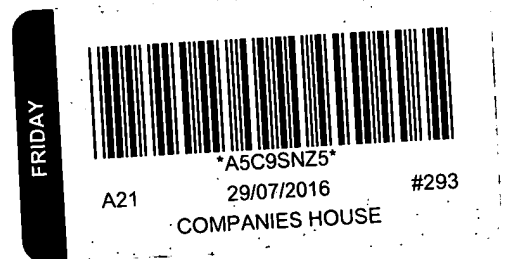


Northern Gas Processing Limited

Report and Financial Statements

31 December 2015



Directors

A Heppel
D Revers
A Kuhnley

Secretary

Jordan Company Secretaries Limited

Auditor

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Registered Office

20-22 Bedford Row
London
WC1R 4JS

Strategic report

The Directors present their Strategic report, Directors' report and financial statements for the year ended 31 December 2015.

Principal activity and review of the business

The Company's principal activity is the fractionation of natural gas liquids, resulting from the processing of offshore natural gas. Under the terms of a Tolling Contract with Teesside Gas & Liquids Processing (TGLP), its immediate parent company, the Company is paid a tolling fee for each therm of gas processed.

Both the level of business and the year end financial position were in line with expectations. The Directors have considered the Company's forecast trading position and consider this to be satisfactory.

Financing

The Company as part of the NSMP (TGPP) Limited Group had access to a £5 million working capital facility. This facility has not been drawn due to the continued availability of positive cash reserves.

Principal risks and uncertainties

The Directors regularly review the associated risks within the business and act when and where appropriate to mitigate those risks. The following considers and describes the principal risks facing the business.

Inherent risk

The TGPP processing business is reliant upon infrastructure owned and operated by third parties. Until 2013 the business was reliant on a single piece of infrastructure, the CATS pipeline, for delivery of gas for processing. A pipeline incident curtailing delivery for the longer term would have an adverse impact on the business's performance.

This risk was reduced in 2014 following the commencement of gas processing from the quadrant 42 Breagh area of the Southern North Sea via a new build pipeline into Teesside thereby diversifying the risk away from a single pipeline.

The business is also exposed to the success, or otherwise, of Central and Southern North Sea exploration and gas production. Cyclical drilling activity and variable future gross gas production from the both the CNS CATS pipeline catchment area and the SNS catchment area will determine the level of gas available for processing on Teesside.

The Company's sole customer is not deemed to be a credit risk as the Company is owned by its customer.

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



Andy Heppel
Director

8 July 2016

Directors' report

Results and dividends

The loss for the year after taxation amounted to £0.8 million (2014 – loss of £1.4 million). The Directors do not recommend the payment of a dividend (2014 – £nil).

Directors

The persons who served as Directors of the Company during the year and subsequently are listed below:

A Heppel
D Revers
A Kuhnley

Going concern

The going concern presumption has been assessed by the Directors and it is concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. This conclusion is reached after noting the following:

- The Company's current contracts are with its immediate parent company Teesside Gas & Liquids Processing, whose own contracts are of a similar long term nature with reputable credit worth counterparties deemed to pose insignificant credit risk;
- The Company's current contract provides a stable income stream that covers the Company's operational costs base and allows it to meet its trading and other obligations for the foreseeable future out of current cash reserves;
- The Company has access to a £5 million working capital facility; and
- The Company had no third party debt obligations as at the end of the year.

The Directors have received confirmation that NSMP Holdings Limited intends to support the Company for at least one year after these financial statements are signed.

Financial risk management

Price Risk – wherever possible and appropriate the Company enters into contracts which are of a mid to longer term duration in nature. Typically future pricing is managed via agreed indexation principles.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditor

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for re-appointment of Ernst & Young LLP as auditor of the Company.

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



Andy Heppel
Director

8 July 2016

Directors' responsibility statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Northern Gas Processing Limited

We have audited the financial statements of Northern Gas Processing Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of changes in equity, the Statement of financial position, and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

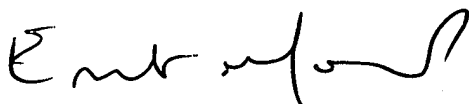
Independent auditor's report

to the members of Northern Gas Processing Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mark Hatton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

13 July 2016

Income statement**for the year ended 31 December 2015**

	<i>Notes</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Turnover		4,205	3,370
Cost of sales		(4,375)	(4,270)
Gross loss		(170)	(900)
Administrative expenses		(1,276)	(1,233)
Other income	2	–	25
Operating loss	2	(1,446)	(2,107)
Loss on ordinary activities before taxation		(1,446)	(2,107)
Tax credit on loss on ordinary activities	4	671	691
Loss for the financial year		(775)	(1,416)

All amounts relate to continuing activities.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

There are no recognised gains or losses other than the loss for the financial year.

Statement of changes in equity**for the year ended 31 December 2015**

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2014	-	(244)	(244)
Retained loss for the year	-	(1,416)	(1,416)
At 31 December 2014	-	(1,660)	(1,660)
Retained loss for the year	-	(775)	(775)
At 31 December 2015	-	(2,435)	(2,435)

Statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	5	19,921	21,044
Current assets			
Debtors	6	39,406	39,720
Cash at bank and in hand		206	206
		39,612	39,926
Creditors: amounts falling due within one year	7	(58,544)	(58,615)
Net current liabilities		(18,932)	(18,689)
Total assets less current liabilities		989	2,355
Provisions for liabilities			
Deferred taxation	8	(3,424)	(4,015)
Net liabilities		(2,435)	(1,660)
Capital and reserves			
Share capital	9	—	—
Profit and loss account		(2,435)	(1,660)
Shareholders' deficit		(2,435)	(1,660)

The financial statements of Northern Gas Processing Limited were approved by the Board of Directors, authorised for issue and signed on its behalf by



Andy Heppel
Director

8 July 2016

Notes to the financial statements

for the year ended 31 December 2015

1. Accounting policies

Statement of compliance

Northern Gas Processing Limited is a limited liability company incorporated in England.

The Registered Office is:

20-22 Bedford Row
London
WC1R 4JS

The financial statements have been prepared in accordance with FRS102 as it applies to the financial statements of the Company for the year ended 31 December 2015.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The financial statements have been prepared using accounting principles based on historical cost, unless stated otherwise.

The financial statements are prepared in GBP sterling which is the functional currency of the Company and rounded to the nearest £'000.

These financial statements are separate financial statements. The Company has no subsidiaries or investments in any other entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements has not required management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

Going concern

The financial statements are prepared utilising the presumption of going concern which is assessed by the Directors for a period of at least 12 months from the date of approval of the financial statements. The documented assessment process is proportionate in depth and nature to the size, level of risk and complexity of the Company and its operations. The conclusion of the assessment can be found in the Directors' report.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Related party transactions

The Company has taken advantage of the exemptions given in FRS 102.33.1A and FRS102.33.7, not to disclose transactions with wholly owned related parties and key management personnel.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of services supplied and revenue is recognised at the point that the gas processing service has been performed for its customer.

Interest income is recognised as interest accrues issuing the effective interest method.

1. Accounting policies (continued)

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Interest charges relating to fixed assets under construction are capitalised.

Notes to the financial statements

for the year ended 31 December 2015

The costs of statutory shutdowns are capitalised and depreciated over the period until the next anticipated shutdown.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, with the exception of freehold land which is not depreciated, as follows:

Plant and machinery (other than capitalised shutdowns)	–	to 2033
Capitalised shutdown	–	over 3 or 6 years

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Interest and dividends relating to financial liabilities are recognised in the profit and loss account as an expense. Distributions to holders of equity instruments are debited directly to equity.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Notes to the financial statements

for the year ended 31 December 2015

2. Operating loss

This is stated after charging/(crediting):

	2015 £000	2014 £000
Depreciation of tangible fixed assets	1,123	1,127
Income from Enron claim	-	(25)
	<u>1,123</u>	<u>1,102</u>

The audit fee will be paid by the Company's parent on behalf of all group companies. Disclosure of the fees paid to the auditor is included in the financial statements of NSMP Holdings Limited.

3. Staff costs and Directors' remuneration

The Company has no employees. No Director received any remuneration in their capacity as Director of this Company for the year ended 31 December 2015 (2014: £nil).

4. Tax credit on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2015 £000	2014 £000
<i>Current tax:</i>		
Corporation tax credit on losses in the year	(80)	(229)
Adjustments in respect of previous periods	-	(250)
Total current tax credit	<u>(80)</u>	<u>(479)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(213)	(224)
Adjustments in respect of prior periods	-	(3)
Effect of changes in tax rate	(378)	15
Total deferred tax credit (note 8)	<u>(591)</u>	<u>(212)</u>
Total tax credit on loss on ordinary activities	<u>(671)</u>	<u>(691)</u>

Notes to the financial statements

for the year ended 31 December 2015

4. Tax credit on loss on ordinary activities (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2014 – higher than) the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before tax	(1,446)	(2,108)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	(293)	(453)
<i>Effects of:</i>		
Adjustments to tax charge in respect of previous periods	-	(253)
Changes in tax rates	(378)	15
Total tax credit for the year (note 4(a))	(671)	(691)

(c) Factors affecting future tax charges

The 2015 Budget announced a number of changes to the corporation tax rate. These included a reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017 and further reductions in the UK corporation tax rate to 18% effective from 1 April 2020.

The rate reductions to 19% and 18% were substantively enacted on 26 October 2015. Deferred tax has therefore been provided at 18%.

5. Tangible fixed assets

	Freehold land £000	Plant and equipment £000	Total £000
Cost:			
At 1 January 2015 and 31 December 2015	82	80,540	80,622
Depreciation:			
At 1 January 2015	-	59,578	59,578
Depreciation charge	-	1,123	1,123
At 31 December 2015	-	60,701	60,701
Net book value:			
At 31 December 2015	82	19,839	19,921
At 1 January 2015	82	20,962	21,044

Capitalised interest of £5,539,000 (2014 – £5,539,000) is included within plant and equipment.

Notes to the financial statements

at 31 December 2015

6. Debtors

	2015 £000	2014 £000
Amounts owed by parent undertaking	38,974	39,368
Prepayments and accrued income with parent undertaking	432	352
	<u>39,406</u>	<u>39,720</u>

7. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Group relief	34,736	34,816
Accruals and deferred income with parent undertaking	278	449
Amounts owed to intermediate parent undertaking	23,530	23,350
	<u>58,544</u>	<u>58,615</u>

8. Provisions for liabilities

Deferred tax provided in the financial statements is as follows:

	2015 £000	2014 £000
Accelerated capital allowances	3,515	4,117
Other timing differences	(91)	(102)
	<u>3,424</u>	<u>4,015</u>
		£000
At 1 January 2015		4,015
Deferred tax credit in the profit and loss account for the year (note 4(a))		(591)
At 31 December 2015		<u>3,424</u>

Notes to the financial statements

at 31 December 2015

9. Issued share capital

		2015		2014
<i>Allotted, issued and fully paid</i>	<i>No.</i>	<i>\$</i>	<i>No.</i>	<i>\$</i>
Ordinary shares of \$1 each	100	100	100	100
\$1 non-cumulative 'B' preference share	1	1	1	1
		<u>101</u>		<u>101</u>
Less: 'B' preference shares reclassified as financial liabilities		(1)		(1)
		<u>100</u>		<u>100</u>

Voting rights

The holders of the Ordinary Shares of the Company have the right to one vote for every Ordinary Share. Holders of Preference Shares are not entitled to vote upon any resolutions other than in a number of special cases, as follows:

- if the preference dividend is not paid when due;
- if there exists a default by any party under any Operative Document;
- if the Premises are destroyed or damaged; or
- if there are fewer than 2 Directors of the Company.

In any of these cases, the holders of the majority of the Preference Shares are entitled to remove and appoint up to 3 Directors of the Company until such time that the event leading to the granting of these special rights to the Preference Shareholders ceases to exist.

Redemption rights

The Class 'B' preference share is redeemable by the Company on the earlier of 13 December 2018 or the date when the cumulative dividends paid on that share total \$40,000,000.

Rights to income and on liquidation

The Class 'B' preference share is entitled to any remaining funds to a limit whereby total payments received over the life of the instrument do not exceed \$40,000,000.

The ordinary shares receive any residual funds after both classes of preference share have been settled.

Notes to the financial statements

at 31 December 2015

10. Transition to FRS102

The Company transitioned to FRS102 from previously extant UK GAAP as at 1 January 2014. There were no restatements required upon transitioning as no significant differences to existing accounting policies were noted.

11. Contingencies and commitments

The Company has contractual commitments under a Common Facilities Contract and an Operating and Maintenance Contract.

The Company entered into a Common Facilities contract with TGLP on 29 December 1993 which expires in December 2033 for the use of site common facilities. The monthly contracted amount is revised on an annual basis and the anticipated future commitments to the year 2018 of the Company resulting from this contract are £9,561,000 (2014 – £12,875,000).

Under the terms of a long-term operating and maintenance contract the counterparty has committed to providing the staff and resources to operate the plant and manage the routine business activities and obligations of the Company. The anticipated future commitments to the year 2018 of the Company associated with this contract are £3,750,000 (2014 – £5,015,000).

12. Related party transactions

The Company has taken advantage of the exemption available under FRS 102.33.1A and FRS102.33.7 not to disclose transactions with other members of the NSMP Holdings Limited group.

13. Information about parent undertaking and ultimate controlling party

Northern Gas Processing Limited is a wholly owned subsidiary of Teesside Gas and Liquids Processing, which in turn is a subsidiary of Teesside Gas Processing Plant Limited. Teesside Gas Processing Plant Limited is a wholly owned subsidiary of NSMP (TGPP) Limited which is in turn a wholly owned subsidiary of NSMP Holdings Limited. NSMP (TGPP) Limited and NSMP Holdings Limited are companies incorporated in Jersey.

NSMP Holdings Limited is the parent undertaking for the largest group of undertakings for which group financial statements are drawn up. NSMP (TGPP) Limited is the parent of the smallest group of undertakings for which group financial statements are drawn up.

Copies of the group financial statements can be obtained from 13 Castle Street, St. Helier, JE4 5UT, Jersey.

The Company's ultimate controlling party is ArcLight Energy Partners Fund V, registered in the state of Delaware USA, which is a fund managed by ArcLight Capital Partners LLC headquartered in Boston, Massachusetts.