Registered No. 2866642

Northern Gas Processing Limited

Report and Financial Statements

31 December 2019

Directors
J Barry
A Heppel
K Lim

Secretary
Vistra Trust Company Limited

Independent auditor
Ernst & Young LLP
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Bankers
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Strategic report

The Directors present their Strategic report for the year ended 31 December 2019.

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, its immediate parent company, the Company is paid a tolling fee for each therm of gas processed.

Northern Gas Processing Limited is part of the Selkie Investments Group ("the Group") that was formed in September 2018 for the purpose of owning and operating midstream gas infrastructure assets in the North Sea. The Group comprises one parent company, Selkie Investments Midstream Topco Limited and 12 subsidiaries.

The Selkie Investments Group was a wholly-owned subsidiary of the KIA, until 18 February 2019 when IIF International Neon Investment Sàrl ("IIF"), advised by J.P. Morgan Asset Management, acquired a 43.1% interest in Selkie Investments Midstream Topco Limited from the KIA. The KIA remain the Group and Company's ultimate controlling party.

The result for the year was a loss before taxation of £1.8 million (2018: £2.1 million). Both the level of business and the year-end financial position were in line with expectations.

Future developments

The Company continues to target a number of future processing opportunities to enhance the future utilisation of its assets in the medium to longer term.

Principal risks and uncertainties

The management of the business and execution of the group's strategy are subject to a number of risks. Directors regularly review the associated risks and act when and where appropriate to mitigate those risks. The following considers and describes the principal risks facing the business.

Brexit

The Directors has considered the potential impacts of Brexit scenarios on the Company and its activities. The Directors have concluded that there is no direct material risk to the business due to the UK focused operating environment and limited trade with the EU.

Covid-19

In recent months, the outbreak of the Coronavirus (COVID-19), which began in China and rapidly spread through the population and now in over 100 countries, has resulted in a substantial number of fatalities and limited movement of people with a consequential impact on the global economy. NSMP has been closely monitoring the pandemic and the Directors have concluded that the business continuity plans put in place, in which a number of mitigating actions have been implemented, has minimised the impact of COVID-19 on the Group's ability to remain operational.

Inherent risks

The TGPP processing business is reliant upon infrastructure owned and operated by third parties and until 2013 the business was reliant on a single piece of infrastructure, the CATS pipeline, for delivery of gas for processing. 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 and a single basin.

A pipeline incident curtailing delivery from either pipeline for the longer term would have an adverse impact on the business's performance, however this risk is mitigated to the extent possible by the purchase of business interruption insurance.

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.

Strategic report

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

Andrew Heppel
Director
29 May 2020

Directors' report

The Directors present their Directors report for the year ended 31 December 2019.

The Company has chosen in accordance with Section 414(c)(ii) of the Companies Act 2006 to set out in the Strategic report the following, which the Directors believe to be of significant importance:

- Review of the business
- Future developments
- Principal risks and uncertainties

Results and dividends

The loss for the year before taxation amounted to £1.8 million (2018: loss of £2.1 million). No dividends have been paid by the Company during the current or previous year.

Directors

The persons who served as Directors of the Company during the year and to the date of approval of the financial statements are listed below:

J Barry	(appointed 23 December 2019)
A Heppel	
K Lim	(appointed 25 July 2019)
P Sochocki	(resigned 25 July 2019)
S Sulaiman	(appointed 19 February 2019, resigned 23 December 2019)
G Williams	(resigned 14 July 2019)

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 Company has net current liabilities of £19.5 million and net liabilities of £6.5 million. The Company is dependent on the two trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company, via dividends and interest payments and being able to pay this to their respective parent companies.

The Directors have received confirmation from Selkie Investments Midstream Topco Limited, the Company's parent undertaking, that it intends to support the Company for at least 12 months after these financial statements are signed, by directing cash flows to ensure the Company has sufficient funds available.

The Directors, in conjunction with the Directors of Selkie Investments Midstream Topco Limited, have considered the business plans which provide financial projections through to the end of December 2021. The Group's principal debt facilities comprise a £596.6 million term loan which is repayable in September 2025 as well as access to a £20.0 million Revolving Credit Facility and £50.0 million Debt Service Reserve Facility both of which are currently undrawn. At the year end, the Group had sufficient liquidity (£17.9 million) and was in compliance with all of the financial covenants.

The Group's current suite of contracts are of a long-term nature with reputable, creditworthy counterparties who are deemed to pose limited credit risk. This provides a stable income stream that is forecast to comfortably cover the Group's operational cost base and allows it to meet its trading and other obligations for the foreseeable future out of cash reserves. Finally, NSMP Operations Limited and Teesside Gas & Liquids Processing assets are critical to UKCS natural gas resources and essential to the UK's security of energy supply. Currently up to 20% of UK supply passes through these assets. Since the onset of the COVID-19 pandemic, there has been no disruption of supply or diminution in volumes, other than usual seasonal variations.

Notwithstanding the stable nature of the Group's operations, in assessing the going concern of the business, the Directors have also followed the recent guidance issued to companies by the FRC in March 2020 and considered the impact of the recent COVID-19 pandemic and significant reduction in commodity prices. A

Directors' report

conclusion has been reached that, as a result of the extensive business continuity plans in place, in which a number of mitigating actions have already been implemented, the impact of COVID-19 on the Group's ability to remain operational has been minimised. These measures not only comply with Government public health guidance, but also ensure business continuity in the current environment. Key actions include:

- minimising non-essential work and personnel at sites;
- splitting core teams into segregated teams; and
- close liaison with offshore operators and neighbouring facilities.

Whilst the Directors do not expect any COVID-19 related shutdowns and there is no data to suggest such an impact is likely, 1, 2 and 3 month shutdown scenarios have been considered as key sensitivities in the cash flow forecasts. Even under a shutdown scenario of one month, which is considered very unlikely, the Directors have a reasonable expectation that the Group will be able to operate within the level of available facilities and cash for the foreseeable future.

Consequently, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for at least twelve months from the date approval of the financial statements. For this reason, they continue to adopt the Going Concern Basis for preparing the financial statements on a going concern basis.

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:

AHeppel

Andrew Heppel
Director
29 May 2020

Statement of Directors' responsibilities

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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Northern Gas Processing Limited

Opinion

We have audited the financial statements of Northern Gas Processing Limited for the year ended 31 December 2019 which comprise the Income statement, the Statement of financial position and the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 and 18 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 6, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report (continued)

to the members of Northern Gas Processing Limited

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report (continued)

to the members of Northern Gas Processing Limited

Use of our report

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

Ernst & Young LLP

Catherine Hackney (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
29 May 2020

Income statement

for the year ended 31 December 2019

	Notes	*2019* *£000*	*2018* *£000*
Turnover	2	4,461	4,033
Cost of sales		(4,831)	(4,724)
Gross loss		(370)	(691)
Administrative expenses		(1,463)	(1,415)
Loss before taxation		(1,833)	(2,106)
Tax credit on loss	4	948	1,205
Loss for the financial year		(885)	(901)

All amounts relate to continuing activities.

There is no other comprehensive income other than the loss for the current and preceding financial years. As such, no statement of comprehensive income has been presented.

Statement of financial position

At 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	5	15,456	16,554
Current assets			
Debtors	6	46,494	42,033
Creditors: amounts falling due within one year	7	(66,007)	(61,577)
Net current liabilities		(19,513)	(19,544)
Total assets less current liabilities		(4,057)	(2,990)
Provisions for liabilities			
Deferred taxation	8	(2,503)	(2,685)
Net liabilities		(6,560)	(5,675)
Capital and reserves			
Share capital	9	–	–
Profit and loss reserve	9	(6,560)	(5,675)
Equity shareholders' deficit		(6,560)	(5,675)

The financial statements were approved by the Board of Directors, authorised for issue and signed on its behalf by:

Andrew Heppel
Director
29 May 2020

Statement of changes in equity

for the year ended 31 December 2019

	Share capital £000	*Profit and loss reserve £000*	*Total equity shareholders' deficit £000*
At 1 January 2018	–	(4,774)	(4,774)
Loss for the year	–	(901)	(901)
At 31 December 2018	–	(5,675)	(5,675)
Loss for the year	–	(885)	(885)
At 31 December 2019	–	(6,560)	(6,560)

Notes to the financial statements

for the year ended 31 December 2019

1. Accounting policies

General information

Northern Gas Processing Limited is a private limited liability company, limited by shares and incorporated in England. The Registered Office is Suite 1, 3rd Floor, 11-12 St. James's Square, London. The Company's principal activity is the fractionation of natural gas liquids, resulting from the processing of offshore natural gas.

Statement of compliance

The Company's financial statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland" and the Companies Act 2006.

Basis of preparation

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.

In these financial statements, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

– the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)

– the requirements to prepare a Statement of Cash Flows

– the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A

– the requirements of Sections 33.1A and 33.7 Related Party Disclosures

The equivalent disclosures and results of the Company are included in the consolidated parent company accounts and for that basis these financial statements are not consolidated. Note 10 gives details of the Company's ultimate parent and where the consolidated financial statements prepared may be obtained.

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 Company has net current liabilities of £19.5 million and net liabilities of £6.5 million. The Company is dependent on the two trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company, via dividends and interest payments and being able to pay this to their respective parent companies.

The Directors have received confirmation from Selkie Investments Midstream Topco Limited, the Company's parent undertaking, that it intends to support the Company for at least 12 months after these financial statements are signed, by directing cash flows to ensure the Company has sufficient funds available.

The Directors, in conjunction with the Directors of Selkie Investments Midstream Topco Limited, have considered the business plans which provide financial projections through to the end of December 2021. The Group's principal debt facilities comprise a £596.6 million term loan which is repayable in September 2025 as well as access to a £20.0 million Revolving Credit Facility and £50.0 million Debt Service Reserve Facility both of which are currently undrawn. At the year end, the Group had sufficient liquidity (£17.9 million) and was in compliance with all of the financial covenants.

Notes to the financial statements

for the year ended 31 December 2019

1. Accounting policies (continued)

Going concern (continued)

The Group's current suite of contracts are of a long-term nature with reputable, creditworthy counterparties who are deemed to pose limited credit risk. This provides a stable income stream that is forecast to comfortably cover the Group's operational cost base and allows it to meet its trading and other obligations for the foreseeable future out of cash reserves. Finally, NSMP Operations Limited and Teesside Gas & Liquids Processing assets are critical to UKCS natural gas resources and essential to the UK's security of energy supply. Currently up to 20% of UK supply passes through these assets. Since the onset of the COVID-19 pandemic, there has been no disruption of supply or diminution in volumes, other than usual seasonal variations.

Notwithstanding the stable nature of the Group's operations, in assessing the going concern of the business, the Directors have also followed the recent guidance issued to companies by the FRC in March 2020 and considered the impact of the recent COVID-19 pandemic and significant reduction in commodity prices. A conclusion has been reached that, as a result of the extensive business continuity plans in place, in which a number of mitigating actions have already been implemented, the impact of COVID-19 on the Group's ability to remain operational has been minimised. These measures not only comply with Government public health guidance, but also ensure business continuity in the current environment. Key actions include:

- minimising non-essential work and personnel at sites;
- splitting core teams into segregated teams; and
- close liaison with offshore operators and neighbouring facilities.

Whilst the Directors do not expect any COVID-19 related shutdowns and there is no data to suggest such an impact is likely, 1, 2 and 3 month shutdown scenarios have been considered as key sensitivities in the cash flow forecasts. Even under a shutdown scenario of one month, which is considered very unlikely, the Directors have a reasonable expectation that the Group will be able to operate within the level of available facilities and cash for the foreseeable future.

Consequently, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for at least twelve months from the date approval of the financial statements. For this reason, they continue to adopt the Going Concern Basis for preparing the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements.

a) Taxation (estimate)

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets and liabilities that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Notes to the financial statements

for the year ended 31 December 2019

1. Accounting policies (continued)

Turnover

Turnover arises from income derived from the transportation and processing of natural gas within the United Kingdom and other sundry related income net of value added tax. Revenue is recognised for the transported and processed gas on an accruals basis as the services are provided to the gas shippers. Turnover also arises from charging certain categories of operational expenses to gas shippers.

Amounts received and receivable from customers in respect of services not yet delivered or obligations not fulfilled at the year-end are classified as deferred income until the service is delivered or obligations fulfilled.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	20 years
Plant and machinery	–	20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Where fixed assets have been acquired but paid for by contributions from a third party, these have been recognised gross in the appropriate tangible fixed asset category. The contribution from the third party is shown.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including intercompany receivables, and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, intercompany payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Notes to the financial statements

for the year ended 31 December 2019

1. Accounting policies (continued)

Provisions and accruals for liabilities

Management estimation is required to determine the appropriate amounts of accruals and provisions for bad and doubtful debts, customer rebates and certain administrative expenses accruals.

Current taxation

Current tax, including UK corporation tax and foreign tax, is recognised on taxable profits or losses for the current and past periods. Current tax is measured at the amounts of tax expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

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 statement of financial position 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 statement of financial position 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.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the statement of financial position date, dividends have been accrued as receivable.

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 statement of financial position date.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the Company's continuing activity as stated in the Directors' Report, and arises wholly within the UK. The Directors consider there to be only one principal activity, the fractionation of natural gas liquids.

Notes to the financial statements

for the year ended 31 December 2019

3. Operating loss

This is stated after charging:

	2019 £000	2018 £000
Depreciation	1,098	1,123

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 Selkie Investments Midstream Topco Limited.

The Company has no employees. No Director received any remuneration in their capacity as Director of this Company for the period ended 31 December 2019.

4. Taxation

(a) Tax on loss

The tax credit is made up as follows:

	2019 £000	2018 £000
Current tax:		
Corporation tax credit on loss for the year	(767)	(1,021)
Total current tax credit	(767)	(1,021)
Deferred tax:		
Origination and reversal of timing differences	(181)	(206)
Effect of changes in tax rate		22
Total deferred tax credit (note 8)	(181)	(184)
Total tax credit on loss	(948)	(1,205)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss before tax	(1,834)	(2,106)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(348)	(400)
Effects of:		
Group relief	(621)	(827)
Changes in tax rates	21	22
Total tax credit for the year (note 4(a))	(948)	(1,205)

Notes to the financial statements

for the year ended 31 December 2019

4. Taxation (continued)

(c) Factors affecting future tax charges

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. Accordingly, these rates are applicable in the measurement of deferred tax assets and liabilities at 31 December 2019. Deferred tax has been provided at 17% being the rate at which temporary differences are expected to reverse.

However, the Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution. Had the 19% rate been substantively enacted at the balance sheet date, the impact on the closing deferred tax balances at 31 December 2019 would be £295k.

5. Tangible fixed assets

	Freehold land £000	*Plant and equipment £000*	*Total £000*
Cost:			
At 1 January 2019 and 31 December 2019	82	80,540	80,622
Depreciation:			
At 1 January 2019	–	64,068	64,068
Charge for the year	–	1,098	1,098
At 31 December 2019	–	65,166	65,166
Net book value:			
At 31 December 2019	82	15,374	15,456
At 1 January 2019	82	16,472	16,554

Capitalised interest of £5.5 million (2018: £5.5 million) is included within the cost of plant and equipment.

6. Debtors

	2019 £000	*2018 £000*
Amounts owed by parent undertaking	46,494	41,441
Prepayments and accrued income	-	592
	46,494	42,033

Notes to the financial statements

for the year ended 31 December 2019

7. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Group relief	31,937	32,704
Accruals and deferred income	328	307
Amounts owed to intermediate parent undertaking	33,742	28,566
	66,007	61,577

8. Deferred taxation

Deferred tax provided in the financial statements is as follows:

	2019	2018
	£000	£000
Accelerated capital allowances	2,589	2,771
Other timing differences	(86)	(86)
	2,503	2,685

	£000
At 1 January 2019	2,685
Deferred tax credit in the income statement for the year (note 4(a))	(181)
At 31 December 2019	2,503

9. Share capital and reserves

		2019		2018
Allotted, issued and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of $1 each	100	50	100	50
$1 non-cumulative 'B' preference share	1	1	1	1
		51		51
Less: 'B' preference shares reclassified as financial liabilities		(1)		(1)
		50		50

Notes to the financial statements

for the year ended 31 December 2019

9. Share capital and reserves (continued)

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 two 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 three 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 $40.0 million.

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 $40.0 million.

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

Profit and loss account reserve

This reserve records the cumulative amount of realised profits and losses less any distributions of dividends. The Company did not pay a dividends in either year presented.

10. 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 Teesside Gas & Liquids Processing on 29 December 1993 which expires in December 2033 for the use of site common facilities. Commitments under this contract are £3.7 million per annum.

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. Commitments under this contract are £1.5 million per annum.

11. Related party transactions

The Company has taken advantage of the exemption available under FRS102.33.1A and FRS102.33.7A not to disclose transactions with other members of the Selkie Investments Midstream Topco Limited group.

Notes to the financial statements

for the year ended 31 December 2019

12. Information about parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary of Teesside Gas & Liquids Processing.

Selkie Investments Midstream Topco Limited is the parent undertaking for the largest and smallest group of undertakings for which group financial statements are drawn up. Copies of the group financial statements can be obtained from 3rd Floor, 44 Esplanade, St Helier, JE4 9WG, Jersey.

The Directors consider the Company's ultimate controlling party to be the Kuwait Investment Authority ("KIA"), which is registered at Ministries Complex, Al Murqab, P.O. Box: 64, Safat, Zip Code: 13001, Kuwait City, Kuwait.

13. Events after the reporting period

As a result of the COVID-19 pandemic, the Company has conducted an assessment on the potential financial and operational impact to the business. COVID-19 is considered a non-adjusting post balance sheet event. As a holding company, the Company has not been directly impacted by the pandemic, and therefore no indicators of impairment have been identified.

The Company is part of the Selkie Investments Group which, at the date of these accounts, has seen no significant impact to its operational and financial performance, with throughput volumes and revenues in line with expectation. As a result of the extensive business continuity plans in place, in which a number of mitigating actions have already been implemented, the impact of COVID-19 on the Selkie Investments Group ability to remain operational has been minimised. These measures not only comply with Government public health guidance, but also ensure business continuity in the current environment. Key actions include:

- minimising non-essential work and personnel at sites;
- splitting core teams into segregated teams; and
- close liaison with offshore operators and neighbouring facilities.