

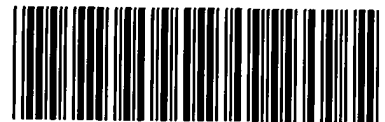
Registered No. 2866642

# **Northern Gas Processing Limited**

## **Report and Financial Statements**

31 December 2022

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COMPANIES HOUSE

Northern Gas Processing Limited

Registered No. 2866642

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**Directors**

G Barbaro

J Barry

S Cox

**Secretary**

Vistra Company Secretaries Limited

**Independent auditor**

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

**Bankers**

Bank of Scotland

33 Old Broad Street

London

EC2N 1HZ

**Solicitors**

Brodies LLP

15 Atholl Crescent

Edinburgh

EH3 8HA

**Registered Office**

Suite 1

7th Floor

50 Broadway

London

United Kingdom

SW1H 0BL

## Strategic report

The Directors present their Strategic report for the year ended 31 December 2022.

### 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 ("the Company") 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 15 subsidiaries.

The result for the year was a loss after taxation of £0.4 million (2021: loss £4.2 million). The decrease in losses is primarily associated with the impairment reversal recognised during the year.

### 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.

#### *Government Policy*

The Company provides transportation and processing and liquefaction of hydrocarbons for various customers in the UK. Accordingly, policies enacted by the UK government could have a material impact on the ability of the Company to operate effectively and efficiently. The Directors regularly discuss relevant developments and ensure the Group's strategy appropriately reflects the importance of our current core business and the ongoing energy transition.

#### *Inherent risks*

**Future volumes** - The business is also exposed to the success, or otherwise, of exploration and gas production on the UK continental shelves. Cyclical drilling activity and variable future gross gas production from across the various offshore catchment areas will determine the level of gas available for transporting and processing via the Company's infrastructure. The Company maintains active and regular dialogue with current and potential customers to maximise its ability to secure future volumes.

**NGL export routes** - The business requires export routes for the non-gas liquids (NGL) which are extracted as part of the processing services provided at SFGT and TGPP in order to ensure continuous, long term service provision to its customers. The Company keeps all such arrangements under review to ensure ongoing availability and also evaluates alternatives where appropriate.

**Covenant Compliance** - The Company is part of Selkie Investments Group which maintains a leveraged position by way of a bank loan and is counterparty to a Facilities Agreement. The Selkie Investments Group is required to service its debt in accordance with the Facility Agreement and is subject to certain covenant tests in June and December each year as well as needing to comply with other obligations under the Facilities Agreement.

**Recoverability of intercompany balances** - The Company is also exposed to the occurrence of events that could result in an impairment thus impact the recoverability of its intercompany debt. Ultimately this is reliant on cash funds being available to support the Company.

#### *Mitigable risks*

**Safety** - a training programme is in place that ensures all staff have the competence required for their role and responsibilities, enabling the Company's assets to operate safely, reliably and efficiently. Safety, Health and Environmental ("SHE") training is at the forefront of every individual's training needs.

## Strategic report (continued)

### *Mitigable risks (continued)*

A health and safety management system is used across all sites and regular SHE audits are carried out to ensure the Group is compliant with all relevant regulations.

### *Emerging risks*

The Russian invasion of Ukraine brings uncertainty, a need for increased alternative energy supplies and disruption to supply chains. Whilst the Company has no assets or investments in Russia or Ukraine, the geo-political risk creates increasingly volatile conditions in capital and commodity markets. Analysis of the business exposure to the situation and sanctions has been undertaken concluding there to be no concerns of material impact on the Company. We will continue to monitor the situation carefully.

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

DocuSigned by:

Sayma Cox

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Sayma Cox

Director

9 June 2023

## Directors' report

The Directors present their Directors' report for the year ended 31 December 2022.

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 after taxation amounted to £0.4 million (2021: loss £4.2 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:

G Barbaro

J Barry

A Heppel      resigned 21 September 2022

S Cox          appointed 21 September 2022

### Going concern

The Directors have undertaken a rigorous assessment of going concern and liquidity over a period to 30 June 2024 ('the going concern period'). This includes review of financial forecasts through to the end of June 2024 which reflect severe, but plausible downside scenarios. The directors have also considered as part of this assessment the impact of events which have arisen following the balance sheet date and up to the date of issue of these financial statements.

The Company is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited (the 'Group'). The Company has net current liabilities of £21.2 million and net liabilities of £12.3 million. To meet its financial obligations, the Company is dependent on receiving interest payments from its subsidiary. The Company is dependent on three trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company 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 the period to the end of June 2024, by directing cash flows to ensure the Company has sufficient funds available.

The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give Management's best estimates of forward liquidity and forecast covenant compliance as defined in the Group's facilities agreements.

The Directors, in conjunction with the Directors of Selkie Investments Midstream Topco Limited, have considered the Group's business plans which provide financial projections through to the end of June 2024. As at 31 December 2022, the Group's principal term debt facilities comprised of a £616.0 million and €88.0 million term loan repayable in November 2027 and 2028 respectively as well as access to a £30.0m and €5.0 million Revolving Credit Facilities. At the year end, the outstanding balances on the term debt facilities were £486.2m and €78.1m, and the Group had sufficient liquidity (£43.0 million) and was in compliance with its financial covenants with regards to the above GBP loan. However, as a consequence of the recent and continuing high power price environment in Norway, the Debt Service Cover Ratio on the EUR loan was below the level required by the financial covenant as at 31 December 2022. In response, the Group implemented several mitigating actions and subsequently secured a waiver from the EUR loan bank group, thereby avoiding being in default on the EUR loan.

## Directors' report (continued)

### Going concern (continued)

The Group's base case going concern assessment is based on the Board approved budget and business plan which provide financial projections through to the end of June 2024. 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. In addition, the assets of the trading entities within the Group are critical to the UK and Norway natural gas resources and essential to the security of energy supply.

The Directors have also considered severe, but plausible, downside scenarios to reflect the potential impacts of further declines in volumes and/or delays to key infill well drilling which could result from a worsening economic climate or reduced commodity prices. In each of the scenarios modelled, the Group will have sufficient funds, through internally generated resources to meet its liabilities as they fall due and ensure compliance with its financial covenants.

Consequently, the directors have concluded that the Company will have sufficient funds to continue to meet their liabilities as they fall due to 30 June 2024 and therefore have prepared 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.
- **Credit risk** – the Company is selective with whom it conducts business and regularly reviews the status of its counterparties.
- **Interest rate risk** – the exposure to floating interest rate movements associated with the Selkie Group's financing arrangements has been mitigated by entering into a floating to fixed rate swap arrangements for 100% of the Group's term debt by another Group entity.
- **Liquidity** – is assessed on a monthly basis with regards to the available cash and facilities and the Company retains sufficient cash and undrawn facilities to satisfy its current obligations. The available cash position is assessed against budget and any subsequent updates for year to date and re-forecast trading performance. This is further used to monitor compliance with the Selkie Group's Facilities Agreements.
- **Cash Flow** – is also assessed on a monthly basis in line with the receivables cycles of the Company's processing contracts, with a corresponding analysis of any ageing of debtors.

### 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 Group'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 s485 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:

DocuSigned by:  
  
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Sayma Cox  
Director  
9 June 2023

## Statement of Directors' responsibilities

The directors are responsible for preparing the strategic report, Directors' report and the financial statements in accordance with applicable United Kingdom 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), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- in respect of the financial statements, state whether applicable UK Accounting Standards, including FRS 102, 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 appropriate to presume that the Company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

## **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 2022 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 12, 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 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 2022 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. 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.

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 June 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



## **Independent auditor's report (continued)**

to the members of Northern Gas Processing Limited

### **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.

## Independent auditor's report (continued)

to the members of Northern Gas Processing Limited

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

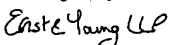
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations.
- We understood how Northern Gas Processing Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Group's Audit and Risk Committee and attendance at all meetings of the Audit and Risk Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We also considered performance targets which are based on the results of the Group and their propensity to influence efforts made by management to manage the earnings of this Company. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included testing journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of legal counsel and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report with the requirements of the relevant accounting standards.

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.

### 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.

DocuSigned by:

East & Young LLP

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Kate Jarman (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

13 June 2023

**Income statement**

for the year ended 31 December 2022

	<i>Notes</i>	<i>2022</i> <i>£000</i>	<i>2021</i> <i>£000</i>
<b>Turnover</b>	2	3,575	3,364
Cost of sales		(4,945)	(5,097)
<b>Gross loss</b>		(1,370)	(1,733)
Administrative expenses		(1,624)	(1,569)
Impairment reversal/(charge) on assets	5	2,910	(3,495)
<b>Loss before taxation</b>		(84)	(6,797)
Tax (charge)/credit on loss	4	(319)	2,630
<b>Loss after taxation</b>		(403)	(4,167)

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 2022

	Notes	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	5	11,868	9,765
<b>Current assets</b>			
Debtors	6	57,042	53,468
<b>Creditors: amounts falling due within one year</b>	7	(78,277)	(72,935)
<b>Net current liabilities</b>		(21,235)	(19,467)
<b>Total assets less current liabilities</b>		(9,367)	(9,702)
<b>Provisions for liabilities</b>			
Deferred taxation	8	(2,927)	(2,189)
<b>Net liabilities</b>		(12,294)	(11,891)
<b>Capital and reserves</b>			
Share capital	9	—	—
Profit and loss reserve	9	(12,294)	(11,891)
<b>Total shareholders' deficit</b>		(12,294)	(11,891)

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

DocuSigned by:

Sayma Cox

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Sayma Cox

Director

9 June 2023

**Statement of changes in equity**

for the year ended 31 December 2022

	<i>Share capital £000</i>	<i>Profit and loss reserve £000</i>	<i>Total shareholders' deficit £000</i>
<i>At 1 January 2021</i>	-	(7,724)	(7,724)
Loss for the year	-	(4,167)	(4,167)
<i>At 31 December 2021</i>	-	(11,891)	(11,891)
Loss for the year	-	(403)	(403)
<i>At 31 December 2022</i>	-	(12,294)	(12,294)

## Notes to the financial statements

for the year ended 31 December 2022

### 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, 7th floor, 50 Broadway, 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 requirement to prepare a Statement of Cash Flows
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c)
- the requirements of Section 33.7 Related Party Disclosures. The entity has taken advantage of the exemption in paragraph 33.1A not to disclose transactions entered into with other entities that are wholly owned within the group.

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 12 gives details of the Company's ultimate parent and where the consolidated financial statements prepared may be obtained.

#### *Going concern*

The Directors have undertaken a rigorous assessment of going concern and liquidity over a period to 30 June 2024 ('the going concern period'). This includes review of financial forecasts through to the end of June 2024 which reflect severe, but plausible downside scenarios. The directors have also considered as part of this assessment the impact of events which have arisen following the balance sheet date and up to the date of issue of these financial statements.

The Company is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited (the 'Group'). The Company has net current liabilities of £21.2 million and net liabilities of £12.3 million. To meet its financial obligations, the Company is dependent on receiving interest payments from its subsidiary. The Company is dependent on three trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company 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 the period to the end of June 2024, by directing cash flows to ensure the Company has sufficient funds available.

The Group regularly monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements. Forecasts are regularly produced to give Management's best estimates of forward liquidity and forecast covenant compliance as defined in the Group's facilities agreements.

The Directors, in conjunction with the Directors of Selkie Investments Midstream Topco Limited, have considered the Group's business plans which provide financial projections through to the end of June 2024. As at 31 December 2022, the Group's principal term debt facilities comprised of a £616.0 million and €88.0 million term loan repayable in November 2027 and 2028 respectively as well as access to a £30.0m and €5.0 million Revolving Credit Facilities. At the year end, the outstanding balances on the term debt facilities were

## Notes to the financial statements

for the year ended 31 December 2022

### 1. Accounting policies (continued)

#### *Going concern (continued)*

£486.2m and €78.1m, and the Group had sufficient liquidity (£43.0 million) and was in compliance with its financial covenants with regards to the above GBP loan. However, as a consequence of the recent and continuing high power price environment in Norway, the Debt Service Cover Ratio on the EUR loan was below the level required by the financial covenant as at 31 December 2022. In response, the Group implemented several mitigating actions and subsequently secured a waiver from the EUR loan bank group, thereby avoiding being in default on the EUR loan.

The Group's base case going concern assessment is based on the Board approved budget and business plan which provide financial projections through to the end of June 2024. 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. In addition, the assets of the trading entities within the Group are critical to the UK and Norway natural gas resources and essential to the security of energy supply.

The Directors have also considered severe, but plausible, downside scenarios to reflect the potential impacts of further declines in volumes and/or delays to key infill well drilling which could result from a worsening economic climate or reduced commodity prices. In each of the scenarios modelled, the Group will have sufficient funds, through internally generated resources to meet its liabilities as they fall due and ensure compliance with its financial covenants.

Consequently, the directors have concluded that the Company will have sufficient funds to continue to meet their liabilities as they fall due to 30 June 2024 and therefore have prepared the financial statements on a going concern basis.

#### *Critical accounting Judgements and key sources of estimation uncertainty*

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements, apart from those involving estimations (which are indicated below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## Notes to the financial statements

for the year ended 31 December 2022

### 1. Accounting policies (continued)

#### *Critical accounting Judgements and key sources of estimation uncertainty (continued)*

##### *a) Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 5 for the carrying amount of the property, plant and equipment and Tangible fixed assets accounting policy below for the useful economic lives for each class of assets.

##### *b) Taxation*

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. Further details are contained in note 4.

##### *c) Intercompany*

The Directors have considered the recoverability of investments in subsidiaries and intercompany debtors where an impairment indicator is identified, no impairment indicators were identified during the current period.

#### *Key source of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *a) Impairment of non-financial assets (estimate)*

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows. Further details of the assumptions used are given in note 5.

#### *Turnover*

Turnover, which is stated net of value added tax, represents amounts invoiced to other entities within the group in respect of the fractionation of natural gas liquids, resulting from the processing of offshore natural gas. Revenue is recognised for the processed gas on an accruals basis as the services are provided to the customer.

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.



## Notes to the financial statements

for the year ended 31 December 2022

### 1. Accounting policies (continued)

#### *Tangible fixed assets (continued)*

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:

Plant and machinery	- 14-20 years
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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.

#### *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 carrying 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 the income statement.

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.

#### *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 statement of financial position 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

## Notes to the financial statements

for the year ended 31 December 2022

### 1. Accounting policies (continued)

#### *Deferred taxation (continued)*

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 other entities within the group 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.

### 3. Gross loss

This is stated after charging:

	2022	2021
	£000	£000
Depreciation	807	1,098

The audit fee of £25,000 is borne by NSMP Operations Limited. Disclosure of the total fees paid to the Group auditor is included in the financial statements of Selkie Investments Midstream Topco Limited.

The Company has no employees. The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Selkie Investments Midstream Topco Limited Group undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

## Notes to the financial statements

for the year ended 31 December 2022

### 4. Taxation

#### (a) Tax on loss

The tax charge/(credit) is made up as follows:

	2022 £000	2021 £000
<i>Current tax:</i>		
Corporation tax credit on loss for the year	(419)	(2,225)
Total current tax credit	(419)	(2,225)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	403	(869)
Effect of changes in tax rate	208	464
Adjustments in respect of prior periods	127	-
Total deferred tax charge/(credit) (note 8)	738	(405)
Total tax charge/(credit) on loss	319	(2,630)

#### (b) Factors affecting the tax charge/(credit) for the year

The tax assessed for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Loss before tax	(84)	(6,797)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(16)	(1,291)
<i>Effects of:</i>		
Group relief	-	(1,803)
Changes in tax rates	208	464
Adjustments from prior periods	127	-
Total tax charge/(credit) for the year (note 4(a))	319	(2,630)

#### (c) Factors affecting future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017.

Finance Act 2021 included an increase in the UK's main corporation tax rate to 25%, effective from 1 April 2023. This rate change was enacted on 24 May 2021.

## Notes to the financial statements

for the year ended 31 December 2022

### 5. Tangible fixed assets

	<i>Freehold land £000</i>	<i>Plant and equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2022 and 31 December 2022	82	80,540	80,622
Depreciation and impairment:			
At 1 January 2022	–	70,857	70,857
Charge for the year	–	807	807
Impairment reversal	–	(2,910)	(2,910)
At 31 December 2022	–	68,754	68,754
Net book value:			
At 31 December 2022	82	11,786	11,868
At 1 January 2022	82	9,683	9,765

#### 2022

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. The Company uses a value-in-use method to calculate the recoverable amount of the cash generating unit (CGU). In determining the value-in-use, an appropriate discounted cash flow model was used, incorporating cash flow projections included within the financial budgets and the Groups' business plan and long-term forecasts. In certain circumstances, impairments on property, plant and equipment are reversible in the future.

The modelling and projections in the impairment analysis are based on various assumptions a wide range of forward-looking assumptions, many of which are inherently uncertain, including market outlook and pricing, processing volumes and expenditures. These assumptions include: pricing levels of the liquid gas spread (LGS), levels of future customer volumes and associated tariff revenues from the catchment areas (both from producing and under development fields and to be developed prospects); the level and timing of operating and capital expenditures, corporate tax rates; and an appropriate discount rate. LGS pricing forecasts are based on market conditions and forward pricing curves for relevant hydrocarbon products. Customer flow and volumes profiles are based on production forecasts for fields and prospects within TGPP's catchment area. Operating expenditure and capital expenditure are derived from the Company's Business Plan. These assumptions are reviewed annually by management and the board, and volume projections provided by an independent consultant.

During the year, the Company recognised an impairment reversal of £2.9m (2021: impairment charge of £3.5m) in respect of property, plant and equipment assets associated with the Teesside Gas Processing Plant (TGPP). The impairment reversal was primarily driven by the steep rise in inflation throughout 2022 which has a direct feed through to tariff revenue together with a reasonable change in the discount rate during the year.

The Company has run a sensitivity analysis on its LGS pricing and volume assumptions. In the event that the LGS prices were 50% lower and the volumes secured in the TGPP catchment area were 10 percent lower than those assumed, this would result in an impairment to fixed assets of £1.3m. Considering discount rates, the Company believes a one per cent increase in the post-tax discount rate is considered to be a reasonable possibility for the purpose of sensitivity analysis. A one per cent increase in the post-tax discount rate would reduce the impairment reversal by £1.0m, and a one per cent decrease in the post-tax discount rate would increase impairment reversal by £1.0m.

## Notes to the financial statements

for the year ended 31 December 2022

### 5. Tangible fixed assets (continued)

2021

During the year ended 31 December 2021, the Company recognised a pre-tax impairment charge of £3.5m within the income statement. This represented a write-down of property, plant and equipment assets associated with TGPP.

### 6. Debtors

	2022 £000	2021 £000
Amounts owed by parent undertaking	57,042	53,468

### 7. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Group relief	27,492	27,911
Amounts owed to group undertakings	50,785	45,024
	78,277	72,935

### 8. Deferred taxation

Deferred tax provided in the financial statements is as follows:

	2022 £000	2021 £000
Accelerated capital allowances	2,927	2,316
Other timing differences	-	(127)
	2,927	2,189

£000

At 1 January 2022	2,189
Adjustments in respect of prior periods (note 4(a))	127
Deferred tax charge in the income statement for the year (note 4(a))	611

At 31 December 2022	2,927
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## Notes to the financial statements

for the year ended 31 December 2022

### 9. Share capital and reserves

<i>Allotted, issued and fully paid</i>	<i>No.</i>	<i>2022</i>	<i>No.</i>	<i>2021</i>
		<i>£</i>		<i>£</i>
Ordinary shares of \$1 each	100	50	100	50
\$1 non-cumulative 'B' preference share	1	1	1	1
		<u>51</u>		<u>51</u>
Less: 'B' preference shares reclassified as financial liabilities		(1)		(1)
		<u>50</u>		<u>50</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 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. As at the year end, no shares have been redeemed.

#### 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 dividend 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.

## Notes to the financial statements

for the year ended 31 December 2022

### 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.

### 12. 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 parties to be Wren House Infrastructure Gp LLP, which is registered at 55-58, Pall Mall, London, England, SW1Y 5JH and IIF Int'L Neon Investment Sarl, which is registered at 11-13, Boulevard De La Foire, Luxembourg.