

Registered No. 2866642

# **Northern Gas Processing Limited**

## **Report and Financial Statements**

31 December 2020

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COMPANIES HOUSE

## Strategic report

### Directors

G Barbaro

J Barry

A Heppel

### 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, 3<sup>rd</sup> Floor

11-12 St. James's Square

London

SW1Y 4LB

## Strategic report

The Directors present their Strategic report for the year ended 31 December 2020.

### 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 result for the year was a loss after taxation of £1.2 million (2019: £0.9 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 have regularly monitored and assessed the legal, financial, commercial, and operational effects of Brexit throughout the year. Brexit has never been considered a principal risk for the Group or Company as the majority of the business is external to the EU. The Directors performed a post Brexit review and reconfirmed that Brexit is not considered to be a principal risk.

#### *Covid-19*

The impact of the Covid-19 pandemic was identified as an emerging risk in 2019 due to the uncertainty and impact on commodity prices which have adversely impacted the oil and gas industry. NSMP has been closely monitoring the situation 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. The Covid-19 risk will continue to be monitored in 2021.

#### *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 (SNS) 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 North Sea (CNS) and SNS exploration and gas production. Cyclical drilling activity and variable future gross gas production from 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  
28 May 2021

## Directors' report

The Directors present their Directors' report for the year ended 31 December 2020.

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 £1.2 million (2019: £0.9 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 (appointed 23 October 2020)  
J Barry  
A Heppel  
K Lim (resigned 23 October 2020)

### Going concern

The financial statements are prepared utilising the presumption of going concern which is assessed by the Directors for the period to the end of December 2022. 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 £7.7 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 the period to the end of December 2022, 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 Group's business plans which provide financial projections through to the end of December 2022. The Group's principal debt facilities comprise a £616.0 million term loan which is repayable in November 2027 as well as access to a £30.0 million Revolving Credit Facility which is currently undrawn. At the year end, the Group had sufficient liquidity (£48.7 million) and was compliant with its 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, the assets of the two trading entities within the Group, NSMP Operations Limited and Teesside Gas & Liquids Processing, 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.

Despite the challenges of the COVID-19 pandemic and a low commodity price environment, the business has delivered a resilient financial performance in 2020. We expect that near-term, a degree of uncertainty will continue into 2021 and, whilst forecasting activity levels in an uncertain economic environment remains challenging, we expect that the Group's resilience will continue.

Consequently, the Directors are satisfied that the Company has adequate resources to continue to operate and meet its liabilities as they fall due for the period to the end of December 2022. For this reason, they continue to adopt the Going Concern Basis in the preparation of the financial statements.

## Directors' report

### 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 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:



Andrew Heppel  
Director  
28 May 2021

## 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 2020 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 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 2020 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.

#### **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 31 December 2022.

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 there is 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.

### **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.

Our approach was as follows:

- 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.

## Independent auditor's report (continued)

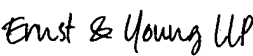
### to the members of Northern Gas Processing Limited

- 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:  
  
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Kate Jarman (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds  
28 May 2021

## Income statement

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
<b>Turnover</b>	2	3,610	4,461
Cost of sales		(4,970)	(4,831)
<b>Gross loss</b>		(1,360)	(370)
Administrative expenses		(1,516)	(1,463)
<b>Loss before taxation</b>		(2,876)	(1,833)
Tax credit on loss	4	1,712	948
<b>Loss after taxation</b>		(1,164)	(885)

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 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible assets	5	14,358	15,456
<b>Current assets</b>			
Debtors	6	50,104	46,494
<b>Creditors: amounts falling due within one year</b>	7	(69,592)	(66,007)
<b>Net current liabilities</b>		(19,488)	(19,513)
<b>Total assets less current liabilities</b>		(5,130)	(4,057)
<b>Provisions for liabilities</b>			
Deferred taxation	8	(2,594)	(2,503)
<b>Net liabilities</b>		(7,724)	(6,560)
<b>Capital and reserves</b>			
Share capital	9	—	—
Profit and loss reserve	9	(7,724)	(6,560)
<b>Total shareholders' deficit</b>		(7,724)	(6,560)

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



Andrew Heppel  
Director  
28 May 2021

## Statement of changes in equity

for the year ended 31 December 2020

	<i>Share capital £000</i>	<i>Profit and loss reserve £000</i>	<i>Total shareholders' deficit £000</i>
<i>At 1 January 2019</i>	–	(5,675)	(5,675)
Loss for the year	–	(885)	(885)
<i>At 31 December 2019</i>	–	(6,560)	(6,560)
Loss for the year	–	(1,164)	(1,164)
<i>At 31 December 2020</i>	–	(7,724)	(7,724)

## Notes to the financial statements

for the year ended 31 December 2020

### 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 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 financial statements are prepared utilising the presumption of going concern which is assessed by the Directors for the period to the end of December 2022. 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 £7.7 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 the period to the end of December 2022, 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 Group's business plans which provide financial projections through to the end of December 2022. The Group's principal debt facilities comprise a £616.0 million term loan which is repayable in November 2027 as well as access to a £30.0 million Revolving Credit Facility which is currently undrawn. At the year end, the Group had sufficient liquidity (£48.7 million) and was compliant with its 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, the assets of the two trading entities within the Group, NSMP Operations Limited and Teesside Gas & Liquids Processing, 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.

## Notes to the financial statements

for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### *Going concern (continued)*

Since the onset of the COVID 19 pandemic, there has been no disruption of supply or diminution in volumes, other than usual seasonal variations.

Despite the challenges of the COVID-19 pandemic and a low commodity price environment, the business has delivered a resilient financial performance in 2020. We expect that near-term, a degree of uncertainty will continue into 2021 and, whilst forecasting activity levels in an uncertain economic environment remains challenging, we expect that the Group's resilience will continue.

Consequently, the Directors are satisfied that the Company has adequate resources to continue to operate and meet its liabilities as they fall due for the period to the end of December 2022. For this reason, they continue to adopt the Going Concern Basis in the preparation of the financial statements.

#### *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 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.

#### *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.

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:

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.

## Notes to the financial statements

for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### *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 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.



## Notes to the financial statements

for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### *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. Operating loss

This is stated after charging:

	2020	2019
	£000	£000
Depreciation	1,098	1,098

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 either period presented.

### 4. Taxation

#### (a) Tax on loss

The tax credit is made up as follows:

	2020	2019
	£000	£000
<i>Current tax:</i>		
Corporation tax credit on loss for the year	(1,803)	(767)
Total current tax credit	(1,803)	(767)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(204)	(181)
Effect of changes in tax rate	295	-
Total deferred tax charge/(credit) (note 8)	91	(181)
Total tax credit on loss	(1,712)	(948)

## Notes to the financial statements

### for the year ended 31 December 2020

#### 4. Taxation (continued)

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

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Loss before tax	(2,876)	(1,833)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(547)	(348)
<i>Effects of:</i>		
Group relief	(1,460)	(621)
Changes in tax rates	295	21
Total tax credit for the year (note 4(a))	(1,712)	(948)

##### (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. 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. Accordingly, these rates are applicable in the measurement of deferred tax assets and liabilities at 31 December 2020. Deferred tax has been provided at 19% being the rate at which temporary differences are expected to reverse.

The 2021 UK Budget announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. This change was not substantively enacted at the balance sheet date and hence it has not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax charge of £0.7 million.

## Notes to the financial statements

for the year ended 31 December 2020

### 5. Tangible fixed assets

	<i>Freehold land £000</i>	<i>Plant and equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2020 and 31 December 2020	82	80,540	80,622
Depreciation:			
At 1 January 2020	–	65,166	65,166
Charge for the year	–	1,098	1,098
At 31 December 2020	–	66,264	66,264
Net book value:			
At 31 December 2020	82	14,276	14,358
At 1 January 2020	82	15,374	15,456

Capitalised interest of £5.5 million (2019: £5.5 million) is included within the cost of plant and equipment.

### 6. Debtors

	<i>2020 £000</i>	<i>2019 £000</i>
Amounts owed by parent undertaking	50,104	46,494

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

	<i>2020 £000</i>	<i>2019 £000</i>
Group relief	30,135	31,937
Amounts owed to group undertakings	39,457	34,070
	69,592	66,007

## Notes to the financial statements

for the year ended 31 December 2020

### 8. Deferred taxation

Deferred tax provided in the financial statements is as follows:

	2020 £000	2019 £000
Accelerated capital allowances	2,691	2,589
Other timing differences	(97)	(86)
	<u>2,594</u>	<u>2,503</u>
		£000
At 1 January 2020		2,503
Deferred tax credit in the income statement for the year (note 4(a))		91
At 31 December 2020		<u>2,594</u>

### 9. Share capital and reserves

	No.	2020 £	No.	2019 £
<i>Allotted, issued and fully paid</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.

## Notes to the financial statements

for the year ended 31 December 2020

### 9. Share capital and reserves (continued)

#### 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.

### 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 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.