


NSMP HoldCo 2 Limited

Report and Unaudited Financial Statements

31 December 2021

FRI THU WED THURSDAY			
	ABCL642P		
	A08	15/09/2022	#21
	COMPANIES HOUSE		
FRI THU WED THURSDAY	*ABBJ1NOQ*		
	A05	31/08/2022	#6
	COMPANIES HOUSE		
	AB9P47ZC		
FRI THU WED THURSDAY	A13	04/08/2022	#358
	COMPANIES HOUSE		
	AB6D0N28		
	A04	17/06/2022	#81
FRI THU WED THURSDAY	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, 3rd Floor

11-12 St. James's Square

London

SW1Y 4LB

Strategic report

The Directors present their Strategic report for the year ended 31 December 2021.

Principal activity, review of the business and future developments

NSMP Holdco 2 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 15 subsidiaries.

The Company's principal activity is the holding of investments.

The result for the year after taxation was £nil (2020: £nil) arising from expenses incurred and taxation.

The Directors envisage that the nature and scale of the Company's activities will continue in the coming year.

Principal risks and uncertainties

Given its position within the Selkie Investments Midstream Topco Limited group and as the Company is purely an intermediary holding company, the only risk faced beyond those of the aforesaid group, is the recoverability of intercompany debt. In the event that results in an impairment of the intercompany balances, the Company is reliant on cash funds being available to support the group.

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



Andrew Heppel
Director
1 June 2022

Directors' report

The Directors present their Directors' report for the year ended 31 December 2021.

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 result for the year after taxation amounted to £nil (2020: £nil). No dividends were received from the Company's direct subsidiary (2020: £nil) and no dividends were declared in the year (2020: £nil).

Directors

The Directors who served the Company during the year and to the date of approval of the financial statements were as follows:

G Barbaro
J Barry
A Heppel

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 2023. 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 is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited. It has an investment in subsidiary of £68.8 million, net current assets of £3,000 and net assets of £68.8 million. To meet its financial obligations, the Company is dependent on receiving interest payments from its subsidiary. The Company is dependent on its trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company, via 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 2023, 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 31 December 2023. The Group's principal debt facilities comprise of a £616.0 million and €88.0 million term loans repayable in November 2027 and November 2028 respectively, as well as Shareholder loan notes of £514.8 million. In addition, the Group has access to a £30.0 million and €5.0 million Revolving Credit Facilities. At the year end, the Group had sufficient liquidity (£49.8million) 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 allow it to meet its trading and other obligations for the foreseeable future. Finally, 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. Since the onset of the COVID-19 pandemic, there has been no disruption of supply or diminution in volumes, other than usual seasonal variations delivered by these assets.

Directors' report

Going concern (continued)

Despite the challenges in recent years with the impacts of a global pandemic, an uncertain path towards a lower carbon economy and, more recently, the conflict in Ukraine, our stable business model has delivered a resilient financial performance in 2021 with strong cash flow generation and delivery of shareholder returns. Whilst forecasting activity levels in an uncertain economic environment remains challenging, we expect that our relative resilience will continue, and we also see significant opportunities from the accelerating pace of Energy Transition.

Consequently, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the period to the end of December 2023. For this reason, they continue to adopt the Going Concern Basis in the preparation of the financial statements.

Disclosure of information to the auditor

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

Re-appointment of auditor

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

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



Andrew Heppel
Director
1 June 2022

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.

Income statement

for the year ended 31 December 2021

	<i>Notes</i>	<i>2021</i> £000	<i>2020</i> £000
Administrative expenses		(2)	(5)
<i>Loss before taxation</i>		<u>(2)</u>	<u>(5)</u>
Tax on loss		2	5
<i>Profit after taxation</i>		<u>—</u>	<u>—</u>

All amounts relate to continuing activities.

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

Statement of financial position

At 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Investments	4	68,784	68,784
Current assets			
Debtors	5	45,686	45,684
Creditors: amounts falling due within one year	6	(45,683)	(45,681)
Net current assets		3	3
Net assets		68,787	68,787
Capital and reserves			
Called up share capital	7	68,784	68,784
Profit and loss reserve	7	3	3
Total shareholders' equity		68,787	68,787

For the Financial year ending 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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



Andrew Heppel
Director
1 June 2022

Statement of changes in equity

for the year ended 31 December 2021

	<i>Called up share capital £000</i>	<i>Profit and loss reserve £000</i>	<i>Total shareholders' equity £000</i>
At 1 January 2020	68,784	3	68,787
Profit for the year	—	—	—
At 31 December 2020	68,784	3	68,787
Result for the year	—	—	—
At 31 December 2021	68,784	3	68,787

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies

General information

NSMP Holdco 2 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 holding of investments.

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

Group financial statements

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements as the Company's financial results and position are included in the consolidated financial statements of its parent company, Selkie Investments Midstream Topco Limited, which prepares group financial statements which are publicly available. Accordingly, these financial statements represent the activities of the Company only.

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 2023. 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 is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited. It has an investment in subsidiary of £68.8 million, net current assets of £3,000 and net assets of £68.8 million. To meet its financial obligations, the Company is dependent on receiving interest payments from its subsidiary. 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 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 2023 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 2023.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

Going concern (continued)

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 31 December 2023. The Group's principal debt facilities comprise of a £616.0 million and €88.0 million term loans repayable in November 2027 and November 2028 respectively, as well as Shareholder loan notes of £514.8 million. In addition, the Group has access to a £30.0 million and €5.0 million Revolving Credit Facilities. At the year end, the Group had sufficient liquidity (£49.8million) 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 allow it to meet its trading and other obligations for the foreseeable future. Finally, 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. Since the onset of the COVID-19 pandemic, there has been no disruption of supply or diminution in volumes, other than usual seasonal variations delivered by these assets.

Despite the challenges in recent years with the impacts of a global pandemic, an uncertain path towards a lower carbon economy and, more recently, the conflict in Ukraine, our stable business model has delivered a resilient financial performance in 2021 with strong cash flow generation and delivery of shareholder returns. Whilst forecasting activity levels in an uncertain economic environment remains challenging, we expect that our relative resilience will continue, and we also see significant opportunities from the accelerating pace of Energy Transition.

Consequently, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the period to the end of December 2023. 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 has not required 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.

Investments in subsidiaries

Investment in subsidiary companies are included in the financial statements at historical cost less accumulated impairment losses.

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.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

Financial instruments (continued)

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.

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.

Dividends

Dividends to the parent company are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Directors of the Company. These amounts are recognised in the statement of changes in equity.

Income from fixed asset investments

Income from fixed asset investments is recognised when the Company's right to receive payment is established.

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.

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. Loss before tax

The Company has no employees. No Director received any remuneration in their capacity as Director of this Company for either period presented.

3. Tax on (loss) / profit

(a) Tax on (loss) / profit

The tax credit is made up as follows:

	2021 £000	2020 £000
<i>Current tax:</i>		
UK corporation tax on the (loss) / profit for the year	(2)	(5)
Total tax	(2)	(5)

Notes to the financial statements

for the year ended 31 December 2021

3. Tax on (loss) / profit (continued)

(b) Factors affecting tax credit for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
(Loss)/profit before tax	(2)	(5)
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)		(1)
Effects of:		
Effect of group relief	(2)	(4)
Total tax for the year (note 3(a))	(2)	(5)

(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.

4. Investments

*Shares in subsidiary
undertakings
£000*

At 1 January 2021 and 31 December 2021

68,784

Subsidiary undertakings

The Company's investments at the statement of financial position date in the share capital of companies include the following (* denotes held indirectly):

NSMP (TGPP) Limited

Nature of business: Transportation and processing of natural gas

Class of shares: Ordinary

% Holding: 100%

Registered address: 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG

Notes to the financial statements

for the year ended 31 December 2021

4. Investments (continued)

NSMP Operations Limited*

Nature of business: Transportation and processing of natural gas
 Class of shares: Ordinary
 % Holding: 100%
 Registered address: Suite 1, 3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

Teesside Gas Processing Plant Limited*

Nature of business: Investment holding company
 Class of shares: Ordinary
 % Holding: 100%
 Registered address: Suite 1, 3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

TGPP 1 Limited*

Nature of business: Investment holding company
 Class of shares: Ordinary
 % Holding: 100%
 Registered address: Suite 1, 3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

TGPP 2 Limited*

Nature of business: Investment holding company (unaudited dormant Company)
 Class of shares: Ordinary
 % Holding: 100%
 Registered address: Suite 1, 3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

Teesside Gas & Liquids Processing*

Nature of business: Processing and extraction of liquids from natural gas (Unlimited Company)
 Class of shares: Ordinary
 % Holding: 100%
 Registered address: Suite 1, 3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

Northern Gas Processing Limited*

Nature of business: Fractionation of natural gas liquids
 Class of shares: Ordinary and Preference
 % Holding: 100%
 Registered address: Suite 1, 3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

5. Debtors

	2021	2020
	£000	£000
Amounts owed by subsidiary undertaking	45,676	45,676
Group relief	10	8
	<u>45,686</u>	<u>45,684</u>

6. Creditors

	2021	2020
	£000	£000
Amounts owed to group undertakings	45,683	45,681
	<u>45,683</u>	<u>45,681</u>

Notes to the financial statements

for the year ended 31 December 2021

7. Share capital and reserves

	2021	2021	2020	2020
<i>Allotted, issued and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	68,783,980	68,784	68,783,980	68,784

Profit and loss reserve

This reserve records the cumulative amount of realised profits and losses less any distributions of dividends. The Company did not declare a dividend in the year (2020: nil).

8. 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.

9. Parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary of North Sea Midstream Partners Limited.

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.