Registered No. 11460285

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Selkie Investments Midstream Bidco Limited

Report and Consolidated Financial Statements

31 December 2022

Directors
G Barbaro
J Barry
S Cox

Secretary
Vistra Company Secretaries Limited

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Strategic Report

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

Principal activity and review of the business

Selkie Investments Midstream Bidco Limited ("the Company") and its subsidiaries ("the Group") are part of the Selkie Investments Group ("the Selkie 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 Bidco Limited, and nine subsidiaries.

The principal activity of the Company is that of a holding company. The principal activities of the Group are the transportation and processing of hydrocarbons from the North Sea. The Group owns a 100% interest in the Teesside Gas Processing Plant ("TGPP"), a 100% interest in the FUKA pipeline ("FUKA") and St. Fergus Gas Terminal ("SFGT"), and a 67.04% interest in the Shetland Island Regional Gas Export ("SIRGE") pipeline.

During 2022, the Group transferred its 10% participating share in the Acorn Development Project which is focused on carbon capture and storage and uses existing technology to accelerate decarbonisation to another entity part of the wider Selkie group, Selkie Investments Midstream Midco 1 Limited.

The Group's operating profit for the year was £80.9 million (2021: operating loss of £121.4m) and the profit after tax was £54.3 million (2021: £179.0 million loss), refer to financial performance of the Strategic Report for further information.

Operations

Safety, Health and Environmental (SHE) performance

Px Group operates all of the Group's offshore and onshore pipelines and onshore terminals, and demonstrates a clear safety leadership commitment, with processes applied effectively to manage the Occupational, Process Safety and Environmental risks associated with the Group's infrastructure. The TGPP terminal is accredited to the ISO 9001 Quality Management System, SFGT operates in accordance with the principles of ISO 9001 Quality Management System. The SFGT terminal is also accredited to ISO 14001 Environmental Compliance Standard, with compliance audits carried out by the British Standards Institute. All terminal and pipeline activities are managed under an industry standard Safe System of Work, and Emergency Response Plans are in place for all the Group's assets. Compliance with the px Group Safety Management System is ensured through internal and external audits, and a robust reporting system exists for all incidents and near misses.

The Group continued to operate its assets in a safe and reliable manner, and there were no recordable injuries, reportable incidents or regulatory enforcement action in the period.

Northern North Sea (NNS) and West of Shetlands (WoS) transportation and processing

SFGT processed 257 bcf of gas in the year (2021: 198 bcf) from a number of fields in the WoS and NNS. The increase in the volumes processed during the year is attributable to the impact of a full year of production from the Martin Linge field and additional volumes from Rhum R3 well, partially offset by reduction in volumes from the Greater Laggan Area.

The Group will continue to seek further sources of WoS and NNS gas to maximise the utilisation of SIRGE, FUKA and SFG.

Central North Sea (CNS) and Southern North Sea (SNS) processing

TGPP processed 74 bcf of gas in the year (2021: 75 bcf) from the CNS. The decrease is due to lower gas nominations under the Company's flexible processing agreements. This has been partially offset by additional volumes from the Vorlich and J-Block fields. TGPP processed 11 bcf of gas in the year (2021: 15 bcf) from the SNS. The decrease is due to lower volumes processed from the Breagh field.

Strategic Report (continued)

Financial performance

The Group's operating profit for the year was £80.9 million (2021: operating loss of £121.4m) and the profit after tax was £54.3 million (2021: £179.0 million loss). The increase in profit before tax is a result of the recognition of an impairment reversal of £20.8m within the income statement relating to its TGPP assets (2021: £136.7m charge).

Operating costs were well controlled across all sites. There has been a drive to focus on operating the SFGT and associated pipelines in the most cost-efficient manner while maintaining both the safety and reliability of the system. The Group expects to continue to improve the operating cost base of all sites throughout 2023.

Key performance indicators

The Directors utilise a number of financial and non-financial key performances indicators (KPIs) to monitor performance and profitability. These focus on amongst others:

Non-Financial	**Financial**
SHE Statistics	EBITDA
Volume Throughput	Cash Flow
Liquid Extraction Rate	Liquidity
Asset Utilisation	Net Debt
Asset Availability	Finance Costs
Asset Run Hours	Profit after tax

EBITDA represents earnings before interest, taxation, depreciation, amortisation and certain non-recurring items. Net debt represents external loans less cash and bank balances held. Some of the KPIs listed above are disclosed and/or referred to earlier within the Strategic Report.

Dividends, financing and capital

The Group did not declare or pay a dividend in either period presented. During 2022 £121.1m of loan facility repayments were made. Capital expenditure in 2022 was £15.7m.

Future developments

The Group continues to target a number of future transportation and processing opportunities to enhance the future utilisation of its midstream infrastructure assets in the medium to longer term. In addition, the Group is seeking to participate in a number of energy transition projects to help realise the potential of CCS and hydrogen, and secure a transition to a clean and resilient energy future.

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 Group provides transportation, processing and liquefaction of hydrocarbons for various customers in the UK. Accordingly, policies enacted by the UK governments could have a material impact on the ability of the Group 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Inherent risks

Future volumes - The business is also exposed to the success, or otherwise, of exploration and gas production on the UK continental shelf. 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 Group's infrastructure. The Group 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 Group keeps all such arrangements under review to ensure ongoing availability and also evaluates alternatives where appropriate.

Covenant compliance - The Group maintains a leveraged position and is counterparty to two Facilities Agreements, through which the Group is financed via a bank syndicate. The Group is required to service its debt in accordance with the Facilities Agreements and is subject to certain covenant tests at June and December each year as well as needing to comply with other obligations under the Facilities Agreements.

Geo-Political risks

The Russian invasion of Ukraine brings uncertainty, a need for increased alternative energy supplies and disruption to supply chains. Whilst the Group 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 Group. We will continue to monitor the situation carefully.

Mitigable risks

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

Interest rate movements – The Group has mitigated this risk by fixing the rate of interest payable on 100% of its external borrowings by utilising derivative financial instruments. The fair value of these instruments is recorded in the statement of financial position within net assets/liabilities and the movement within profit/(loss) in the income statement.

Strategic Report (continued)

Section 172 Reporting

Directors of the Company are required to act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in so doing have regard, among other matters to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

To assist them in discharging their duty under s172 Companies Act 2006, directors undertake a number of stakeholder engagement activities to provide them with the information they need to understand the views of stakeholders. This information helps directors to have regard to stakeholder interest, and the likely long-term consequences, including to the reputation of the Company, when making decisions and setting strategy. The Group's key stakeholders were considered in 2022 and they are listed below with examples of the stakeholder engagement activities that took place in 2022.

Why we engage	Stakeholder Priorities	How we engage	How the Board engaged
	Shareholders		
We rely on the support and engagement of our shareholders to allow us to operate the Group effectively and to enable success for them and the rest of our stakeholders. Our shareholders support the Group's focus on delivering success over the long term, rather than relying on short-term results	Strong financial performance Good governance practices Transparency and openness Adoption of sustainable business practices Robust environmental performance and progress on pathways to net zero	Representatives from both shareholders sit on the Group's Board as well the as various sub-committees. The Directors are committed to maintaining an ongoing dialogue with shareholders which is facilitated through scheduled Board and committee meetings as well as frequent Board workshops and interaction via various shareholder working groups.	The various geopolitical uncertainties following Russia's invasion of Ukraine led to a number of potential risks to the operational performance of some of our assets as well as challenges to our financial performance. We held regular engagements with shareholders to identify tactical and innovative approaches to manage our financial and operational performance by focusing on delivery of the things we can control. We continued to reflect the views of our shareholders in key strategic decisions such as the approval of our 2022 Budget and Business Plan. With the appointment of a new CEO at the end of Q3-22, we commenced a review of our strategy

Strategic Report (continued)

			which seeks to maximise the value in our assets and further embed sustainability within our day-to- day business operations.
Employees			
Our employees are fundamental to our business and we recognise that our ability to attract and retain talent is key to the delivery of our strategy and ultimately the success of our business.	Ensuring the health, safety and wellbeing of employees with a safe working environment A fair, supportive, diverse and inclusive culture where employee feedback is valued A commitment to invest in training and development Ensuring appropriate rewards and recognition for employee contributions	We maintain regular engagements with our employees and do so directly though a range of formal and informal channels, covering a variety of topics including updates on business performance, key projects and strategy. There is open dialogue at all levels – business and operational update meetings, team events, and smaller team meetings which provide feedback to management. Post-COVID we have resumed regular face-to-face engagements while continuing to recognise the importance of flexibility for our employees, where possible, we run hybrid sessions allowing virtual and in-person attendance.	The Board commissioned an independent DEI review in 2022 and an employee Working Group was established to lead on and make recommendations to the CEO on culture and DEI matters. The Working Group conducted a pulse survey and undertook various engagement sessions to inform its feedback and action plans. Feedback from this has led to the development of several initiatives such as the establishment of a series of regular formal and informal engagement forums, knowledge sharing initiatives, communications and transparency around strategy with employees and discussions in relation to the role our teams play in supporting the deliverables. We are also developing enhanced structured feedback frameworks and more formalised people development plans. We continue to support flexible working across our business and regularly review our

Strategic Report (continued)

			policies and benefits frameworks, including our Employee Assistance Programme.
Customers			
Our customer needs are at the core of what we do. We focus on building trust by delivering on our commitments to provide safe, efficient and reliable gas transportation and processing services to them across our assets. Staying close to our customers' evolving needs allows us to adapt our strategic approach, to ensure we stay relevant in an ever-changing industry.	A customer-led proposition A focus on treating customers fairly Strong relationships and specialist expertise Consistent and adaptable to the changing market conditions	We continue to develop strong relationships with our customers who are mostly large multinational corporations through daily business activities allowing us to gain an understanding of their views and priorities. Our primary focus in our interaction with current and future customers is delivering:	Board members are encouraged to periodically attend customer engagements. However, customer relations are primarily managed by our experienced Commercial Team along with other senior leaders within NSMP and px Group. The NSMP Chief Executive Officer and other team members regularly engage with customers on a variety of issues.

Strategic Report (continued)

Excellent SHE performance
SHE is a key priority for NSMP across all our business activities. This premise is shared with px Group who, as a business which specialises in the management of Major Accident Hazard sites and industrial processes, places SHE at the heart of its operations.
Efficient and reliable operations across all our sites
The Group in conjunction with px Group are focussed on improving maintenance efficiency in a controlled manner that does not compromise the long-term safety, integrity, and reliability of the site. We work with our customers to align maintenance and outage schedules to continue to maintain high availability across all facilities
Delivering sustainable long-term gas export solutions
The Group is committed to ensuring the long-term integrity of its facilities and pipelines. Rigorously adhered to inspection plans are in place to help ensure excellent levels of asset integrity. The Group is committed to only spending what is required to maintain the safety and long-term integrity of the facilities and pipelines for the benefit of all our customers.
Enduring relationships underpinned with trust and performance
As focussed midstream infrastructure owners with no upstream ownership, NSMP are naturally incentivised to work alongside our customers to maximise the levels of throughput with no potential conflicts that can arise in producer-owned systems. This is complemented by a straightforward 100% ownership of the FUKA system and the TGPP thereby allowing for rapid decision making and a dynamic approach by NSMP to its business activities.

Strategic Report (continued)

Partners and Suppliers			
px Group is the Group's principal partner that operates and maintains the assets at St Fergus and Teesside pursuant to underlying legal agreements. px Group shares the Group's commitment to safety and have operated and maintained the assets to very high quality and standards. px Group act as the Group's agent in relation the appointment and engagement of other suppliers in the value chain. These relationships are well managed by px Group on behalf of the Group and ensures that parties adhere and deliver to appropriate and agreed service levels.	Appropriate and clear payment procedures Strong and sustainable relationships with px Group Clear Governance procedures Fair and equitable business conduct	We work collaboratively with px Group, our long term operating partner, and recognise it is our ambition to be both the operator of choice and partner of choice in our operations and development activities. We engage with px Group via regular formal meetings (such as joint operating committees) and ongoing informal engagements. Our relationship is built on mutual trust and respect. px Group supports the Group to manage relationships within the supply chain, ensures best practice is shared and seeks out synergies to improve performance.	Members of the Board and Leadership Team visit our operating assets and offices to engage with employees and contractors and to ensure their views and perspectives are considered when making business decisions.
Government and Regulators			
Engagement with our regulators helps preserves our licence to operate and allows us to set or influence the direction for future regulations.	Compliance with applicable regulation Recognition of the importance of resilience and risk management Provision of high-quality information and regulatory reporting Active consideration of risks relating to sustainability and other climate matter Energy security and supply	The Group continued to engage at multiple levels with regulatory bodies and responded to all material regulator consultations, with dedicated teams within NSMP working to communicate business strategy and investment decisions.	Members of the Leadership Team and certain members of the Board participate in meetings with regulators, as appropriate / necessary.

Strategic Report (continued)

Local Communities			
NSMP is committed to ensuring that its operations make a positive impact on its environment and to the local communities that operates in.	A suitable strategy for approaching sustainability issues Employment opportunities Support for community initiatives	NSMP provides philanthropic support to a number of charitable organisations across UK and Norway and, together with px Group, has supported a number of initiatives catering to social needs that benefit the local communities at St Fergus and Teesside. The Board is mindful that it is increasingly important to demonstrate responsible business behaviour with regards to the environment. We perceive that key material issues for our environment generally relate to: the direction of travel and progress relating to environmental concerns; awareness of topical issues and the sharing of best practice; reducing carbon emissions and the Group's overall environmental footprint; and the creation of a sustainable business for the future.	In 2022, we implemented a charitable donations policy which articulates our stance on charitable giving and encourages our employees to raise funds for charities of their choice. Employees are allocated a matching contribution of £250 per annum from the Group towards their chosen charity and are entitled to one day of paid leave to carry out activities in support of their chosen charities. We have continued to develop our strategy and the energy transition is an integral part of it. Our strategy, energy transition opportunities and ESG matters remain standing items on the Board agenda and, during the year, the Board considered a number of energy transition related opportunities. With our other JV partners, we continue to work in order to ensure that Acorn is strategically positioned to be able to deliver the UK Government's net zero ambition.

Key Strategic Decisions in 2022

During 2022, the Board received written and verbal information from Management at Board meetings, Board workshops and working groups. Where relevant, the Board considered the impact of the Group's activities on its key stakeholders and these, together with direct engagement by the Board and individual directors with some of the Group's key stakeholders have helped to inform the Board in its decision-making processes. Whilst it recognises that balancing the needs and expectations of stakeholders is important, there are situations in which difficult decisions based on competing priorities will need to be made and the outcome of such decisions may not be favourable for all of the Group's stakeholders. The decision-making process enables directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term, with the aim of safeguarding the Group so that it can continue to operate and create value for all its stakeholders.

Strategic Report (continued)

Investment Opportunities

Our Board has an investment mandate from our shareholders is to grow the business, reflecting one of our key strategic pillars 'to scale up and consolidate systems for efficiency'. During 2022, the Board explored several opportunities at various board meetings and workshops, considering the risks and benefits of each. All potential opportunities were considered in line with strict investment criteria as well as several other factors including the impact of the transaction on our stakeholders and our energy transition ambitions. In circumstances where the Board decide to proceed with an opportunity, they do so on the basis that it would be value-accretive to the Group, provide the potential to expand and/or diversify our existing asset portfolio and provide a platform to further progress the Group's energy transition strategy.

Impact of Geopolitical Uncertainties

The significant geopolitical uncertainties following Russia's invasion of Ukraine and the associated impact on and volatility in energy commodity markets resulted in a number of factors which had adverse impacts on the Group's financial performance as well as the operational efficiency of certain of its facilities. To help address these issues the Board and Management team held numerous detailed engagements, as well as liaising extensively with shareholders, customers and debt providers. Where possible, suitable measures were implemented to help mitigate the impact of these factors and optimise the operation of our facilities.

Distributions

A focus for the business is to generate a return for shareholders with distributions an integral part of that return and this is considered biannually. In assessing the timing and quantum of the distributions, the needs of the business, including working capital, liquidity, and funding growth opportunities, as well as risks and sensitivities are key considerations for the Board. The Board approved a modest distribution during the year to allow the retention of capital within the Group in order to facilitate future development.

Appointment of CEO

Effective succession planning remains a key focus area for the Board and our People and Remuneration Committee. Following Andy Heppel's notice to the Board of his intention to step down as CEO, the Board swiftly identified Sayma Cox as his successor. Sayma Cox joined NSMP in September 2022 from BP plc bringing a wealth of industry experience which will help ensure the Group continues its excellent operational performance and deliver its strategy and next phase of growth.

Streamlined Energy and Carbon Reporting ("SECR")

Greenhouse Gas Emissions Data

In line with the Greenhouse Gas Protocol ("GHG") Corporate Accounting and Reporting Standard, Selkie Investments Midstream Bidco Limited ("the Company") continues to be engaged in a process aimed at reducing our energy and greenhouse gases, which is a response to increased customers' requirements, corporate legislation, and in-line with our internal strategy.

This has been achieved by:

- controlling our consumption of natural and energy resources where possible;
- managing our energy and resultant emissions better; and
- sharing sustainable development principles within the organisation, with a view to expanding with stakeholders and associated parties.

We have a longstanding commitment to tackling climate change. We have also committed to source 100% of our electricity from renewable sources where possible by 2030. We have achieved this target as our electricity derives from 100% renewable sources.

Strategic Report (continued)

Streamlined Energy and Carbon Reporting ("SECR") (continued)

Methodology

We have reported all of emission sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 as required. The Company can report figures below, calculated based on the GHG Protocol Corporate Standard using emissions factors from UK government-produced 2022 conversion factor guidance.

Reporting corresponds with our financial year and reflect emissions from the leased, owned, and controlled assets for which the Company is responsible.

The Company maintain scope one (1) and two (2) emissions, which are generated from our offices and operational premises, namely the St Fergus gas terminal and Teesside gas processing plant, respectively. We also maintain a small levels of emissions from business owned or controlled vehicles covered under scope 3.

We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition).

The reporting period is the fiscal year 2022, the same as that covered by the Annual Report and Financial Statements. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary. Emissions for previous years are retrospectively adjusted as and when more accurate data is provided.

Recorded energy consumption during the year was 531,692,863.6 kWh (531,692 MWh). The Company has now purchased all its imported electricity from 100% renewable sources, which has contributed to our reduction in emissions.

2022 Emissions (tonnes CO2 equivalent)

Scope 1 (natural gas, transport, industrial gas, and oils)	80,694
Scope 2 (electricity)	-
Scope 3 (transport)	2,348
Total	**83,042**

The following is a comparison of emissions over our last two fiscal years:

Emissions Comparison	2022	2021	Percentage Change
Total Emissions	83,042 tCO2e	83,338 tCO2e	0.35 decrease

Included below are two intensity metric calculations for this reporting period as follows:

Total Gas Processed Metric

Scopes one, two and three carbon intensity metric	0.01006 tonnes/total gas processed (tonnes)

£/Million Turnover

Scopes one, two and three carbon intensity metric	298 tonnes/£m turnover

Strategic Report (continued)

Streamlined Energy and Carbon Reporting ("SECR") (continued)

Efficiency Measures Taken

The Company has been actively engaged in measures to reduce its energy throughout the reporting period as follows:

1) Electricity: Reduce the baseline electricity consumption year on year through effective management.
2) Prepare for the Energy Savings Opportunity Scheme (ESOS) phase 3 compliance process.
3) Ongoing policy of replacing lighting with low energy type as equipment requires replacing.
4) Policy adopted to run just one-off gas compressor (circa 1 MW) rather than two.

Objectives for 2023

The Company has initiated several objectives for the forthcoming fiscal year (to be reported on in the next set of accounts) as follows:

1) Detailed design for Breagh process electric heater (currently the Breagh heaters burn fuel gas).
2) Construction to be completed on Breagh Compression project enabling Low pressure slug catcher operation with reduced flash gas to flare.
3) Commence FEED study for SFGT flare gas recovery project.
4) Upgrade site roadmaps to EWRAPs (Emission Reduction Action Plan) for submission to the regulator.

The Company will report on progress in our next set of financial accounts.

Approved on behalf of the Board

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 Group recorded an operating profit of £80.9 million (2021: operating loss of £121.4 million). Cash flow from operations generated £92.2 million (2021: £133.6 million). The Group recorded a profit after tax of £54.3 million (2021: £179.0 million loss). No dividend was paid in either period presented.

Directors

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

G Barbaro
J Barry
A Heppel (reigned 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 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 agreement.

In order to satisfy themselves that they have adequate resources for the going concern assessment period, the Directors have reviewed the Selkie Group's existing debt levels, the forecast compliance with debt covenants, and the Selkie Group's ability to generate cash from trading activities. As at 31 December 2022, the Selkie Group's principal 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 €5.0m Revolving Credit Facilities. At the year end, the outstanding balances on the term debt facilities were £486.2m and €78.1m, and the Selkie 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 Selkie 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 Selkie 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 Selkie 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 Selkie 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 Selkie Group will have sufficient funds, through internally generated resources to meet its liabilities as they fall due and ensure

Directors' report (continued)

Going concern (continued)

compliance with its financial covenants.

Consequently, the directors have concluded that the Group and 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 Group 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 Group 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 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.
- **Liquidity** – is assessed on a monthly basis with regards to the available cash and facilities and the Group 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 Group's Facilities Agreements.
- **Cash Flow** – is also assessed on a monthly basis in line with the receivables cycles of the Group'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 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:

DocuSigned by:

Sayma Cox

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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 group and the company and of the profit or loss of the group and 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 group and 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 and/ or the Group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group 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 Selkie Investments Midstream Bidco Limited

Opinion

We have audited the financial statements of Selkie Investments Midstream Bidco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Group income statement, the Group and Company statement of financial position, the Group and Company statement of changes in equity, the Group statement of cash flows and the related notes 1 to 28, 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 group's and of the parent company's affairs as at 31 December 2022 and of the group's profit 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 group 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 group and parent 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 group'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 Selkie Investments Midstream Bidco 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 group and the parent 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 parent company 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 16, 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 group's and the parent 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 group or the parent 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 Selkie Investments Midstream Bidco 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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent 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 the parent Company 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 parent 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 the parent Company. We considered the controls that the parent 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:

Ernst & 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

Group income statement

for the year ended 31 December 2022

	Note	*2022* *£000*	*2021* *£000*
Turnover	2	278,470	242,046
Cost of sales		(185,244)	(194,604)
Gross profit		93,226	47,442
Administrative expenses		(33,075)	(32,071)
Impairment reversal/(charge) on assets	10,11	20,784	(136,732)
Operating profit/(loss)	3	80,935	(121,361)
Finance income	6	47,399	22,327
Finance costs	7	(75,445)	(70,369)
Profit/(loss) before taxation		52,889	(169,403)
Tax credit/(charge)	8	1,456	(9,551)
Profit/(loss) for the financial year		54,345	(178,954)

All amounts relate to continuing activities.

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

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not part of these financial statements. The Company made a loss in the current period of £1.3 million (2021: profit of £13.6 million).

Group statement of financial position

At 31 December 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Intangible assets	10	91,950	103,755
Tangible assets	11	1,053,072	1,086,308
Other long term assets	13	57,844	16,075
		1,202,866	1,206,138
Current assets			
Stocks		465	439
Debtors	14	127,645	145,621
Cash at bank and in hand	22(b)	9,844	38,284
		137,954	184,344
Creditors: amounts falling due within one year	15	(692,261)	(683,292)
Net current liabilities		(554,307)	(498,948)
Total assets less current liabilities		648,559	707,190
Creditors: amounts falling due after one year	16	(523,302)	(613,669)
Provisions for liabilities and charges			
Decommissioning provision	19	(45,755)	(62,991)
Deferred taxation	20	(210,747)	(216,120)
Net liabilities		(131,245)	(185,590)
Capital and reserves			
Share capital	21	59,294	59,294
Profit and loss reserve	21	(190,539)	(244,884)
Total Shareholders' Deficit		(131,245)	(185,590)

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

Company statement of financial position

At 31 December 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Investments	12	798,819	798,819
Other long term assets	13	57,844	16,075
		856,663	814,894
Current assets			
Debtors	14	639,552	630,545
Cash at bank and in hand		3,526	15,010
		643,078	645,555
Creditors: amounts falling due within one year	15	(1,039,675)	(930,271)
Net current liabilities		(395,597)	(284,716)
Total assets less current liabilities		460,066	530,178
Creditors: amounts falling due after one year	16	(406,704)	(475,549)
Net assets		53,362	54,629
Capital and reserves			
Called up share capital	21	59,294	59,294
Profit and loss reserve	21	(5,932)	(4,665)
Total Shareholders' Equity		53,362	54,629

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 to 31 December 2022

Group

	Share capital £000	*Profit and loss account £000*	*Total shareholders' deficit £000*
At 1 January 2021	59,294	(65,930)	(6,636)
Loss for the year	–	(178,954)	(178,954)
At 31 December 2021	59,294	(244,884)	(185,590)
Profit for the year	–	54,345	54,345
At 31 December 2022	59,294	(190,539)	(131,245)

Company

	Share capital £000	*Profit and loss account £000*	*Total shareholders' equity £000*
At 1 January 2021	59,294	(18,246)	41,048
Profit for the year	–	13,581	13,581
At 31 December 2021	59,294	(4,665)	54,629
Loss for the year	–	(1,267)	(1,267)
At 31 December 2022	59,294	(5,932)	53,362

Group statement of cash flows

for the year ended 31 December 2022

	Notes	*2022 £000*	*2021 £000*
Net cash inflow from operating activities	22(a)	92,202	133,620
Taxation paid		(7,000)	(8,700)
Net cash generated from operating activities		**85,202**	**124,920**
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(23,806)	(9,590)
Contributions received for tangible fixed assets		8,066	1,773
Proceeds from sale of tangible fixed assets		19	-
Finance income		19	–
Net cash used in investing activities		**(15,702)**	**(7,817)**
Cash flow from financing activities			
Finance costs[1]		(11,840)	(63,803)
Receipt of loan facility (net of costs)		35,000	30,000
Repayments of existing loan facility		(121,100)	(63,665)
Repayment of parent company loan		–	–
Net cash used in financing activities		**(97,940)**	**(97,468)**
Net (decrease)/increase in cash		**(28,440)**	**19,635**
Cash and cash equivalents at the beginning of the year		38,284	18,649
Cash and cash equivalents at the end of the year	**22(b)**	**9,844**	**38,284**

[1] Finance costs in 2022 include interest on bank loan (£17.4 million) and swap fees £5.6 million.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information

Selkie Investments Midstream Bidco Limited and its subsidiaries ("the Group") focus on the ownership and development of large-scale midstream oil and gas infrastructure assets within the North Sea. Details of the Group's activities during the year are provided in the Strategic report. Selkie Investments Midstream Bidco Limited ("the Company") is a limited liability company incorporated in England. The Registered Office is Suite 1, 7th Floor, 50 Broadway, London.

The principal activity of the Company is that of a holding company. The principal activities of the Group are the transportation and processing of hydrocarbons from the North Sea.

Statement of compliance

The Group and 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 in accordance with applicable accounting standards. The financial statements have been prepared using accounting principles based on historical cost, unless stated otherwise. The financial statements are prepared in sterling which is the presentational and functional currency of the Group and Company and rounded to the nearest £000.

Basis of consolidation

The Group financial statements consolidate the financial statements of Selkie Investments Midstream Bidco Limited, North Sea Midstream Partners Limited, NSMP HoldCo 2 Limited, NSMP (TGPP) Limited, Teesside Gas Processing Plant Limited, TGPP 1 Limited, TGPP 2 Limited, Teesside Gas & Liquids Processing, Northern Gas Processing Limited and NSMP Operations Limited, drawn up to 31 December each year. No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006

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 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 agreement.

In order to satisfy themselves that they have adequate resources for the going concern assessment period, the Directors have reviewed the Selkie Group's existing debt levels, the forecast compliance with debt covenants, and the Selkie Group's ability to generate cash from trading activities. As at 31 December 2022, the Selkie Group's principal 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 €5.0m Revolving Credit Facilities. At the year end, the outstanding balances on the term debt facilities were £486.2m and €78.1m, and the Selkie 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 Selkie 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.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Going concern (continued)

The Selkie 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 Selkie 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 Selkie 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 Selkie 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 Group and 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.

a) Tangible and intangible fixed assets

The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

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 10 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.

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)

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 8.

c) Fair values of acquired assets and liabilities (judgement)

Management judgement is required to determine the fair value of acquired assets and liabilities. The fair value of assets and liabilities acquired on acquisition involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation required the combination of assumptions including revenue growth and discount rate.

d) Intercompany

The Director's 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

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 11.

b) Provisions and accruals for liabilities

Management estimation is required to determine the appropriate amount of provisions for decommissioning obligations. The judgments estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other relevant factors. Decommissioning costs will be incurred by the Group at the end of the operating life of most of the facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including the expected timing, extent, and amount of expenditure. On the basis that all other assumptions in the calculation remain the same a 10 percent increase in the cost estimates, and a 10 percent decrease in the discount rates used to assess the final decommissioning obligation, would result in increases, and decrease to the decommissioning provision of approximately £4.4 million and £2.4 million respectively. This change would be principally offset by a change to the value of the associated asset unless the asset is fully depreciated, in which case the change in estimate is recognised directly within the income statement in line with accounting policy.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date, and translation differences are taken to the income statement.

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. Turnover is recognised for the transported and processed gas on an accruals basis as the services are provided to customers. Turnover also arises from charging certain categories of operational expenses to customers.

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.

Finance expense/income

Interest income and expense is calculated using the effective interest rate method and is recorded in the income statement in the period to which it relates. Arrangement fees and expenses in respect of the Group's debt facilities are amortised over the period which the Group expects the facility to be in place.

Business combinations and goodwill

The Group accounts for business combinations using the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of the equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliability, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair value of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected life which is estimated to be 20 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

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.

Interest costs arising on the financing of fixed assets under construction are capitalised.

The costs of statutory shutdowns (statutory inspections required for Health and Safety purposes) 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. The end of the useful economic life of assets or the duration of economic lives are as follows:

Freehold buildings	–	2033 – 2036
Plant and machinery	–	2033 – 2036
Computer equipment	–	over 3 years (included within plant and machinery)
Capitalised shutdown costs	–	over 3 – 6 years (included within plant and machinery)

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 2022

1. Accounting policies (continued)

Tangible fixed assets (continued)

Where fixed assets have been acquired but paid for by contributions from a third party, these have been recognised gross in the appropriate tangible fixed asset category. The contribution from the third party is shown as deferred income within non-current liabilities and will be released to the income statement in line with the depreciation of the fixed assets concerned.

Assets under construction are stated at cost. The assets are not depreciated until they are available for use. Interest costs arising on the financing of fixed assets under construction are capitalised when the cost is directly attributable to the acquisition, construction, or production of a qualifying asset.

Investments in subsidiaries

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

Impairment of assets

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Financial 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.

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost comprises cost of purchase and includes charges such as freight and duty where appropriate. Net realisable value is the actual or estimated sales value less all further costs to completion and all costs to be incurred in selling and distribution.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Notes to the financial statements

for the year ended 31 December 2022

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including trade and other receivables, cash and bank balances 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 such 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 or the reversal of a prior period impairment loss, is recognised in immediately in the income statement.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, 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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. The fees are amortised over the period of the facility to which it relates. Should a loan facility be refinanced before the end of the term, any unamortised fees are released to the income statement.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of derivatives is measured using observable market data and derived from the present value of future cashflows discounted at rates obtain by means of the current yield curve appropriate for those instruments. Changes in the fair value of derivatives are recognised in the income statement in finance costs or finance income as appropriate. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Decommissioning costs

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

The unwinding of the discount on the provision is included in the income statement within finance costs. Any changes to the estimated costs or discount rates are dealt with prospectively.

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.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

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 assets are recognised when the Directors consider that it is more likely than not that there will be taxable profits which the future reversal of the timing difference can be deducted.

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

Distributions to equity holders

Dividends and other distributions due to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Board. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Group 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. Group turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the Group's continuing activity as stated in the Strategic report, and arises wholly within the UK. The directors consider there to be only one principal activity, being the transportation and processing of hydrocarbons from the North Sea.

Notes to the financial statements

for the year ended 31 December 2022

3. Group operating profit/(loss)

This is stated after charging/(crediting):

		2022	*2021*
		£000	*£000*
Auditor's remuneration:			
Audit of the financial statements of the Selkie Group*		476	249
Other fees to auditor	- taxation compliance	-	48
	- taxation advisory	-	34
		476	331

	2022	2021
Depreciation of owned tangible fixed assets	69,740	81,857
Amortisation of goodwill	7,345	7,943
Release of deferred income relating to third party funded assets	(4,533)	(4,545)
Foreign exchange gain	(308)	(42)
Loss on disposal of fixed assets	2	422

*The audit fee for the financial statements above includes all companies in the Selkie Investments Midstream Topco Limited Group.

4. Directors' emoluments

The emoluments of the directors who receive emoluments in their capacity as directors of this Company are as follows:

	2022	2021
	£000	£000
Emoluments	788	702

The emoluments in respect of the highest paid director:

	2022	2021
	£000	£000
Emoluments	234	402

There were no employer pension contributions in the year.

Notes to the financial statements

for the year ended 31 December 2022

5. Staff costs

	2022 £000	2021 £000
Wages and salaries	4,033	3,030
Social security costs	529	383
Pensions	259	189
	4,821	3,602

The average monthly number of employees of the Group during the year was as follows:

	2022 No.	2021 No.
Management	18	15
Directors	3	3

6. Finance income

	2022 £000	2021 £000
Bank deposit account interest	19	–
Interest rate swap fees	5,611	–
Gain on revaluation of financial instruments	41,769	22,327
	47,399	22,327

7. Finance costs

	2022 £000	2021 £000
Interest on bank loans	17,569	11,451
Interest rate swap fees	-	1,388
Amortisation of loan issue costs	2,531	2,196
Unwinding of discount on decommissioning provision	959	916
Interest due to parent undertaking	54,379	54,379
Other bank fees	-	8
Other interest	7	31
	75,445	70,369

Notes to the financial statements

for the year ended 31 December 2022

8. Taxation

(a) Tax on profit

The tax charge is made up as follows:

	2022 £000	2021 £000
UK corporation tax on profit for the year	3,480	(21,330)
Adjustments in respect of prior years	437	27
Total current tax	3,917	(21,303)
Deferred tax:		
Origination and reversal of timing differences	(6,822)	(19,381)
Adjustments in respect of prior years	139	1,410
Effect of changes in tax rate	1,310	48,825
Total deferred tax charge (note 19)	(5,373)	30,854
Total tax (credit)/charge on loss	(1,456)	9,551

(b) *Factors affecting current tax charge for the year:*

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

	2022 £000	2021 £000
Profit/(loss) before tax	52,889	(169,403)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	10,049	(32,187)
Effects of:		
Disallowable expenses	(5,421)	19,192
Income not taxable	(4,853)	(864)
Effects of group relief	-	(24,347)
Adjustments to tax charge in respect of previous years	576	1,437
Deferred tax not provided	(3,117)	(2,431)
Tax rate changes	1,310	48,825
Other	-	(74)
Total tax charge for the year (note 8(a))	(1,456)	9,551

Notes to the financial statements

for the year ended 31 December 2022

8. Taxation (continued)

(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. Therefore, this rate change has been reflected in the remeasurement of deferred tax at the balance sheet date.

9. Profit attributable to members of Company

The loss dealt with in the financial statements of the Company was £1.3 million (2021: profit £13.6 million).

Notes to the financial statements

for the year ended 31 December 2022

10. Intangible fixed assets

	Goodwill	*Other intangibes*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2022	125,242	4,460	129,702
Inter group transfers	–	(4,460)	(4,460)
At 31 December 2022	125,242	-	125,242
Amortisation:			
At 1 January 2022	25,947	–	25,947
Charged during the year	7,345	–	7,345
At 31 December 2022	33,292	–	33,292
Net book value:			
At 31 December 2022	91,950	–	91,950
At 1 January 2022	99,295	4,460	103,755

On 1st November 2021, NSMP Operations Limited acquired a 10% participating share in the Acorn Development Project which is focused on carbon capture and storage and uses existing technology to accelerate decarbonisation. The spend capitalised during the prior year included an initial accession payment of £3.2m (representing 10% share of historical costs incurred from inception) plus the Group's 10% share of expenditure since acquisition as well as other directly attributable costs incurred internally on the project. Costs are held within intangible assets unamortised given the asset is in its development phase and has not yet been brought into use.

During the year the Group completed the novation of its interest in the Acorn Development Agreement including any future obligations under the agreement to Selkie Investments Midstream Midco 1 (group company).

Goodwill has arisen principally due to the recognition of the deferred tax liabilities for the difference between the assigned values, and the tax bases of the assets acquired in a business combination at amounts that do not reflect fair value. The Group amortises goodwill based on its useful life which has been deemed to be 20 years.

Notes to the financial statements

for the year ended 31 December 2022

11. Tangible fixed assets

Group

	Freehold land £000	Buildings £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost:					
At 1 January 2022	14,678	613	1,394,830	68,380	1,478,501
Additions	–	–	419	15,322	15,741
Transfers	–	–	956	(956)	–
Reclassification	-	-	195	-	195
Disposals	–	–	(159)	–	(159)
At 31 December 2022	14,678	613	1,396,046	82,746	1,494,083
Depreciation and impairment:					
At 1 January 2022	–	91	392,102	–	392,193
Provided during the year	–	27	69,713	–	69,740
Disposals	–	–	(139)	–	(139)
Reclassification	-	-	195	-	195
Impairment reversal	–	–	(20,784)	–	–
At 31 December 2022	–	118	441,087	–	441,205
Net book value:					
At 31 December 2022	14,678	495	955,153	82,746	1,053,072
At 1 January 2022	14,678	522	1,002,728	68,380	1,086,308

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. The Group 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) (applicable to TGPP only); 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 Group's Business Plan. These assumptions are reviewed annually by management and the board, and volume projections provided by an independent consultant.

Notes to the financial statements

for the year ended 31 December 2022

11. Tangible fixed assets (continued)

2022

During the year, the Group recognised an impairment reversal of £20.8m (2021: impairment charge of £136.7m) 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 Group 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 £9.4m. Considering discount rates, the Group 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 £6.7m, and a one per cent decrease in the post-tax discount rate would increase impairment reversal by £7.4m.

2021

During the year ended 31 December 2021, the Group recognised a pre-tax impairment charge of £136.7m (post tax £125.3m) within the income statement. This represents a write-down of goodwill (£10.4m) and property, plant and equipment assets (£126.4m) associated with TGPP offset by a tax credit in respect of reductions to the deferred tax liabilities associated on the Group's assets with no remaining net book value.

12. Investments

Company

	Shares in subsidiary undertakings £000
Cost:	
At 1 January 2022 and 31 December 2022	798,819

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):

North Sea Midstream Partners Limited

Nature of business: Investment holding company
Class of shares: Ordinary
% Holding: 100%
Registered address: 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG

NSMP HoldCo 2 Limited*

Nature of business: Investment holding company
Class of shares: Ordinary
% Holding: 100%
Registered address: Suite 1, 7th Floor, 50 Broadway, London, SW1H 0BL

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 2022

12. Investments (continued)

NSMP Operations Limited*

Nature of business:	Transportation and processing of natural gas
Class of shares:	Ordinary
% Holding:	100%
Registered address:	Suite 1, 7th Floor, 50 Broadway, London, SW1H 0BL

Teesside Gas Processing Plant Limited*

Nature of business:	Investment holding company
Class of shares:	Ordinary
% Holding:	100%
Registered address:	Suite 1, 7th Floor, 50 Broadway, London, SW1H 0BL

TGPP 1 Limited*

Nature of business:	Investment holding company
Class of shares:	Ordinary
% Holding:	100%
Registered address:	Suite 1, 7th Floor, 50 Broadway, London, SW1H 0BL

TGPP 2 Limited*

Nature of business:	Investment holding company (unaudited dormant Company)
Class of shares:	Ordinary
% Holding:	100%
Registered address:	Suite 1, 7th Floor, 50 Broadway, London, SW1H 0BL

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, 7th Floor, 50 Broadway, London, SW1H 0BL

Northern Gas Processing Limited*

Nature of business:	Fractionation of natural gas liquids
Class of shares:	Ordinary and Preference
% Holding:	100%
Registered address:	Suite 1, 7th Floor, 50 Broadway, London, SW1H 0BL

13. Other long-term assets

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Derivative financial instruments (note 22)	57,844	16,075	57,844	16,075

Notes to the financial statements

for the year ended 31 December 2022

14. Debtors

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade debtors	4,958	4,665	–	–
Loans to group companies	–	–	393,993	393,993
Amounts owed by group undertakings	–	–	69,044	85,962
Amounts owed by parent undertakings	91,363	107,234	–	–
Group tax relief	–	–	160,323	150,158
Prepayments	2,008	1,993	–	–
Accrued income	27,798	28,909	–	–
Accrued intercompany interest receivable	–	–	16,192	432
Other taxes and social security	1,518	2,530	–	–
Corporation tax	-	290	–	–
	127,645	145,621	639,552	630,545

On 24 September 2018, the Company granted a loan of £461.7 million to NSMP (TGPP) Limited at a fixed rate of 4%. No repayments were made during the year (2021: £32.9 million). The loan is repayable on demand.

15. Creditors: amounts falling due within one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade creditors	2,052	794	–	–
Loans from parent undertakings	494,353	494,353	494,353	494,353
Amounts owed to group undertakings	–	–	392,495	331,491
Amounts owed to parent undertakings	73,627	69,641	12,452	3,825
Accrued intercompany interest	–	–	60,984	6,605
Corporation tax	2,679	–	–	–
Other taxes and social security costs	155	110	–	7
Accruals	21,357	21,534	211	86
Derivative financial instruments (note 24)	–	–	–	–
Deferred income	18,858	2,956	–	–
Loans due within one year (note 17)	79,180	93,904	79,180	93,904
	692,261	683,292	1,039,675	930,271

Loan from parent undertakings is due to Selkie Investments Midstream Midco 2 Limited at a fixed rate of 11%. No repayments were made during the year (2021: £nil). The loan is repayable on demand.

Accruals include amounts owing to third parties towards construction work which has been carried out pre-year end.

Notes to the financial statements

for the year ended 31 December 2022

16. Creditors: amounts falling due after one year

Amounts falling due between one and five years

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank loan (note 17)	406,704	260,522	406,704	260,522
Deferred income (noted 18)	276	-	-	-
	406,980	260,522	406,704	260,522

Amounts falling due after more than five years

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank loan (note 17)	–	215,027	–	215,027
Deferred income (note 18)	116,322	138,120	–	–
	116,322	353,147	–	215,027
Total	523,302	613,669	406,704	475,549

17. Bank loan

The bank loan, which is wholly repayable within 6 years, can be analysed as follows:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Due within one year	81,711	96,100	81,711	96,100
Less: Unamortised issue costs	(2,531)	(2,196)	(2,531)	(2,196)
	79,180	93,904	19,180	93,904
Due after one year	414,525	486,236	414,525	486,236
Less: Unamortised issue costs	(7,821)	(10,687)	(7,821)	(10,687)
	406,704	475,549	406,704	475,549
Total	485,884	569,453	485,884	569,453

Notes to the financial statements

for the year ended 31 December 2022

17. Bank loan (continued)

On 11 November 2020, the Group completed its refinancing which gives the Group and Company access to a £616.0 million Term Loan, a £30.0 million Revolving Credit Facility ("RCF") and an incremental indebtedness facility. The Group drew down on the full Term Loan facility on 11 November 2020 which carries interest rates at LIBOR plus 1.80% to 2.85% and has a tenor of 7 years with capital repayments commencing in June 2021. The Term Loan is secured by way of a debenture containing provisions for both fixed and floating charges over the assets of the Selkie Investments Midstream Bidco Limited Group of companies. The Company also entered into interest rate swap agreements which hedged 100% of the total term Loan facility across the corresponding amortisation profile. The recorded year end mark-to-mark valuation of the swaps showed an in-the-money position of £57.9 million (2021: £16.1 m) (note 13).

18. Deferred income

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Construction contributions	114,222	115,650	–	–
Processing income where obligation unfulfilled at the year end	2,376	22,470	–	–
	116,598	138,120	–	–

19. Decommissioning provision

Group

	2022 £000	2021 £000
At 1 January	62,991	59,200
Acquired	–	–
Change in estimates	(18,195)	2,875
Charged in the year	959	916
At 31 December	45,755	62,991

The Company provides for the estimated future decommissioning costs on its infrastructure assets at the balance sheet date. It is expected that the majority of this expenditure will be incurred beyond a period of 20 years. Decommissioning provisions are discounted at a risk-free rate of 3.98% (2021: 1.5%) and the unwinding of the discount is presented within finance costs. This provision has been created based on third party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions.

Notes to the financial statements

for the year ended 31 December 2022

20. Deferred taxation

Deferred taxation is provided in the financial statements as follows:

Group	Provided 2022 £000	Provided 2021 £000
Fixed asset timing differences	210,761	216,268
Non trading timing differences	(14)	(21)
Losses	-	(127)
Undiscounted provision for deferred tax	210,747	216,120

	£000
At 1 January 2022	216,120
Adjustments in respect of prior periods	139
Deferred tax charge for the year (note 8(a))	(5,512)
Provision at 31 December 2022	210,747

In addition, there are deferred tax assets of £11.4 million (2021: £15.0 million) relating to provisions and £1.4m (2021: £12.0 million) relating to disallowed interest under the Corporate Interest Restriction rules which have not been recognised due to uncertainty over the realisation of the asset.

21. Issued share capital and reserves

Allotted, called up and fully paid	No.	2022 £000	No.	2021 £000
Ordinary shares of £0.01 each	5,929,436,080	59,294	5,929,436,080	59,294

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 (2021: nil).

Notes to the financial statements

for the year ended 31 December 2022

22. Notes to the Group statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2022	2021
	£000	£000
Operating profit/(loss)	80,935	(121,361)
Impairment	(20,784)	136,732
Amortisation of goodwill	7,345	7,943
Depreciation	69,740	81,857
(Profit)/Loss on disposals	(3)	534
(Decrease)/Increase in decommissioning provision	(18,195)	2,875
Release of deferred income	(24,902)	(4,659)
Increase in stock	(26)	(32)
Decrease in debtors	23,742	960
(Decrease)/Increase in creditors	(25,650)	28,771
	92,202	133,620

(b) Analysis of net debt:

	At 1 Jan 2022	Cash flow	Other non-cash movements*	At 31 Dec 2022
	£000	£000	£000	£000
Cash at bank	38,284	(28,440)	–	9,844
Bank loans**	(569,453)	86,100	(2,531)	(485,884)
Derivative financial instruments	16,075	–	41,769	57,844
Parent company loan	(494,353)	–	–	(494,353)
	(1,009,447)	57,660	39,238	(912,549)

*Non-cash movements relate to unamortised loan issue costs and the derivative financial instruments movement in the year.

**Bank loans are stated net of unamortised issue costs of £10.4 million.

23. Capital commitments

	2022	2021
	£000	£000
Contracted but not provided for in the financial statements	1,070	767

Notes to the financial statements

for the year ended 31 December 2022

24. Other financial commitments

Under the terms of an operating and maintenance contract with px (TGPP) Limited, px (TGPP) Limited is committed to providing the staff and resources to operate TGPP and manage its routine business activities and obligations of the Group. Commitments under this contract are £1.3 million per annum for 4 years.

Further commitments with px Limited to provide an Operations, Maintenance and Management Agreement for the St Fergus terminal and related pipelines. Commitments under this contract are £4.5 million per annum for 4 years.

25. Financial instruments

	2022	2021
	£000	£000
Financial assets/(liabilities) at fair value through income statement:		
Interest rate swap	57,844	16,075
Financial assets measured at amortised cost:		
Trade debtors	4,958	4,665
Accrued income	27,798	28,909
Amounts owed by Group undertakings	91,363	107,234
Corporation tax	-	290
Other taxes	1,518	2,530
Financial liabilities recorded at amortised cost:		
Trade creditors	2,052	794
Amounts owed to Group undertakings	73,627	69,641
Corporation tax	2,679	-
Other taxes	155	110
Accruals	21,357	21,534
Bank loans*	485,884	569,453

An interest rate swap is in place, fixing the rate payable at 0.286% on 100% of the notional amortisation profile of the bank loan being £486.2 million.

*Bank loans are stated net of amortised issue costs.

26. Related party transactions

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

Notes to the financial statements

for the year ended 31 December 2022

27. Parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary of Selkie Investments Midstream Midco 2 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 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.

28. Subsidiaries and audit exemptions

The Group will be exempting the following companies from an audit in 2022 under Section 479A of the Companies Act 2006.

NSMP Holdco 2 Limited (Registered No. 09711318)

Teesside Gas Processing Plant Limited (Registered No. 5740797)

TGPP 1 Limited (Registered No. 5799781)

All of these companies are fully consolidated in the Group Financial Statements