supplementary Financial Information.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023			2022		
Company	Note	**Business performance £'000s**	**Exceptional items £'000s**	**Results for the year £'000s**	Business performance £'000s	Exceptional items £'000s	Results for the year £'000s
Trading and hedging activities:							
Net result from trading and hedging activities	5,7	**458,176**	**56,774**	**514,950**	1,221,454	(1,010,465)	210,989
Net income		**458,176**	**56,774**	**514,950**	1,221,454	(1,010,465)	210,989
Administrative expenses	8	**(226,885)**	**–**	**(226,885)**	(237,694)	–	(237,694)
Net impairment reversals/(loss) on financial and contract assets	5,15	**10,830**	**–**	**10,830**	(3,431)	(129,285)	(132,716)
Income from subsidiaries		**18,954**	**–**	**18,954**	12,026	–	12,026
Operating profit/(loss)		**261,075**	**56,774**	**317,849**	992,355	(1,139,750)	(147,395)
Interest income	14	**92,469**	**–**	**92,469**	49,910	–	49,910
Interest expense	14	**(127,629)**	**–**	**(127,629)**	(171,977)	–	(171,977)
Other income		**4,319**	**–**	**4,319**	5,400	–	5,400
Dividend income from subsidiaries	10	**–**	**–**	**–**	172,717	–	172,717
Loss on disposal of non-current assets and liabilities		**(11)**	**–**	**(11)**	(477)	–	(477)
Profit/(loss) before tax		**230,223**	**56,774**	**286,997**	1,047,928	(1,139,750)	(91,822)
Tax	5	**(46,771)**	**(13,342)**	**(60,113)**	(185,126)	216,553	31,427
Profit/(loss) and total comprehensive income/(expense) for the financial year		**183,452**	**43,432**	**226,884**	862,802	(923,197)	(60,395)

All operations were continuing in the current and prior year. The notes on pages 16 to 46 form an integral part of the Supplementary Financial Information.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Assets					
Non-current assets					
Intangible assets		**55,763**	52,129	**33,830**	30,448
Property, plant and equipment		**10,610**	8,847	**8,839**	6,634
Right-of-use assets	9	**300,276**	332,872	**6,050**	9,672
Financial assets measured at fair value	16	**570,606**	4,150,785	**696,623**	4,626,213
Investments in subsidiaries	10	**–**	–	**7,958**	7,958
Deferred tax assets		**170,191**	208,113	**14,967**	1,318
Trade and other receivables	14	**258,130**	–	**–**	–
Lease receivables	12	**431**	1,133	**431**	1,133
Total non-current assets		**1,366,007**	4,753,879	**768,698**	4,683,376
Current assets					
Inventories	11	**1,729,455**	1,197,400	**1,657,378**	1,075,579
Trade and other receivables	14	**2,584,012**	3,499,938	**1,977,892**	3,218,844
Lease receivables	12	**1,209**	1,202	**1,209**	1,202
Financial assets measured at fair value	16	**2,709,270**	6,589,152	**3,469,294**	8,502,174
Current tax assets		**14,241**	47,050	**10,628**	42,105
Cash equivalents receivable from related parties	14	**490,541**	2,833,279	**1,036,378**	4,929,624
Cash at bank and in hand	14	**111,742**	658,434	**23,989**	583,085
Total current assets		**7,640,470**	14,826,455	**8,176,768**	18,352,613
Total assets		**9,006,477**	19,580,334	**8,945,466**	23,035,989
Liabilities					
Current liabilities					
Trade and other payables	14	**1,867,716**	3,134,042	**1,664,642**	2,750,402
Financial liabilities measured at fair value	16	**2,545,473**	7,750,876	**3,409,832**	9,114,408
Provisions		**40,553**	119,135	**199**	64,777
Current tax liabilities		**10,353**	15,143	**–**	–
Loans and overdrafts	14	**1,661,918**	3,776,347	**1,844,220**	6,245,324
Lease liabilities	12	**98,145**	69,681	**6,658**	4,916
Total current liabilities		**6,224,158**	14,865,224	**6,925,551**	18,179,827
Non-current liabilities					
Trade and other payables	14	**305**	190	**1,614**	190
Lease liabilities	12	**222,803**	288,914	**2,793**	9,424
Financial liabilities measured at fair value	16	**416,925**	3,966,841	**583,653**	4,521,577
Provisions		**365,999**	144,545	**1,500**	1,500
Deferred tax liabilities		**–**	224,367	**–**	–
Total non-current liabilities		**1,006,032**	4,624,857	**589,560**	4,532,691
Total liabilities		**7,230,190**	19,490,081	**7,515,111**	22,712,518
Net assets		**1,776,287**	90,253	**1,430,355**	323,471
Equity					
Share capital		**900,000**	20,000	**900,000**	20,000
Other reserves		**111,299**	(357,535)	**–**	–
Foreign currency translation reserve		**154,464**	168,515	**–**	–
Retained earnings		**610,524**	259,273	**530,355**	303,471
Equity attributable to:					
Owners of the parent		**1,776,287**	90,253	**1,430,355**	323,471
Total equity		**1,776,287**	90,253	**1,430,355**	323,471

The notes on pages 16 to 46 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 15 March 2024 and signed by the Directors as a consistent extract thereof as a part of the Strategic Report with Supplementary Financial Information on 15 March 2024.

Signed on behalf of the Board

F Barnaud
15 March 2024

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Group	Share capital £'000s	Other reserves £'000s	Foreign currency translation reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2022	**20,000**	**(337,125)**	**30,365**	**1,185,343**	**898,583**
Loss for the year	–	–	–	(926,070)	(926,070)
Other comprehensive income:	–	148,755	138,150	–	286,905
Total comprehensive income/(expense)	**–**	**148,755**	**138,150**	**(926,070)**	**(639,165)**
Less: Currency translation difference	–	(169,165)	–	–	(169,165)
Balance at 31 December 2022	**20,000**	**(357,535)**	**168,515**	**259,273**	**90,253**
Profit for the year	–	–	–	351,251	351,251
Other comprehensive income/(expense):	–	419,952	(14,051)	–	405,901
Total comprehensive income/(expense)	**–**	**419,952**	**(14,051)**	**351,251**	**757,152**
Less: Currency translation difference	–	48,882	–	–	48,882
Issuance of shares	880,000	–	–	–	880,000
Balance at 31 December 2023	**900,000**	**111,299**	**154,464**	**610,524**	**1,776,287**

Company	Share capital £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2022	**20,000**	**363,866**	**383,866**
Loss and total comprehensive expense for the year	–	(60,395)	(60,395)
Balance at 31 December 2022	**20,000**	**303,471**	**323,471**
Profit and total comprehensive income for the year	–	226,884	226,884
Issuance of shares	880,000	–	880,000
Balance at 31 December 2023	**900,000**	**530,355**	**1,430,355**

The notes on pages 16 to 46 form an integral part of the Supplementary Financial Information.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

		Group		Company	
	Note	**2023 £'000s**	2022 £'000s	**2023 £'000s**	2022 £'000s
Operating activities					
Operating profit/(loss)		**455,740**	(980,655)	**317,849**	(147,395)
Depreciation of property, plant and equipment and right-of-use assets	9	**70,722**	64,171	**5,043**	6,173
Amortisation of intangible assets		**21,522**	19,337	**11,252**	10,507
Unrealised fair value movements on trading contracts at fair value		**(636,332)**	1,541,862	**(241,003)**	939,057
Other unrealised movements		**(46,965)**	178,870	**(40,383)**	32,368
(Decrease)/increase in provisions		**(115,258)**	234,185	**(64,578)**	46,195
Other income		**4,319**	5,320	**4,319**	5,400
Impairment (reversal)/losses on financial, contract and other assets		**(64,757)**	266,420	**(10,830)**	132,716
Operating cash flows before movements in working capital		**(311,009)**	1,329,510	**(18,331)**	1,025,021
Increase in inventories		**(532,055)**	(112,696)	**(581,799)**	(16,914)
Decrease in receivables		**971,612**	428,355	**1,237,873**	489,186
Decrease in payables		**(1,193,006)**	(2,706,003)	**(1,027,597)**	(2,607,611)
(Increase)/decrease in financial contracts measured at fair value through profit or loss		**(407,710)**	59,809	**(439,027)**	40,110
Cash used in operations		**(1,472,168)**	(1,001,025)	**(828,881)**	(1,070,208)
Interest income received		**58,261**	30,015	**97,723**	34,474
Income taxes paid		**(15,246)**	(70,976)	**(5,500)**	(47,001)
Net cash used in operating activities		**(1,429,153)**	(1,041,986)	**(736,658)**	(1,082,735)
Investing activities					
Dividend income received		**–**	–	**–**	172,717
Interest received on lease receivables	12	**39**	2,800	**39**	31
Purchases of property, plant and equipment		**(3,724)**	(1,122)	**(3,649)**	(1,072)
Purchases of intangible assets		**(25,491)**	(21,611)	**(14,634)**	(10,702)
Proceeds from lease agreements	12	**1,196**	7,600	**1,196**	104
Net cash (used in)/generated from investing activities		**(27,980)**	(12,333)	**(17,048)**	161,078
Financing activities					
Issuance of shares		**880,000**	–	**880,000**	–
(Repayment)/drawdown of loan from subsidiary companies	13	**–**	–	**(2,285,939)**	1,674,779
Interest and banking charges paid		**(117,293)**	(105,328)	**(172,130)**	(107,734)
Repayment of obligations under lease agreements		**(70,762)**	(69,790)	**(4,875)**	(4,857)
Interest paid on lease payables	12	**(10,316)**	(14,659)	**(151)**	(281)
(Repayment)/drawdown of loan from parent company	13	**(2,114,599)**	3,776,347	**(2,114,599)**	3,776,347
Net cash (used in)/generated from financing activities		**(1,432,970)**	3,586,570	**(3,697,694)**	5,338,254
Net (decrease)/increase in cash and cash equivalents		**(2,890,103)**	2,532,251	**(4,451,400)**	4,416,597
Exchange (loss)/gain on cash and cash equivalents		**(3,015)**	20,055	**(7,882)**	19,958
Movement in loss allowance for cash and cash equivalents		**3,688**	(3,434)	**6,940**	(7,021)
Cash and cash equivalents at the beginning of the year	14	**3,491,713**	942,841	**5,512,709**	1,083,175
Cash and cash equivalents at the end of the year	14	**602,283**	3,491,713	**1,060,367**	5,512,709

The notes on pages 16 to 46 form an integral part of the Supplementary Financial Information.

NOTES TO THE SUPPLEMENTARY FINANCIAL INFORMATION

YEAR ENDED 31 DECEMBER 2023

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.

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 2023 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.

Presentation of the statement of comprehensive income

Due to the exceptional circumstances affecting the Group during the current and prior periods (as described in the Strategic Report), the Directors believe that separating the underlying results of the ongoing business from the impacts of external factors specifically related to the war in Ukraine provides useful information about commercial performance and underlying trends. These are presented within the Statements of comprehensive income as Business performance and exceptional items respectively. Further detail on those balances noted within exceptional items is included in note 5. The final column, Results for the year represents the summation of the Business performance and exceptional items columns, and includes numbers which meet the Statement of compliance noted above.

Statement of going concern

In preparing these Financial Statements 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 99% 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") and cash margin at risk ("CMaR") metrics and include stresses against the Group's material energy commodity market exposures. Operational risks are focused on scenarios of delays in receivables, increases in initial margin requirements for exchange trading, as well as additional negative credit events based on credit value at risk ("CVaR") metrics.

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 along with substantial levels of reserves in order to ensure the ability of the SEFE Group to continue as a going concern. The KfW loan takes the form of a committed facility, with a nominal of €7.5bn until June 2028.

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 a result, have prepared the Financial Statements on a going concern basis.

3 SUMMARY OF MATERIAL 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.

Investment in subsidiaries

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

Revenue recognition

Revenue consists 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.

SEFE Energy

Performance obligations for SEFE Energy's 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 output method or the invoiced amount when applicable, to reflect the value to the customer of the Group's performance completed to date.

For SEFE Energy's 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 SEFE Energy's 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.

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, SEFE Energy's gas and 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).

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES continued

Net result from trading and hedging activities recognition

Net result from trading and hedging activities comprises the results of the Group's principal activities, which are the marketing and trading of energy products, except those arising from retail gas and electricity contracts and physical LNG activities.

Net result from trading and hedging activities includes:

- Amounts arising from transactions entered into to optimise the performance of the Group's energy portfolio, including sale and purchase transactions for commodities. Where these contracts can be settled net in cash, the Group is required by IFRS 9 to recognise them in the Statement of financial position at fair value, with movements in fair value recognised in the Statement of comprehensive income within Net result from trading and hedging activities.
- 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.
- Any hedge ineffectiveness arising from cash flow hedges.
- Revenues and costs of complementary contracts which are not within the scope of IFRS 9. These include products which are considered to be part of the Group's trading activities; certain emission certificates; and gas and other energy storage and transportation capacities against which revenue is recognised on an accrual basis. Revenue in respect of these is recognised as set out in the Revenue recognition accounting policy.

Right-of-use assets

Right-of-use assets are recognised to represent those assets which the Group has access to 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 through administrative expenses 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.

Inventories

The valuation approach for the Group's inventories 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, LNG which is held in on-shore tanks at regasification facilities and certain emission allowances. Movements in the fair value of inventory between reporting dates are recognised within Net result from trading and hedging activities. The fair value of physical gas and emission allowances is measured at the price for the soonest available delivery of gas and emission allowances (respectively) at the reporting date. The fair value of LNG in tank held in on-shore tanks is measured by reference to the sale price expected to be achieved once it is regasified.

LNG positions 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.

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 result from trading and hedging activities. Any inventory placed within virtual storage arrangements is derecognised in Inventory 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.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES continued

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

For vessels, 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.

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. Subsequent measurement of right-of-use assets is set out in the right-of-use assets accounting policy.

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

The Group acts as an intermediate lessor by subleasing vessels to external counterparties and subleasing office space to both related and unrelated counterparties. A sublease 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, with the transfer of risks and rewards assessed with reference to the term of the head lease, rather than the useful economic life of the underlying asset.

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.

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.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES continued

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.

The Group determines the classification of its financial assets and financial liabilities at initial recognition. 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 their contractual cash flow characteristics. Financial liabilities within the scope of IFRS 9 are classified as held at amortised cost, unless they are held for trading in which case they are classified as at fair value through profit or loss.

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 result 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 result 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 result 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 held for trading 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.

Interest is recognised in the Statement of comprehensive income within Interest income or Interest expense as appropriate.

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 17 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 there is evidence that the fair value at inception of the transaction is different to the transaction price.

- For certain transactions, the fair value at inception 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 such a valuation indicates that the fair value is different to the transaction price, the Group recognises a "day-one" gain or loss at inception within Net result from trading and hedging activities.
- When significant unobservable data is used to determine the fair value at inception, 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 result from trading and hedging activities on a straight-line or other appropriate systematic basis as observable market data becomes available.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES continued

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

Embedded derivatives
Derivatives embedded in financial liability contracts or 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 within Net result from trading and hedging activities.

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 result 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
- 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 15 on credit risk.

Expected credit losses arising on inception of an asset, and any subsequent increases or reversals, are recognised in the Statement of comprehensive income and are reflected in the carrying amount of the 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.

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.

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

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.

Expected credit loss 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.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES continued

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.

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 Group applies cash flow hedging to purchases and sales of LNG, as well as purchases of natural gas and power to fulfil the sale requirements of SEFE Energy.

For all hedged risk exposures for which hedge accounting has been applied, the Group considers that an economic relationship exists between the hedged item and the hedging instruments, as the hedging instruments used are economically related to the underlying hedged risk.

The Group assesses hedge effectiveness on a qualitative basis where the critical terms of the hedging instrument and the hedged item either match or are closely aligned. Retrospective hedge effectiveness testing is also used to support the assertion that the effectiveness requirements are met on an ongoing basis.

The Group has prepared the documentation required by IFRS 9 defining the hedging strategy, hedging instrument, hedged item and hedge effectiveness testing methodology used for each of these hedging strategies.

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 result 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 is recognised:

- Immediately, if either:
  - the forecast transaction is no longer expected to occur, or
  - the amount deferred in equity is a loss that is not expected to be recovered in a future period(s).
- Otherwise, when the forecast transaction is ultimately recognised in the Statement of comprehensive income.

Exceptional items

The Group and Company reflect their underlying financial results in the Business performance column of the Group and Company Statements of comprehensive income. To be able to provide users with this clear and consistent presentation, the effects of exceptional items are reported in a different column in the Group and Company Statements of comprehensive income. The final column in these statements is an aggregation of the Business performance and exceptional items columns, and provides numbers compliant with the presentation requirements of UK-adopted International Accounting Standards.

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence in order to provide an understanding of the performance of the underlying business of the Group. Items which may be considered exceptional in nature include one-off items directly related to sanctions imposed against the Group and Company following the invasion of Ukraine.

4 IMPACT OF CHANGES IN ACCOUNTING POLICY

The Group has fully adopted the requirements of all new accounting standards, amendments and interpretations which are mandatory for this reporting period and had not previously been early adopted. These did not have a material impact on the Group in the current reporting period.

The Group has not early adopted the requirements of any standard, amendment or interpretation which is not mandatory for the reporting period. No standards, amendments or interpretations that become effective in future periods are currently expected to have a material impact on the Group, or on foreseeable future transactions.

5 EXCEPTIONAL ITEMS

As noted in the Strategic Report, certain events occurred during the prior period which had an effect on the Group and Company performance, which are considered unlikely to recur, and which were outside of the Group's control. These events were caused by the war in Ukraine, the sanctions applied by Western Governments and in particular the counter-sanctions put in place by the Russian Government. During the current period, the continuing impact of these events on the Group has been actively managed and mitigated. The Directors consider that the underlying performance of the business is better reflected if the effects of the ongoing management of these events, along with the initial impacts, are classified as exceptional items and reported separately in the Financial Statements.

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Onerous contract provision(1)	**–**	(177,161)	**–**	–
Exceptional items included within Gross profit	**–**	(177,161)	**–**	–
Cash flow hedge release(2)	**–**	(1,564,363)	**–**	–
Losses on existing agreements incurred due to sanctions(3)	**–**	(1,010,465)	**–**	(1,010,465)
Reversal of sanctions-related provisions(4)	**56,774**	–	**56,774**	–
Exceptional items included within Trading and hedging activities	**56,774**	(2,574,828)	**56,774**	(1,010,465)
Net exceptional items included within Net income/(loss)	**56,774**	(2,751,989)	**56,774**	(1,010,465)
Reversals/(losses) on existing agreements incurred due to sanctions eased/(imposed)(3)	**77,042**	(209,311)	**–**	(129,285)
Net exceptional items included within Operating Profit/(loss)	**133,816**	(2,961,300)	**56,774**	(1,139,750)
Derecognition of vessels(5)	**–**	10,100	**–**	–
Interest expense(1)	**(7,437)**	–	**–**	–
Exceptional items included within Profit/(loss) before tax	**126,379**	(2,951,200)	**56,774**	(1,139,750)
Net taxation arising from exceptional items(6)	**(15,446)**	318,124	**(13,342)**	216,553
Net exceptional items included within Profit/(loss) for the financial year	**110,933**	(2,633,076)	**43,432**	(923,197)

(1) The Group holds a series of long-term contracts which provide access to regasification capacity for LNG in Mexico and onward transport of the associated natural gas. These contracts were initially entered to provide a sales point for LNG purchased under a long-term Sales and Purchase Agreement ("SPA") with a Russian supplier (see 2 below). Following the imposition of counter-sanctions by the Russian Government and the cessation of supplies under that LNG SPA in 2022, the Group assessed the value of these contracts in Mexico and determined that they represent onerous contracts. As such, a full charge for the remaining costs of the contracts was recorded in the Statement of comprehensive income during the prior year.
During 2023, the Group has utilised a portion of the provision, as well as recognising related interest expense resulting from changes in discounting of the unutilised balance.

(2) Due to counter-sanctions imposed by the Russian Government directly against the Group, certain Russian based suppliers of LNG determined they would no longer be able to deliver under long-term sale and purchase agreements. Proportions of these volumes, on both the purchase and highly probable forecast sales, were subject to hedge accounting under IFRS 9. The Group was forced to de-designate these hedges as soon as it became apparent that it was no longer highly probable that the LNG would be received.

(3) Further losses were incurred in the prior year, arising out of the same set of circumstances as explained above and the intervening actions of the German Government, due to certain counterparties ceasing deliveries of physical commodities in response thereto. In the current year, certain of these losses have been reversed due to easing of the counter-sanctions.

(4) During the prior period the Group established a provision relating to the Dutch Government's sanctions package 5K. During the current period this provision was released, resulting in the recognition of a gain in the Statement of comprehensive income.

(5) Due to sanctions imposed by Western Governments which prevented the Group from trading with Russian counterparties, certain LNG vessels which the Group held under long-term time charter from Russian owners were terminated during the prior period. Two vessels which were originally due to be operated by the Group until 2029 were returned to their owner. In addition, a further two vessels which were originally due to be operated by Russian counterparties until 2028 were returned to Group.
The time charters were accounted for under IFRS 16. Upon returning the vessels and terminating the underlying contracts, both the right-of-use asset and the corresponding Lease liability were de-recognised. The net difference between these balances resulted in a £34.8m gain to the Statement of comprehensive income in the prior year.
In addition, where vessels were returned to the Group, the net investment in the sublease was de-recognised. At the point of de-recognition of the sublease assets, a right-of-use asset was recognised on the Statement of financial position under the head lease. The net difference between these balances resulted in a direct impact of £24.7m loss to the Statement of comprehensive income in the prior year.

(6) The exceptional items affect different entities across the Group, are subject to tax at differing rates and incurred in entities with varying levels of taxable profits. As such, an individual tax effect for each exceptional item would not provide useful information and this impact is presented in aggregate.

6 REVENUE

a) Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and predominantly at a point in time in respect of the following:

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
SEFE Energy	**2,487,950**	2,910,350	**–**	–
LNG	**2,879,981**	6,241,455	**–**	–
Other	**–**	1,183	**–**	–
	5,367,931	9,152,988	**–**	–

Included within SEFE Energy revenue is £163.6m (2022: £101.9m) relating to Government grant income, which relates to Government price reduction schemes – the Energy Bill Relief and Discount Schemes ("EBRS" and "EBDS") in the UK and "CEK 22" and "CEK 23" in the Netherlands. The net impact to revenue is £nil, as all revenue received from both schemes has been passed on to applicable customers in full.

b) Assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and contract liabilities related to contracts with customers:

		Group		Company	
	Note	**2023 £'000s**	2022 £'000s	**2023 £'000s**	2022 £'000s
Total contract assets	14	**231,043**	371,523	**–**	–

		Group		Company	
	Note	**2023 £'000s**	2022 £'000s	**2023 £'000s**	2022 £'000s
Total contract liabilities	14	**20,262**	22,926	**–**	–

In the current and the prior year, revenue recognised included the release of the total opening balance of contract liabilities, as the Group satisfied its performance obligations of supplying gas and power to customers who had previously prepaid.

Contract liabilities arise when customers prepay for supply, or when the amount invoiced exceeds the revenue recognised in line with contract progress based on the input method.

The nature of contract assets and contract liabilities are described in the revenue recognition section of note 3.

c) Remaining performance obligations

The Group has taken advantage of the practical expedient in IFRS 15 and as such does not disclose its remaining performance obligations where they fulfil either of the following conditions:

- It is part of a contract which has an expected duration of one year or less; or
- Revenue from the satisfaction of the performance obligation is recognised based on the invoiced amount.

7 NET RESULT FROM TRADING AND HEDGING ACTIVITIES

Included within Group 'Net result from trading and hedging activities' is a net gain of £513.1m (2022: £(2,943.2)m net loss) relating to trading contracts mandatorily measured at fair value through profit or loss, and Group revenue from gas storage and transportation of £12.5m (2022: £24.5m).

Included within Company 'Net result from trading and hedging activities' is a net gain of £497.5m (2022: £181.9m net gain) relating to trading contracts mandatorily measured at fair value through profit or loss, and Company revenue from gas storage and transportation of £17.5m (2022: £29.1m).

8 ADMINISTRATIVE EXPENSES

		Group		Company	
	Note	**2023 £'000s**	2022 £'000s	**2023 £'000s**	2022 £'000s
Administrative expenses					
Staff costs		**234,363**	240,934	**161,356**	182,605
Other employee costs		**18,581**	14,478	**14,282**	11,438
Office costs		**35,844**	31,046	**25,975**	21,896
Rentals under short-term leases		**65**	65	**41**	56
Travel expenses		**2,480**	1,158	**1,159**	575
Consultancy (excluding Auditors' remuneration)		**7,498**	3,851	**6,360**	3,181
Auditors' remuneration		**2,001**	1,765	**1,417**	1,263
Depreciation	9	**70,722**	64,171	**5,043**	6,173
Amortisation		**21,522**	19,337	**11,252**	10,507
		393,076	376,805	**226,885**	237,694

9 RIGHT-OF-USE ASSETS

Group	Leasehold property £'000s	Vessels £'000s	Office equipment £'000s	Vehicles £'000s	Total £'000s
Cost					
At 1 January 2022	45,303	490,660	50	76	536,089
Additions	147	127,591	–	27	127,765
Disposals	(2,856)	(269,329)	–	(28)	(272,213)
Retirement of assets	(2,058)	–	–	(49)	(2,107)
Remeasurement	14	(3,595)	–	–	(3,581)
Currency translation	1,167	58,539	6	2	59,714
At 1 January 2023	**41,717**	**403,866**	**56**	**28**	**445,667**
Additions	1,359	53,031	–	–	54,390
Disposals	(3,393)	–	–	(28)	(3,421)
Remeasurement	51	(1,023)	–	–	(972)
Currency translation	(481)	(22,352)	(4)	–	(22,837)
At 31 December 2023	**39,253**	**433,522**	**52**	**–**	**472,827**
Accumulated depreciation					
At 1 January 2022	17,747	107,177	14	52	124,990
Charge for the year	6,274	54,895	11	10	61,190
Disposals	(830)	(85,217)	–	(5)	(86,052)
Retirement of assets	(2,058)	–	–	(49)	(2,107)
Currency translation	561	14,211	2	–	14,774
At 1 January 2023	**21,694**	**91,066**	**27**	**8**	**112,795**
Charge for the year	6,151	62,673	11	1	68,836
Disposals	(2,218)	–	–	(9)	(2,227)
Currency translation	(303)	(6,548)	(2)	–	(6,853)
At 31 December 2023	**25,324**	**147,191**	**36**	**–**	**172,551**
Net book value					
At 31 December 2023	**13,929**	**286,331**	**16**	**–**	**300,276**
At 31 December 2022	20,023	312,800	29	20	332,872

During the prior period, certain subleases held by subsidiary companies of the Group were terminated before their contractual end date due to sanctions which restricted the Group's ability to transact with Russian incorporated companies. This led to the re-instatement of corresponding right-of-use assets.

The assets were re-instated at a value equivalent to that which would have been present if the subleases had never occurred. An amount of £127.6m is included as Additions in 2022 in the table above to reflect this re-instatement.

9 RIGHT-OF-USE ASSETS continued

Company	Leasehold properties £'000s	Vehicles £'000s	Total £'000s
Cost			
At 1 January 2022	26,027	49	26,076
Additions	–	27	27
Disposals	(2,638)	–	(2,638)
Retirement of assets	–	(49)	(49)
Remeasurement	14	–	14
At 1 January 2023	**23,403**	**27**	**23,430**
Disposals	–	(27)	(27)
Remeasurement	(6)	–	(6)
At 31 December 2023	**23,397**	**–**	**23,397**
Accumulated depreciation			
At 1 January 2022	10,662	49	10,711
Charge for the year	3,710	9	3,719
Disposals	(623)	–	(623)
Retirement of assets	–	(49)	(49)
At 1 January 2023	**13,749**	**9**	**13,758**
Charge for the year	3,598	1	3,599
Disposals	–	(10)	(10)
At 31 December 2023	**17,347**	**–**	**17,347**
Net book value			
At 31 December 2023	**6,050**	**–**	**6,050**
At 31 December 2022	9,654	18	9,672

10 INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2023 are as follows:

Name of subsidiary	Registered address	Place of incorporation and operation	Business activity	Ordinary shares owned	Proportion of voting power	Holding type
SEFE LNG Limited	20 Triton Street, London, NW1 3BF	England and Wales	Energy trading	100%	100%	Direct
SEFE Energy Limited	20 Triton Street, London, NW1 3BF	England and Wales	Energy supply	100%	100%	Direct
SEFE Marketing & Trading Mex (UK) 1 Limited	20 Triton Street, London, NW1 3BF	England and Wales	Holding company	100%	100%	Direct
SEFE Marketing & Trading Mex (UK) 2 Limited	20 Triton Street, London, NW1 3BF	England and Wales	Holding company	100%	100%	Indirect
SEFE Energy SAS	155 – 159 rue Anatole France – Bâtiment B, Levallois-Perret, 92300, Paris	France	Energy supply	100%	100%	Direct
SEFE Marketing & Trading USA Inc. ("SM&T USA")	8 The Green Ste A, Dover, Kent County, State of Delaware, 19901 USA	USA	Energy trading	100%	100%	Direct
SEFE Marketing & Trading Singapore Pte. Limited ("SM&T Singapore")	10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315	Singapore	Energy trading	100%	100%	Direct
SEFE Marketing & Trading India Pte Limited	10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315	Singapore	Dormant	100%	100%	Indirect
SEFE M&T Mexico S. de R. L. de C.V. ("SM&T Mexico")	Bosque de Ciruelos 180 PP 101, Bosques de las Lomas, Del. Miguel Hidalgo, Distrito Federal, 11700, Mexico	Mexico	Energy trading	100%	100%	Indirect
SEFE Marketing & Trading Switzerland AG ("SM&T Switzerland")	Poststrasse 2 Zug, 6300, Switzerland	Switzerland	Energy trading	100%	100%	Direct

Dividend income of £nil was received by the Company from its subsidiaries in 2023 (2022: £172.7m).

There were no movements in the investments in subsidiaries during the year:

	Company	
	2023 £'000s	2022 £'000s
At 1 January & 31 December	**7,958**	7,958

11 INVENTORIES

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Gas in storage	**597,379**	1,011,911	**597,379**	1,011,911
Emissions, green energy and other compliance certificates	**1,067,078**	40,352	**1,056,169**	32,875
LNG inventories	**50,189**	105,111	**–**	–
LNG in tank	**3,830**	30,793	**3,830**	30,793
Other inventories	**10,979**	9,233	**–**	–
	1,729,455	1,197,400	**1,657,378**	1,075,579

£2,717.9m of Group inventory was recognised as an expense in the year (2022: £3,449.0m). £135.3m of Company inventory was recognised as an expense in the year (2022: £139.5m).

KfW has a charge over certain gas in storage which is used as security to support the SEFE Group's loan facility from KfW. At year end this gas in store had a value of £588.7m (2022: £236.9m).

12 LEASES

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

Disclosure of the carrying value, additions and depreciation of right-of-use assets can be found in note 9, Right-of-use assets.

The Group also acts as an intermediate lessor by subleasing vessels and office space to both related and unrelated counterparties. Per note 5, during the prior period, certain subleases held by subsidiary companies of the Group were terminated before their contractual end date due to sanctions which restricted the Group's ability to deal with Russian counterparties. This led to the derecognition of net investment in sublease assets affecting two vessels, and the re-instatement of right-of-use assets under the corresponding head leases.

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

a) Amounts recognised in the Statement of comprehensive income

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

		Group		Company	
	Note	**2023 £'000s**	2022 £'000s	**2023 £'000s**	2022 £'000s
Depreciation of right-of-use assets, included within administrative expenses	9	**68,836**	61,190	**3,599**	3,719
Lease interest expense, included within interest expense		**10,316**	14,659	**151**	281
Expense relating to short-term leases, included within cost of sales		**847**	23,457	**–**	66
Income relating to short-term leases for right-of-use assets, included within cost of sales		**9,881**	32,353	**–**	122
Finance income on the net investment in leases		**39**	2,800	**39**	31
Net gain on the derecognition of vessel leases		**–**	10,100	**–**	–

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, typically up to 30 days extensions. These provisions allow the Group to avoid penalties for late delivery where vessels 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.

As of 31 December 2023, potential future cash flows of £317.9m (undiscounted) (2022: £333.2m (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 has no committed leases that have not yet commenced. The total future payments (relating to the base term) under such contracts is £nil (2022: £nil).

d) Lease liabilities

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

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Not later than one year	**107,271**	79,109	**6,713**	5,049
Later than one year and not later than five years	**230,095**	282,425	**2,804**	9,524
Later than five years	**4,531**	26,199	**–**	–
	341,897	387,733	**9,517**	14,573

Total cash outflow for leases during the year for the Group was £81.1m (2022: £84.4m) and for the Company £5.0m (2022: £5.1m).

12 LEASES continued

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. Where the sublease periods do not represent the major part of the remaining lease terms of the head leases, these are classified as operating leases.

Income from subleasing these assets recognised during the financial year 2023 was £9.9m (2022: £32.4m) for the Group.

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

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Operating leases				
Within 1 year	**748**	7,796	**–**	–
Total undiscounted lease payments	**748**	7,796	**–**	–

Subleases – classified as finance leases

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

Previously, the Group also subleased two LNG vessels that were classified as finance leases. However, during the prior period, the subleases related to these two vessels were terminated before their contractual end date due to sanctions which restricted the Group's ability to deal with Russian counterparties. This led to the derecognition of the associated net investment in sublease assets.

The Group incurred £nil (2022: £24.7m losses) on derecognition of the sublease assets and re-instatement of the corresponding head lease right-of-use assets.

Finance income related to net investments in subleases during the financial year was £nil (2022: £2.8m) for the Group.

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

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Within 1 year	**1,455**	1,491	**1,455**	1,491
Between 1 and 2 years	**424**	877	**424**	877
Between 2 and 3 years	**–**	258	**–**	258
Total: undiscounted lease payments	**1,879**	2,626	**1,879**	2,626
Less: unearned future finance income	**(29)**	(31)	**(29)**	(31)
Less: Loss allowance for leases	**(210)**	(260)	**(210)**	(260)
Net investment in finance lease	**1,640**	2,335	**1,640**	2,335
Current	**1,209**	1,202	**1,209**	1,202
Non-current	**431**	1,133	**431**	1,133
Total	**1,640**	2,335	**1,640**	2,335

12 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	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Opening net investment in leases	**2,335**	144,945	**2,335**	2,544
Recognition of new finance leases during the year	**545**	–	**545**	–
Remeasurement of existing finance leases	**(107)**	(105)	**(107)**	(105)
Lease payments received	**(1,235)**	(10,400)	**(1,235)**	(135)
Finance income earned in the year	**39**	2,800	**39**	31
Derecognition of vessel leases	**–**	(152,165)	**–**	–
Translation differences	**63**	17,260	**63**	–
Closing net investment in leases	**1,640**	2,335	**1,640**	2,335

13 NET DEBT RECONCILIATION

The table below sets out an analysis of the movement in net debt during the year. Changes in liabilities arising from financing activities, which comprise Loans from parent and subsidiary entities and Finance lease liabilities, are included in this disclosure:

Group	Cash and cash equivalents £'000s	Loan from parent entity £'000s	Finance lease liabilities £'000s	Total £'000s
Net debt as at 1 January 2023	**3,491,713**	**(3,776,347)**	**(358,595)**	**(643,229)**
Acquisitions, terminations and remeasurement of leases	**–**	**–**	**(51,603)**	**(51,603)**
Cash flow	**(2,890,103)**	**2,114,599**	**70,762**	**(704,742)**
Currency translation and other non-cash movements	**673**	**(170)**	**18,488**	**18,991**
Net debt as at 31 December 2023	**602,283**	**(1,661,918)**	**(320,948)**	**(1,380,583)**

Group	Cash and cash equivalents £'000s	Loan from parent entity £'000s	Finance lease liabilities £'000s	Total £'000s
Net debt as at 1 January 2022	942,841	–	(587,041)	355,800
Acquisitions and remeasurement of leases	–	–	225,368	225,368
Cash flow	2,532,251	(3,776,347)	69,790	(1,174,306)
Currency translation and other non-cash movements	16,621	–	(66,712)	(50,091)
Net debt as at 31 December 2022	**3,491,713**	**(3,776,347)**	**(358,595)**	**(643,229)**

Company	Cash and cash equivalents £'000s	Loan from parent and subsidiary entities £'000s	Finance lease liabilities £'000s	Total £'000s
Net debt as at 1 January 2023	**5,512,709**	**(6,245,324)**	**(14,340)**	**(746,955)**
Acquisitions and remeasurement of leases	**–**	**–**	**14**	**14**
Cash flow	**(4,451,400)**	**4,400,538**	**4,875**	**(45,987)**
Currency translation and other non-cash movements	**(942)**	**566**	**–**	**(376)**
Net debt as at 31 December 2023	**1,060,367**	**(1,844,220)**	**(9,451)**	**(793,304)**

13 NET DEBT RECONCILIATION continued

Company	Cash and cash equivalents £'000s	Loan from parent and subsidiary entities £'000s	Finance lease liabilities £'000s	Total £'000s
Net debt as at 1 January 2022	1,083,175	(793,578)	(21,035)	268,562
Acquisitions and remeasurement of leases	–	–	2,312	2,312
Cash flow	4,416,597	(5,451,126)	4,857	(1,029,672)
Currency translation and other non-cash movements	12,937	(620)	(474)	11,843
Net debt as at 31 December 2022	**5,512,709**	**(6,245,324)**	**(14,340)**	**(746,955)**

14 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 notes 16 and 17, financial and non-financial instruments within the scope of IFRS 9 and fair value measurement.

The Group and Company hold the following financial instruments:

		Group		Company	
	Note	**2023 £'000s**	2022 £'000s	**2023 £'000s**	2022 £'000s
Financial assets					
Financial assets at amortised cost:					
Trade and other receivables	14a	**2,842,142**	3,499,938	**1,977,892**	3,218,844
Lease receivables	12	**1,640**	2,335	**1,640**	2,335
Cash equivalents receivable from related parties	14b	**490,541**	2,833,279	**1,036,378**	4,929,624
Cash and cash equivalents	14b	**111,742**	658,434	**23,989**	583,085
Financial assets measured at fair value through profit or loss:					
Trading contracts	16	**3,198,842**	10,603,466	**4,084,883**	12,991,916
Fair value storage contracts	16	**81,034**	136,471	**81,034**	136,471
		6,725,941	17,733,923	**7,205,816**	21,862,275
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and other payables	14c	**1,868,021**	3,134,232	**1,666,256**	2,750,592
Lease liabilities	12	**320,948**	358,595	**9,451**	14,340
Loans and overdrafts	14d	**1,661,918**	3,776,347	**1,844,220**	6,245,324
Financial liabilities measured at fair value through profit or loss:					
Trading contracts	16	**2,962,398**	11,710,297	**3,993,485**	13,628,565
Fair value storage contracts	16	**–**	7,420	**–**	7,420
		6,813,285	18,986,891	**7,513,412**	22,646,241

For financial assets and financial liabilities measured at fair value through profit or loss, changes in fair value are immediately recognised in Net result from trading and hedging activities, 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 15.

14 FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

a) Trade and other receivables

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Due within one year				
Amounts receivable from sale of commodities:	**2,271,326**	2,949,640	**1,911,848**	2,977,611
from third parties	**1,784,548**	2,709,823	**1,193,693**	2,141,229
from subsidiary companies	**–**	–	**231,377**	596,565
from affiliated companies	**486,778**	239,817	**486,778**	239,817
Contract assets	**231,043**	371,523	**–**	–
Prepayments	**75,044**	174,212	**23,810**	107,408
Other debtors	**6,599**	4,563	**42,234**	133,825
	2,584,012	3,499,938	**1,977,892**	3,218,844
Due after one year				
Other long-term receivables	**258,130**	–	**–**	–
	258,130	–	**–**	–
Relating to:				
Financial assets	**2,536,055**	2,954,203	**1,954,082**	3,111,436
Non-financial assets	**306,087**	545,735	**23,810**	107,408
	2,842,142	3,499,938	**1,977,892**	3,218,844

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 15.

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 materially the same as their carrying amounts.

KfW has a charge over certain trade receivables which are used as security to support the SEFE Group's loan facility from KfW. At year end these receivables had a carrying amount of £568.7m (2022: £840.9m).

b) Cash and cash equivalents

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Cash at bank and in hand	**111,742**	658,434	**23,989**	583,085
Cash equivalents with parent company	**490,541**	2,833,279	**490,541**	2,833,279
Cash equivalents with subsidiary companies	**–**	–	**545,837**	2,096,345
Total cash and cash equivalents	**602,283**	3,491,713	**1,060,367**	5,512,709

Cash equivalents with parent company and subsidiary companies comprise balances held with the parent and subsidiaries under cash pooling arrangements.

The estimated fair value of all classes of cash and cash equivalents is materially 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.

Interest income in the year relates to cash pool interest and interest on cash deposits; for the Company this also includes interest income from loans to its subsidiaries.

14 FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

c) Trade and other payables

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Due within one year				
Amounts owed for purchase of commodities:	**1,549,269**	2,850,584	**1,458,045**	2,559,527
to third parties	**1,544,907**	2,819,605	**982,881**	2,276,268
to subsidiaries	**–**	–	**470,811**	252,280
to affiliated companies	**4,362**	30,979	**4,353**	30,979
Contract liabilities	**20,262**	22,926	**–**	–
Accruals	**172,240**	111,994	**143,012**	112,658
Deferred income	**3,858**	39,393	**2,251**	34,758
Other payables	**122,087**	109,145	**61,334**	43,459
	1,867,716	3,134,042	**1,664,642**	2,750,402
Due after more than one year				
Other long-term payables	**305**	190	**1,614**	190
Relating to:				
Financial liabilities	**1,843,901**	3,071,913	**1,664,005**	2,715,834
Non-financial liabilities	**24,120**	62,319	**2,251**	34,758
	1,868,021	3,134,232	**1,666,256**	2,750,592

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

Included within the Company's trade and other payables to subsidiaries is an amount of £258.4m (2022: £nil) relating to obligations to repurchase sold commodities.

d) Loans and overdrafts

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Amounts owed:				
to parent	**1,661,918**	3,776,331	**1,661,918**	3,776,331
to subsidiaries	**–**	–	**182,302**	2,468,977
to third parties	**–**	16	**–**	16
	1,661,918	3,776,347	**1,844,220**	6,245,324

As at 31 December 2023, 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 15.

Interest expense in the year relates to the loans commitment fee, loan interest rate charges as well as cash pool interest; for the Company this also includes interest expense from borrowings from its subsidiaries.

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

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The wider SEFE Group operates a uniform Enterprise Risk Management ("ERM") System to manage risks effectively and consistently across the Group. ERM is pivotal in realising organisational objectives and ensuring coherent and comprehensive oversight over financial and commercial operations. Additionally, it supports business decision-making by identifying optimal risk-return alternatives.

The Risk Management System is an integral component of SEFE Group's business processes and activities. The commercial and support units are responsible for risk management as risk owners. The centralised Risk Management department supports these units by providing advisory, independent control, reporting and oversight services.

The SM&T Group's Risk Management System is an integral component of the business processes and activities of the Group; it comprises the wider SEFE 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 CEO of SEFE Group, who is also a Director of the Company.

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 Coordinators (the independent Group Risk Department) operating as the second-line of defence; and SEFE Group's internal audit function operating as the third-line of defence.

The Company's 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 CEO of SEFE Group is further supported in his risk management responsibilities by the SEFE Risk Committee ("RC"). The RC provides recommendations and advice to the CEO of SEFE Group on risk-related matters.

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. The Company 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 cash reserves and loans from related parties. Share capital and reserves at 31 December 2023 were £1,776.3m (2022: £90.3m). The Group has £1,661.9m borrowings from its parent company, SEFE (2022: £3,776.3m). It should be noted that the Group also had £602.3m (2022: £3,491.7m) of cash and cash equivalents at year end. 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.

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.

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:

	2023		2022	
	Average £'000s	**Year end £'000s**	Average £'000s	Year end £'000s
Group Trading VaR	**14,632**	**9,536**	25,964	12,988

These VaR values are within the limits set by the Company's Managing Director in coordination with the SEFE Group's Risk Management department and within defined limits.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

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). These prices are dependent on a number of factors, particularly global supply and demand. The Group's portfolio and trading business optimises the purchase contract portfolio by procuring gas, LNG, carbon certificates 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 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, and so are not within the scope of IFRS 7: Financial Instruments – Disclosure. The carrying value of commodity contracts at 31 December 2023 is disclosed in note 16.

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, Euro in SEFE Energy SAS and US Dollars in SEFE LNG Limited, SM&T USA, SM&T Singapore, SM&T Mexico 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 SEFE LNG Limited and SM&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 RC 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.

	2023 Sensitivity analysis			2022 Sensitivity analysis		
	Net assets £000s	**Percentage change applied %**	**Decrease in total comprehensive income £000s**	Net assets £000s	Percentage change applied %	Increase/ (decrease) in total comprehensive income £000s
Euro	**2,699**	**(5.29)%**	**(143)**	(1,271)	7.08%	(90)
US Dollar	**458,362**	**(10.66)%**	**(48,857)**	(1,049,438)	(10.66)%	111,860
	461,061		**(49,000)**	(1,050,709)		111,770

The percentage change for the current period 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 2022 to 31 December 2023 and is therefore not necessarily the same percentage change in each foreign currency exchange rate in the current year.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

III. Interest rate risk

The Group is not exposed to interest rate fair value 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 £1,661.9m (2022: £3,776.3m) borrowings, and £490.5m (2022: £2,833.3m) cash pool receivable from its parent company; the application of a parallel shift in the interest rate curve of 50 basis points on drawn loan balances and cash balances extant at year end would result in a net additional expense of £5.3m per annum as at 31 December 2023 (2022: £1.4m per annum).

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 Management Council 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 RC. The credit exposure to each counterparty is then monitored on a daily basis to ensure those limits are not exceeded.

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 £3,279.9m (2022: £10,739.9m) and on financial assets held at amortised cost is £3,140.0m (2022: £6,448.3m). 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 £4,165.9m (2022: £13,128.4m) and on financial assets held at amortised cost is £3,016.1m (2022: £8,626.5m), of which £803.2m (2022: £2,788.8m) 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 2023 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. These carrying amounts include the impact of offsetting, but do not include the impact of other credit enhancements discussed above.

15 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 the Statement of comprehensive income 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, as determined by the Company's credit risk management department. Receivables from counterparties with investment-grade ratings (BBB- or better) are considered to have low credit risk and so it is assumed that the credit risk for such assets has not increased significantly 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. 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 and power 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. It should be noted that collateral is held against some of the lower rated counterparties in the portfolio (refer to the 'Collateral and other credit enhancements' section below).

Group

	Credit rating					
31 December 2023	**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	**1,953,232**	**522,210**	**40,848**	**7,122**	**64,327**	**231,043**
12-month ECL						
Gross carrying amount – cash and cash equivalents	**600,530**	**–**	**2,073**	**–**	**–**	**–**
Gross carrying amount – lease receivables	**574**	**–**	**1,276**	**–**	**–**	**–**

Company

	Credit rating					
31 December 2023	**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	**1,526,645**	**401,909**	**21,226**	**1,273**	**71**	**–**
12-month ECL						
Gross carrying amount – cash and cash equivalents	**513,710**	**545,837**	**1,540**	**–**	**–**	**–**
Gross carrying amount – lease receivables	**574**	**–**	**1,276**	**–**	**–**	**–**
Exposure to credit risk – financial guarantee contracts	**–**	**28,587**	**–**	**–**	**–**	**–**

15 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 2022 was determined as follows:

Group

	Credit rating					
31 December 2022	**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	2,533,479	316,783	102,026	4,702	50,328	361,953
12-month ECL						
Gross carrying amount – cash and cash equivalents	3,492,964	–	2,757	–	–	–
Gross carrying amount – lease receivables	106	–	2,489	–	–	–

Company

	Credit rating					
31 December 2022	**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	2,182,759	903,991	41,715	1,540	987	–
12-month ECL						
Gross carrying amount – cash and cash equivalents	3,421,815	2,096,345	2,209	–	–	–
Gross carrying amount – lease receivables	106	–	2,489	–	–	–
Exposure to credit risk – financial guarantee contracts	–	633	–	–	–	–

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 £50.8m (2022: £56.2m).

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 (gains)/losses were recognised in the Statement of comprehensive income in relation to impairment on financial and contract assets.

	Group		Company	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Individual receivables (restored)/written off directly	**(63,139)**	247,934	**–**	129,285
Movement in loss allowance for trade and other receivables	**2,120**	15,114	**(3,980)**	(2,500)
Movement in loss allowance for lease receivables	**(50)**	(62)	**(50)**	(10)
Movement in loss allowance for cash and cash equivalents	**(3,688)**	3,434	**(6,940)**	7,021
Movement in loss allowance for financial guarantee contracts	**–**	–	**140**	(1,080)
Net impairment (reversals)/losses on financial and contract assets	**(64,757)**	266,420	**(10,830)**	132,716

Certain individual receivables written off directly in the prior period are in relation to sanctioned counterparties. These were partially reversed in the current period. Refer to note 5 for further details.

15 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 a €3.7bn committed funding line until June 2028 matched to SEFE's external funding; and a €1.1bn cash pooling limit with SEFE. The Group has £1,661.9m (2022: £3,776.3m) borrowings from its parent company at year end.

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 12.

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.

Group

31 December 2023	Within 1 month £'000s	Within 2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Commodity trading contracts	**4,723,670**	**22,188,402**	**6,662,726**	**2,117,102**	**1,135,341**	**36,827,241**
Derivative instruments	**18,423**	**449,730**	**118,799**	**13,951**	**–**	**600,903**
Fair value storage contracts	**81,034**	**–**	**–**	**–**	**–**	**81,034**
Cash and cash equivalents	**602,283**	**–**	**–**	**–**	**–**	**602,283**
Trade and other receivables	**2,504,079**	**79,933**	**258,130**	**–**	**–**	**2,842,142**
Total	**7,929,489**	**22,718,065**	**7,039,655**	**2,131,053**	**1,135,341**	**40,953,603**
Due for payment						
Commodity trading contracts	**4,844,091**	**21,943,440**	**6,834,289**	**2,101,385**	**1,135,775**	**36,858,980**
Derivative instruments	**53,805**	**724,664**	**121,913**	**58,856**	**88**	**959,326**
Trade and other payables	**1,743,071**	**124,645**	**305**	**–**	**–**	**1,868,021**
Loans and overdrafts	**1,661,918**	**–**	**–**	**–**	**–**	**1,661,918**
Total	**8,302,885**	**22,792,749**	**6,956,507**	**2,160,241**	**1,135,863**	**41,348,245**

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued

Group

31 December 2022	Within 1 month £'000s	Within 2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Commodity trading contracts	5,605,315	18,854,783	5,561,564	2,376,683	276,195	32,674,540
Derivative instruments	106,233	1,910,546	686,669	178,376	1,487	2,883,311
Fair value storage contracts	136,471	–	–	–	–	136,471
Cash and cash equivalents	3,491,713	–	–	–	–	3,491,713
Trade and other receivables	3,348,849	151,089	–	–	–	3,499,938
Total	12,688,581	20,916,418	6,248,233	2,555,059	277,682	42,685,973
Due for payment						
Commodity trading contracts	5,983,997	21,430,202	7,030,659	4,264,692	270,977	38,980,527
Derivative instruments	194,638	925,967	569,744	18,082	–	1,708,431
Fair value storage contracts	7,420	–	–	–	–	7,420
Trade and other payables	3,009,210	124,832	–	190	–	3,134,232
Loans and overdrafts	3,776,347	–	–	–	–	3,776,347
Total	12,971,612	22,481,001	7,600,403	4,282,964	270,977	47,606,957

Company

31 December 2023	Within 1 month £'000s	Within 2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Commodity trading contracts	**4,951,012**	**23,300,182**	**7,160,687**	**2,350,177**	**1,137,444**	**38,899,502**
Derivative instruments	**28,144**	**913,117**	**156,664**	**38,031**	**–**	**1,135,956**
Fair value storage contracts	**81,034**	**–**	**–**	**–**	**–**	**81,034**
Cash and cash equivalents	**1,060,367**	**–**	**–**	**–**	**–**	**1,060,367**
Trade and other receivables	**1,963,309**	**14,583**	**–**	**–**	**–**	**1,977,892**
Total	**8,083,866**	**24,227,882**	**7,317,351**	**2,388,208**	**1,137,444**	**43,154,751**
Due for payment						
Commodity trading contracts	**4,890,535**	**22,177,438**	**6,930,959**	**2,140,465**	**1,135,775**	**37,275,172**
Derivative instruments	**116,222**	**1,517,235**	**249,050**	**90,083**	**88**	**1,972,678**
Trade and other payables	**1,307,200**	**357,442**	**305**	**1,309**	**–**	**1,666,256**
Loans and overdrafts	**1,759,484**	**84,736**	**–**	**–**	**–**	**1,844,220**
Total	**8,073,441**	**24,136,851**	**7,180,314**	**2,231,857**	**1,135,863**	**42,758,326**

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued

Company

31 December 2022	Within 1 month £'000s	Within 2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Commodity trading contracts	5,879,057	20,253,054	6,131,422	2,568,573	276,195	35,108,301
Derivative instruments	142,550	3,775,145	1,158,456	178,376	1,487	5,256,014
Fair value storage contracts	136,471	–	–	–	–	136,471
Cash and cash equivalents	5,512,709	–	–	–	–	5,512,709
Trade and other receivables	3,166,598	52,246	–	–	–	3,218,844
Total	14,837,385	24,080,445	7,289,878	2,746,949	277,682	49,232,339
Due for payment						
Commodity trading contracts	6,055,877	21,704,551	7,122,945	4,286,801	270,977	39,441,151
Derivative instruments	382,917	1,597,522	677,508	18,076	–	2,676,023
Fair value storage contracts	7,420	–	–	–	–	7,420
Trade and other payables	2,641,864	108,538	–	190	–	2,750,592
Loans and overdrafts	6,245,324	–	–	–	–	6,245,324
Total	15,333,402	23,410,611	7,800,453	4,305,067	270,977	51,120,510

16 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 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.

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 (2022: £nil).

16 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	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Non-current assets				
Commodity trading contracts	**565,775**	4,130,776	**670,899**	4,606,204
Emission allowance contracts	**1,297**	1,520	**1,297**	1,520
Foreign exchange contracts	**3,534**	18,489	**24,427**	18,489
	570,606	4,150,785	**696,623**	4,626,213
Current assets				
Commodity trading contracts	**2,593,555**	6,278,754	**3,333,405**	8,146,937
Emission allowance contracts	**14,345**	94,825	**14,345**	94,825
Foreign exchange contracts	**20,336**	79,102	**40,510**	123,941
Fair value storage contracts	**81,034**	136,471	**81,034**	136,471
	2,709,270	6,589,152	**3,469,294**	8,502,174
Current liabilities				
Commodity trading contracts	**2,443,715**	7,618,292	**3,295,658**	8,845,591
Emission allowance contracts	**77,512**	102,317	**77,512**	102,317
Foreign exchange contracts	**24,246**	22,847	**36,662**	159,080
Fair value storage contracts	**–**	7,420	**–**	7,420
	2,545,473	7,750,876	**3,409,832**	9,114,408
Non-current liabilities				
Commodity trading contracts	**395,160**	3,962,745	**559,642**	4,503,207
Emission allowance contracts	**1,250**	3,981	**1,250**	3,981
Foreign exchange contracts	**20,515**	115	**22,761**	14,389
	416,925	3,966,841	**583,653**	4,521,577

17 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.

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, as well as inventories of physical gas and LNG in tanks.

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.

17 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued

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.

	Group			
2023	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Held for trading assets				
Commodity trading contracts	**535,693**	**2,616,013**	**7,624**	**3,159,330**
Emission allowance contracts	**292**	**15,350**	**–**	**15,642**
Forward foreign exchange contracts	**–**	**23,870**	**–**	**23,870**
Fair value storage contracts	**–**	**81,034**	**–**	**81,034**
	535,985	**2,736,267**	**7,624**	**3,279,876**
Inventories held at fair value	**1,009,560**	**601,209**	**–**	**1,610,769**
Held for trading liabilities				
Commodity trading contracts	**735,667**	**2,033,589**	**69,619**	**2,838,875**
Emission allowance contracts	**16,626**	**62,136**	**–**	**78,762**
Forward foreign exchange contracts	**–**	**44,761**	**–**	**44,761**
	752,293	**2,140,486**	**69,619**	**2,962,398**

	Group			
2022	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Held for trading assets				
Commodity trading contracts	2,607,897	7,787,017	14,616	10,409,530
Emission allowance contracts	42,858	53,487	–	96,345
Forward foreign exchange contracts	–	97,591	–	97,591
Fair value storage contracts	–	136,471	–	136,471
	2,650,755	8,074,566	14,616	10,739,937
Inventories held at fair value	3,246	1,042,704	–	1,045,950
Held for trading liabilities				
Commodity trading contracts	1,266,549	10,072,757	241,731	11,581,037
Emission allowance contracts	95,369	10,929	–	106,298
Forward foreign exchange contracts	–	22,962	–	22,962
Fair value storage contracts	–	7,420	–	7,420
	1,361,918	10,114,068	241,731	11,717,717

17 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued

	Company			
2023	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Held for trading assets				
Commodity trading contracts	**535,693**	**3,460,987**	**7,624**	**4,004,304**
Emission allowances contracts	**292**	**15,350**	**–**	**15,642**
Forward foreign exchange contracts	**–**	**64,937**	**–**	**64,937**
Fair value storage contracts	**–**	**81,034**	**–**	**81,034**
	535,985	**3,622,308**	**7,624**	**4,165,917**
Inventories held at fair value	**1,009,560**	**601,209**	**–**	**1,610,769**
Held for trading liabilities				
Commodity trading contracts	**735,667**	**3,050,014**	**69,619**	**3,855,300**
Emission allowances contracts	**16,626**	**62,136**	**–**	**78,762**
Forward foreign exchange contracts	**–**	**59,423**	**–**	**59,423**
	752,293	**3,171,573**	**69,619**	**3,993,485**

	Company			
2022	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Held for trading assets				
Commodity trading contracts	2,607,897	10,130,628	14,616	12,753,141
Emission allowances contracts	42,858	53,487	–	96,345
Forward foreign exchange contracts	–	142,430	–	142,430
Fair value storage contracts	–	136,471	–	136,471
	2,650,755	10,463,016	14,616	13,128,387
Inventories held at fair value	3,246	1,042,704	–	1,045,950
Held for trading liabilities				
Commodity trading contracts	1,266,549	11,840,518	241,731	13,348,798
Emission allowances contracts	95,369	10,929	–	106,298
Forward foreign exchange contracts	–	173,469	–	173,469
Fair value storage contracts	–	7,420	–	7,420
	1,361,918	12,032,336	241,731	13,635,985

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

	Group £'000s	**Company £'000s**
Fair value at 1 January 2022	94,547	94,547
Purchases	(227,115)	(227,115)
Settlements	(94,547)	(94,547)
Fair value at 1 January 2023	**(227,115)**	**(227,115)**
Purchases	(61,996)	(61,996)
Settlements	227,115	227,115
Fair value at 31 December 2023	**(61,996)**	**(61,996)**

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

17 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued

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 (2022: £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 2023 and at 31 December 2022 was immaterial.

Day-one P&L
As set out in note 3 under financial and non-financial instruments within the scope of IFRS 9, where there is evidence that the fair value of an asset or liability at inception of a transaction is different to the transaction price, but that fair value is based on significant unobservable data, the difference ("day-one gain or loss") is deferred rather than recognised immediately.

The following table shows the changes in the day-one gains and losses deferred:

	Group	
	2023 £'000s	2022 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statement of comprehensive income at 1 January	**(54,512)**	13,353
Initial fair value of new contracts not recognised in the Statement of comprehensive income	**(353)**	(54,512)
Fair value recognised in the Statement of comprehensive income during the year	**54,512**	(13,353)
Fair value of contracts not recognised through the Statement of comprehensive income at 31 December	**(353)**	(54,512)

	Company	
	2023 £'000s	2022 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statement of comprehensive income at 1 January	**(54,512)**	13,353
Initial fair value of new contracts not recognised in the Statement of comprehensive income	**(353)**	(54,512)
Fair value recognised in the Statement of comprehensive income during the year	**54,512**	(13,353)
Fair value of contracts not recognised through the Statement of comprehensive income at 31 December	**(353)**	(54,512)

18 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	
	2023 £'000s	2022 £'000s	**2023 £'000s**	2022 £'000s
Parent company guarantees	**–**	–	**28,587**	10,806
	–	–	**28,587**	10,806

The table above shows the exposure to the Company on its issued guarantees as at 31 December 2023.

19 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				
2023	**282,898**	**93,226**	**828,075**	**1,685,806**
2022	10,883	37,140	2,970,238	3,861,029
Other entities with indirect control over the Group				
2023	**–**	**–**	**–**	**–**
2022	163,413	376,552	–	–
Other related parties				
2023	**28,390,565**	**18,929,326**	**1,105,503**	**188,774**
2022	30,719,107	23,276,762	666,526	6,627,402

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				
2023	**22,998**	**93,226**	**569,944**	**1,684,955**
2022	10,883	37,140	2,970,238	3,860,990
Other entities with indirect control over the Company				
2023	**–**	**–**	**–**	**–**
2022	1,990	375,260	–	–
Subsidiaries				
2023	**4,648,495**	**4,042,260**	**1,697,524**	**1,926,550**
2022	6,647,237	2,404,887	5,228,357	4,860,130
Other related parties				
2023	**28,390,565**	**18,859,977**	**1,105,494**	**188,765**
2022	30,713,046	23,082,666	666,526	6,626,376

b) Commitments

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

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Parent company sales	**–**	26	**–**	26
Other entities purchases	**–**	1	**–**	1
Subsidiaries sales	**–**	–	**238**	288
Subsidiaries purchases	**–**	–	**1,449**	1,502

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 2023 the Company had provided parental guarantees of up to £112.6m on behalf of its subsidiaries (2022: £454.0m).

20 ULTIMATE PARENT AND CONTROLLING PARTY

The ultimate parent and controlling party is SEEHG Securing Energy for Europe Holding GmbH, a company incorporated in Germany, which is the largest and smallest group which includes the Group and for which Consolidated Financial Statements are prepared. The ultimate parent company remains under the control of the German Federal Government.

Copies of the Consolidated Financial Statements of SEEHG Securing Energy for Europe Holding GmbH are available from SEEHG Securing Energy for Europe Holding Group GmbH, Markgrafenstraße 23, D-10117 Berlin, Germany.

ABBREVIATIONS

bn	Billion
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss
EUR	Euro
GBP	British pound sterling
KfW	Kreditanstalt für Wiederaufbau
kWh	Kilowatt hour
LNG	Liquefied natural gas
m	Million
MVaR	Market value at risk
MWh	Megawatt hour
PPA	Purchase Power Agreement
RC	Risk Committee
SEEHG	SEEHG Securing Energy for Europe Holding GmbH, Berlin (Germany)
SEFE	SEFE Securing Energy for Europe GmbH, Berlin (Germany)
SEFE Energy	SEFE Energy Limited, London (United Kingdom) and SEFE Energy SAS (France)
SEFE Group	SEEHG Securing Energy for Europe Holding Group
SM&T	SEFE Marketing & Trading Limited, London (United Kingdom)
TCFD	Task Force on Climate-Related Financial Disclosures
USD	United States dollar
VaR	Value at risk
WINGAS	WINGAS GmbH, Kassel (Germany)

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Details correct at time of publication

In this publication, the expression 'Group', is sometimes used for convenience where references are made to companies within the SEFE Marketing & Trading Limited group of companies or to the SEFE group in general. Likewise, the words 'we', 'us' and 'our' are also used to refer to SEFE companies in general or those who work for them.

These expressions are also used where no useful purpose is served by identifying specific companies.

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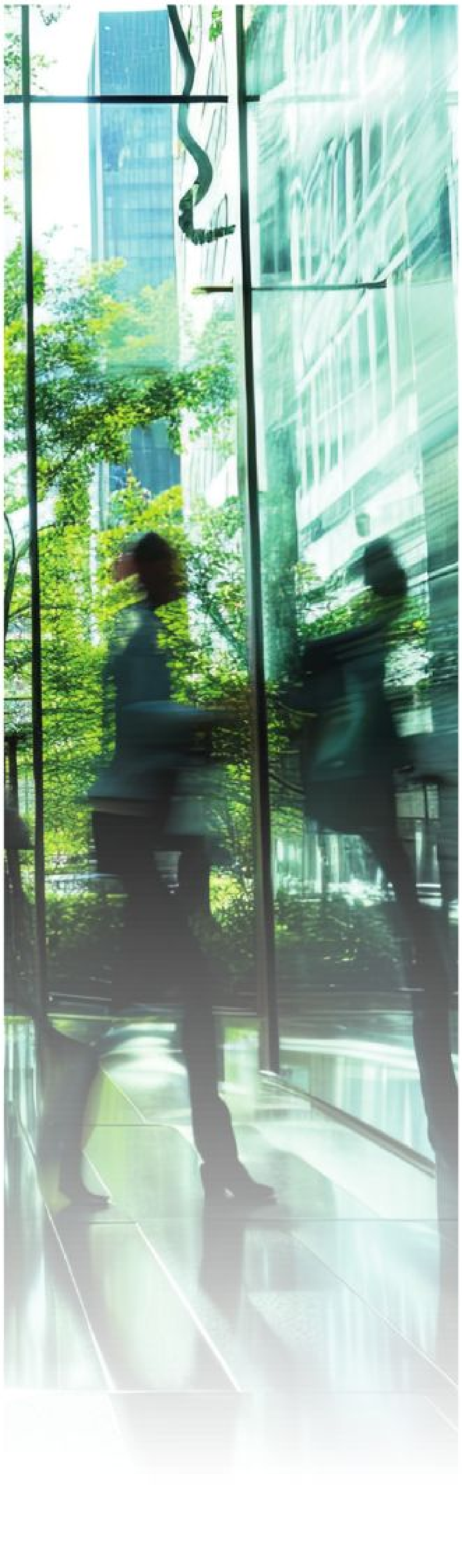

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