Registered No. 126837

Selkie Investments Midstream Midco 1 Limited

Report and financial statements

Period ended 31 December 2019

Directors
J Barry
A Heppel
L Kim

Secretary
Ogier Global (Jersey) Limited

Independent auditor
Ernst & Young LLP
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Bankers
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Strategic report

The Directors present their Strategic report for the period from 11 July 2018, the date of incorporation, to 31 December 2019.

Principal activity and review of the business

Selkie Investments Midstream Midco 1 Limited is part of the Selkie Investments Group ("the Group") that was formed in September 2018 for the purpose of owning and operating midstream gas infrastructure assets in the North Sea. The Group comprises one parent company, Selkie Investments Midstream Topco Limited and 12 subsidiaries.

On 24 September 2018, Arclight Capital Partners completed the sale of its investment in the North Sea Midstream Partners Limited Group ("NSMP") to the Kuwait Investment Authority ("KIA"). The share capital of NSMP and its subsidiaries was acquired by Selkie Investments Midstream Bidco Limited which is part of the Selkie Investments Group. The Selkie Investments Group was a wholly-owned subsidiary of the KIA, until 18 February 2019 when IIF International Neon Investment Sàrl ("IIF"), advised by J.P. Morgan Asset Management, acquired a 43.1% interest in Selkie Investments Midstream Topco Limited from the KIA. The KIA remain the Group and Company's ultimate controlling party.

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

On 24 September 2018, the Company issued loan notes of £467.7 million to the KIA at a fixed rate of 11%. The shareholder loan notes are listed and traded on the International Stock Exchange and are repayable in 2028.

The result for the period was a loss before taxation of £0.4 million, arising from interest payable on the shareholder loan notes, offset by intercompany interest receivable from its direct subsidiary.

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

Principal risks and uncertainties

Given its position within the Selkie Investments Midstream Topco Limited group of companies and as the Company is purely an intermediary holding company within the group, it is not considered to face any singular risks or uncertainties beyond those of being a member of the aforesaid group.

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

Andrew Heppel
Director
29 May 2020

Directors' report

The Directors present their Directors' report for the period 11 July 2018 to 31 December 2019.

Results and dividends

The loss for the period after taxation amounted to £47.5 million. Dividends of £0.3 million were received from the Company's direct subsidiary. The Directors have not recommended a dividend to be paid.

Directors

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

J Barry	(appointed 23 December 2019)
A Heppel	(appointed 24 September 2018)
K Lim	(appointed 25 July 2019)
P Bownes	(appointed 11 July 2018, resigned 26 September 2018)
P Sochocki	(appointed 24 September 2018, resigned 25 July 2019)
J Stuart	(appointed 11 July 2018, resigned 24 September 2018)
S Sulaiman	(appointed 19 February 2019, 23 December 2019)
G Williams	(appointed 24 September 2018, 14 July 2019)

Going concern

The financial statements are prepared utilising the presumption of going concern which is assessed by the Directors for a period of at least 12 months from the date of approval of the financial statements. The documented assessment process is proportionate in depth and nature to the size, level of risk and complexity of the Company and its operations.

The Company is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited. It has an investment in subsidiary of £73.4 million, net current assets of £420.2 million and net assets of £25.9 million. To meet its financial obligations, the Company is dependent on receiving interest payments and dividends from its subsidiary. The Company is dependent on the two trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company, via dividends and interest payments and being able to pay this to their respective parent companies.

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

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

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

Directors' report

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

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

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

Disclosure of information to the auditor

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

Appointment of auditor

A resolution was passed at the Annual General Meeting to appoint Ernst & Young LLP as auditor of the Company.

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

Andrew Heppel
Director
29 May 2020

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- specify which generally accepted accounting principles have been adopted in their preparation

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Selkie Investments Midstream Midco 1 Limited

Opinion

We have audited the financial statements of Selkie Investments Midstream Midco 1 Limited (the 'Company') for the period ended 31 December 2019, which comprise the Income statement, the Statement of financial position and the Statement of changes in equity, and the related notes 1 to 13, 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".

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

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

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

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

Overview of our audit approach

Key audit matters	• Appropriateness of going concern assumption • Recoverability of amounts receivable from subsidiary undertakings
Materiality	• Overall Company materiality of £1.46 million which represents 5% of equity

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

Risk	Our response to the risk	Key observations communicated to those charged with governance
Appropriateness of going concern assumption Refer to the Directors' Report (page 3); and Note 1 of the Financial Statements (page 15) In the period to 31 December 2019, the Company recorded a loss after taxation of £47.5m. The Company has positive net current assets and net assets. The loss was generated through a tax charge of £47.1 million relating to the non-deductibility of interest charged for tax purposes under the Corporate Interest Restriction ("CIR") rules. As the Company acts simply as an investment company within the Group headed by Selkie Investments Midstream Topco, it is dependent on the two trading companies in the Group (NSMP Operations Limited and Teesside Gas & Liquids Processing) generating sufficient cash to pay the Company via dividends and interest, to allow the Company to pay its liabilities as they fall due. The forecasts management have used to support their going concern assessment include judgements and the application of estimation techniques, and the risk arising through this is deemed to have increased in light of the uncertainty created by the COVID-19 pandemic.	• We obtained the Group's cash flow forecast for the period to December 2021 and checked the clerical accuracy of the cash flow forecast model. • We challenged the key assumptions underlying the forecast, being gas flows and conversion of revenues to cash, in the context of our knowledge of the business, historic performance and the position of the business at the period end. We considered their reasonableness in the context of other supporting evidence gained from our work. We have benchmarked assumptions incorporated in the financial model to available external market data from reliable sources. • Management performed additional forecasting and stress testing of covenants for going concern purposes in response to the Covid19 pandemic. We obtained an understanding of the process followed by Group management to make its going concern assessment and assessment of the impact of Covid19. • We reviewed Group wide cash flows including management's ability to access future financing to maintain healthy liquidity. We evaluated the appropriateness of management's stress test scenarios and their impact on the cashflow / liquidity position.	We consider that the going concern basis adopted in the financial statements is reasonable and that the disclosures in the financial statements are appropriate.

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

Risk	Our response to the risk	Key observations communicated to those charged with governance
	• We recalculated management's forecast covenant ratio compliance calculations to check for breaches of each covenant ratio throughout the going concern period under management's base case and downside scenario. • We performed our own scenario analysis using a number of alternative assumptions, including reverse stress testing to establish extreme downside scenarios, to assess the reasonableness of management's assessment. We considered the likelihood of management's ability to execute mitigating actions, both in timing and amount, to prevent a breach of covenants in the downside and extreme downside scenarios based on our understanding of the Group and the sector. • We performed testing on the historical accuracy of management's forecasts. • We obtained a letter of support confirming that the ultimate parent company will provide support for a period of 12 months from the date of signing these accounts by directing cashflows in the Group to ensure the Company has sufficient funds available. • We reviewed performance of the Group post period end to ensure the key assumptions and judgements remained valid.	

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

Risk	Our response to the risk	Key observations communicated to those charged with governance
Recoverability of amounts receivable from subsidiary undertakings Refer to the Directors' Report (page 3); and Note 7 of the Financial Statements (page 21) The Company has £517.5 million receivable from its subsidiary undertakings at 31 December 2019, which is made up of a combination of inter-company loans and trading balances. The Company is a holding company within its group, headed by Selkie Investments Midstream Topco Limited The Company's ability to recover these amounts depends upon the subsidiary undertakings' ability to repay these amounts. This is dependent on the two trading companies within the Group, headed by Selkie Investments Midstream Topco Limited, generating sufficient cash to pay via dividends and interest and being able to pay this to their respective parent company. Management have concluded that the intercompany balances are recoverable based upon the underlying expected future financial performance and position of the Company's subsidiaries.	• The procedures performed to address this risk include those performed in respect of our assessment of the going concern assumption. Therefore, the procedures set out above are also applicable for this key audit matter. • Additionally, we assessed the reasonableness of the long term cash flow forecast of the Group, as the subsidiary undertakings' repayment of the intercompany debt will be funded through dividends paid out of the future profits of the training entities within the Group. This assessment included the cash flows obligations in respect of the external debt facilities held by the Group.	Based upon the audit procedures that we have completed, we are satisfied that the amounts receivable from subsidiary undertakings and accrued interest income are recoverable. We have also concluded that the disclosures in respect of the intercompany receivable in the financial statements are appropriate.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.46 million, which is 5% of equity. We believe that equity provides us with the most relevant measure for a holding company with little underlying trade.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £0.73 million. We have set performance materiality at this percentage due to this being the first period of accounts for the Company.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit & Risk Committee that we would report to them all uncorrected audit differences in excess of £73,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 4, including the Strategic report and Directors' report set out on pages 2 and 3, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the Company's accounting records and returns; or

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

- 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 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Income statement

For the period from 11 July 2018 to 31 December 2019

	Notes	*11 July 2018 to 31 December 2019 £000*
Administrative expenses		(24)
Operating loss	2	(24)
Interest receivable and similar income	3	69,056
Interest payable and similar income	4	(69,766)
Income from shares in group undertakings		288
Loss before taxation		(446)
Tax on loss	5	(47,060)
Loss after taxation		(47,506)

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.

Statement of financial position

As at 31 December 2019

	Notes	2019 £000
Fixed assets		
Investments	6	73,424
Current assets		
Debtors	7	517,545
Creditors: amounts falling due within one year	8	(97,345)
Net current assets		420,200
Total assets less current liabilities		493,624
Creditors: amounts falling due after more than one	9	(467,706)
Net assets		25,918
Capital and reserves		
Called up share capital	10	73,424
Profit and loss reserve	10	(47,506)
Total shareholders' equity		25,918

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

A Heppel

Andrew Heppel
Director
29 May 2020

Statement of changes in equity

For the period from 11 July 2018 to 31 December 2019

	Called up share capital	*Profit and loss reserve*	*Total shareholders' equity*
	£000	*£000*	*£000*
On incorporation	–	–	–
Issue of new shares	73,424	–	73,424
Profit for the period	–	(47,506)	(47,506)
At 31 December 2019	73,424	(47,506)	25,918

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

1. Accounting policies

General information

Selkie Investments Midstream Midco 1 Limited is a private limited liability company, limited by shares and incorporated in Jersey. The Registered Office is 3rd Floor 44 Esplanade St Helier Jersey JE4 9WG. The Company's principle activity is the holding of investments.

Statement of compliance

This is the first set of financial statements of the Company since incorporation. They have therefore been prepared for a period longer than 12 months. The Company's financial statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland" and the Companies (Jersey) Law 1991.

Basis of preparation

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

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

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

– the requirement to prepare a Statement of Cash Flows

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

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

The equivalent disclosures and results of the Company are included in the consolidated parent company accounts and for that basis these financial statements are not consolidated. Note 12 gives details of the Company's ultimate parent and where the consolidated financial statements prepared may be obtained.

Going concern

The financial statements are prepared utilising the presumption of going concern which is assessed by the Directors for a period of at least 12 months from the date of approval of the financial statements. The documented assessment process is proportionate in depth and nature to the size, level of risk and complexity of the Company and its operations.

The Company is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited. It has an investment in subsidiary of £73.4 million, net current assets of £420.2 million and net assets of £25.9 million. To meet its financial obligations, the Company is dependent on receiving interest payments and dividends from its subsidiary. The Company is dependent on the two trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company, via dividends and interest payments and being able to pay this to their respective parent companies.

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

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

1. Accounting policies (continued)

Going concern *(continued)*

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

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

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

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

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

Judgements and key sources of estimation uncertainty

The preparation of the financial statements has not required management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

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.

Investments in subsidiaries

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

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

1. Accounting policies (continued)

Impairment of assets

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

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

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including intercompany receivables, and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, intercompany payables, loans from fellow group companies and shareholder loan notes 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.

Share capital

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

Dividends

Dividends to the parent company are recognised as a liability in the financial statements in the period in which the solvency statements are signed by the Directors of the Company. These amounts are recognised in the statement of changes in equity.

Income from fixed asset investments

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

Taxation

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

Related party transactions

The Company has taken advantage of the exemptions given in FRS 102.33.1A and FRS102.33.7, not to disclose transactions with wholly owned related parties and key management personnel.

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

2. Operating loss

The audit fee will be paid by the Company's parent on behalf of all group companies. Disclosure of the fees paid to the auditor is included in the financial statements of Selkie Investments Midstream Topco Limited.

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

3. Interest receivable and similar income

	11 July to 2018 to 31 December 2019 £000
Intercompany loan interest receivable	69,056

4. Interest payable and similar expenses

	11 July 2018 to 31 December 2019 £000
Shareholder loan notes interest payable	66,112
Intercompany loan interest payable	3,654
	69,766

5. Taxation

(a) Tax on loss

The tax credit is made up as follows:

	24 September 2018 to 31 December 2019 £000
Current tax:	
UK corporation tax on the loss for the period	47,060
Total current tax	47,060

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

5. **Taxation** (continued)

(b) Factors affecting current tax charge for the period:

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

	24 September 2018 to 31 December 2019 £000
Loss before tax	(446)
Loss multiplied by standard rate of corporation tax in the UK of 19%	(85)
Effects of:	
Disallowable expenses	3,817
Movement in unrecognised deferred tax assets	5,264
Income not taxable	(55)
Effects of group relief	38,119
Total tax credit for the period (note 5(a))	47,060

(c) Factors affecting future tax charges

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. However, the Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution.

The Company is registered in Jersey and is UK tax resident.

6. Investments

	Shares in Group undertakings £000
Cost:	
On incorporation	–
Additions	73,424
At 31 December 2019	73,424

The Selkie Investments corporate structure was put in place to facilitate the acquisition of the NSMP Group by the KIA. As part of this transaction, the Company incorporated, and equity funded Selkie Investments Midstream Midco 2 Limited with £73.4 million.

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

6. Investments (continued)

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):

Selkie Investments Midstream Midco 2 Limited

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

Selkie Investments Midstream Bidco Limited*

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

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, 3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

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

NSMP Operations Limited*

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

Teesside Gas Processing Plant Limited*

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

TGPP 1 Limited*

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

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

6. Investments (continued)

TGPP 2 Limited*

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

Teesside Gas & Liquids Processing*

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

Northern Gas Processing Limited*

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

7. Debtors

	2019
	£000
Loans to subsidiary companies	493,836
Amounts owed by subsidiary undertakings	20,435
Accrued intercompany interest	3,274
	517,545

On 24 September 2018, the Company granted a loan of £493.8 million to Selkie Investments Midstream Midco 2 Limited at a fixed rate of 11%. The loan is repayable on demand.

8. Creditors: amounts falling due within one year

	2019
	£000
Parent company loan	26,130
Amounts owed to subsidiary undertakings	20,459
Group relief	47,060
Accrued shareholder loan note interest	3,416
Accrued interest on parent company loan	280
	97,345

On 24 September 2018, the Company received a loan of £26.1 million from Selkie Investments Midstream Topco Limited at a fixed rate of 11%. The loan is repayable on demand.

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

9. Creditors: amounts falling due after more than one year

	2019
	£000
Shareholder loan notes	467,706

On 24 September 2018, the Company issued loan notes of £467.7 million to the KIA at a fixed rate of 11%. The shareholder loan notes are listed and traded on the International Stock Exchange and are repayable in 2028.

10. Issued share capital and reserves

		2019
Allotted, called up and fully paid .	*No.*	*£000*
Ordinary shares of £0.01 each	7,342,426,080	73,424

Profit and loss reserve

This reserve records the cumulative amount of realised profits and losses less any distributions of dividends.

11. Related party transactions

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

12. Ultimate controlling party

The Company is a wholly owned subsidiary of Selkie Investments Midstream Topco Limited.

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

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

Notes to the financial statements

for the period from 11 July 2018 to 31 December 2019

13. Events after the reporting period

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

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

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