Registered No. 126837

Selkie Investments Midstream Midco 1 Limited

Report and Financial Statements

31 December 2021

Strategic report

Directors
G Barbaro
J Barry
A Heppel

Secretary
Ogier Global (Jersey) Limited

Independent auditor
Ernst & Young LLP
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Strategic report

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

Principal activity, review of the business and future developments

Selkie Investments Midstream Midco 1 Limited ("the Company") is part of the Selkie Investments Group ("the Group") that was formed in September 2018 for the purpose of owning and operating midstream gas infrastructure assets in the North Sea. The Group comprises one parent company, Selkie Investments Midstream Topco Limited, and 15 subsidiaries.

On 24 September 2018, the Company issued loan notes of £467.7 million to the KIA at a fixed rate of 11%. During the prior year, £1.4m of the loan notes were repaid. The shareholder loan notes are listed and traded on the International Stock Exchange and are repayable in 2028.

In November 2021, the Group acquired 100% of the share capital of Risavika Production AS from Gasum AS. As a result of the transaction, the Group became the owner and operator of the Risavika Liquefication Plant, a small-scale natural gas and biogas liquefaction facility located at the Risavika Harbour in Southern Norway. The acquisition was partly completed through the issue of £48.5m of loan notes at a fixed rate of 11%.

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

The result for the year was a loss after taxation of £28.2 million (2020: £0.3 million), arising from interest payable on the shareholder loan notes, partially 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

The management of the business and execution of the group's strategy are subject to a number of risks. The 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.

The Group's Audit and Risk Committee makes recommendations to the Board on the principal risks of relevant to the business. Climate-related issues are considered in terms of potential for contribution to these principal risks. The issues considered include both the risk of physical disruption to the business from climate change, and the risks and opportunities as the global economy transitions to significantly lower carbon emissions. In the current period, the Audit and Risk Committee concluded that climate-related risks did not rise to the level of a principal risk, except as part of Legal and Regulatory Compliance.

Inherent risks

The company is also exposed to the occurrence of events that would result in an impairment to and the recoverability of its intercompany debt. Ultimately this is reliant on cash funds being available to support the group.

Emerging risks

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

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

AHeppel

Andrew Heppel
Director

1 June 2022

Directors' report

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

Results and dividends

The loss for the year after taxation amounted to £28.2 million (2020: £0.3 million). No dividends were received from the Company's direct subsidiary during the year (2020: £nil) and no dividends were declared in the year (2020: £nil).

Directors

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

G Barbaro
J Barry
A Heppel

Going concern

The financial statements are prepared utilising the presumption of going concern which is assessed by the Directors for the period to the end of December 2023. The documented assessment process is proportionate in depth and nature to the size, level of risk and complexity of the Company and its operations.

The Company is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited (the 'Group'). The Company has an investment in its subsidiary of £73.4 million, net current assets of £438.9 million and net liabilities of £2.6 million. To meet its financial obligations, the Company is dependent on receiving interest payments from its subsidiary. The Company is dependent on three trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company and being able to pay this to their respective parent companies.

The Directors have received confirmation from Selkie Investments Midstream Topco Limited, the Company's parent undertaking, that it intends to support the Company for the period to the end of December 2023, by directing cash flows to ensure the Company has sufficient funds available.

The Directors, in conjunction with the Directors of Selkie Investments Midstream Topco Limited, have considered the Group's business plans which provide financial projections through to 31 December 2023. The Group's principal debt facilities comprise of a £616.0 million and €88.0 million term loans repayable in November 2027 and November 2028 respectively, as well as Shareholder loan notes of £514.8 million. In addition, the Group has access to a £30.0 million and €5.0 million Revolving Credit Facilities. At the year end, the Group had sufficient liquidity (£49.8million) and was compliant with its financial covenants.

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

The Group's current suite of contracts are of a long-term nature with reputable, creditworthy counterparties who are deemed to pose limited credit risk. This provides a stable income stream that is forecast to comfortably cover the Group's operational cost base and allow it to meet its trading and other obligations for the foreseeable future. Finally, the assets of the trading entities within the Group are critical to the UK and Norway natural gas resources and essential to the security of energy supply. Since the onset of the COVID-19 pandemic, there has been no disruption of supply or diminution in volumes, other than usual seasonal variations delivered by these assets.

The Directors have also considered severe, but plausible, downside scenarios which would result in further reductions in revenue and EBITDA from the base case. This could result from a worsening economic climate, reduced commodity prices or increased energy prices. In each of the scenarios modelled, the financial covenants were met with facility headroom remaining.

Directors' report

Going concern (continued)

Consequently, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the period to 31 December 2023. For this reason, they continue to adopt the Going Concern Basis in the preparation of the financial statements.

Disclosure of information to the auditor

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

Re-appointment of auditor

The auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

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

AHeppel

Andrew Heppel
Director
1 June 2022

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;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 (continued)

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 year ended 31 December 2021 which comprise the Income statement, the Statement of financial position, 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 2021and of its loss for the year 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. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK 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

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. Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included the following procedures:

How we evaluated management’s assessment

The company is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited (the ‘Group’). The company is dependent on three trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the company. The Group operate a shared treasury function. In this regard, a letter of support has been obtained from Selkie Investments Midstream Topco Limited.

As the company is reliant on support from Group as the Group operates a shared treasury function, management prepared a going concern assessment on the Group. We have performed the following procedures over the Group’s going concern assessment:

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

- We obtained management's going concern assessment for the going concern period through to 31 December 2023 and tested the calculations for arithmetical accuracy. Management has modelled a base case and a severe but plausible downside scenario in its cash forecasts and covenant calculations for the UK and Norway banking facilities. They have also modelled a base case and a severe but plausible downside scenario for the Group in order to incorporate unexpected changes to the forecasted liquidity of the Group.

- We challenged the appropriateness of the key assumptions in management's forecasts including reduced volumes, periods of shut-downs and increased energy prices, considering both historical experience, current trading performance and independent analysts reports, such as on future electricity prices.

- We obtained the agreements in relation to the facilities and confirmed the nature of each facility, repayment terms, covenants and attached conditions.

- The going concern disclosures within the accounts were reviewed in order to assess whether the disclosures were appropriate and appropriately described the assessment management performed and the key judgements taken.

- We reviewed the performance of the Group post year-end to check that the key assumptions and judgements remained valid.

- We obtained the letters of support provided to the company from Selkie Investments Midstream Topco Limited to 31 December 2023 and confirmed the letter provided the support as documented in the going concern disclosure.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 December 2023.

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

Independent auditor’s report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

Overview of our audit approach

Key audit matters	► Recoverability of amounts receivable from subsidiary undertakings
Materiality	► Overall materiality of £0.5m which represents 2% of equity.

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..

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Selkie Investments Midstream Midco 1 Limited. The Company has determined that there are no future impacts from climate change on its operations. This is explained on page 2 in the principal risks and uncertainties which form part of the “Other information”, rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management’s assessment that there is no impact of climate change risk, the adequacy of the Company’s disclosures in the financial statements and the conclusion that no issues were identified that would impact the carrying values of investments and recoverability of amounts due from group undertakings or have any other impact on the financial statements as disclosed on page 16. We also challenged the Directors’ considerations of climate change in their assessment of going concern and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 the Audit Committee
Recoverability of amounts receivable from subsidiary undertakings (2021: £596.4m, 2020: £512.0m) *Refer to Accounting policies (pages 15-17); and Note 7 of the Financial Statements (page 21)* The Company has £596.4m receivable from its subsidiary undertakings at 31 December 2021, which is made up of a combination of intercompany 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 three trading companies within the Group generating sufficient 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 and the letter of support in place which helps support the settlement of intercompany receivables.	We considered the ability of each of the intercompany debtors to repay the debt by assessing whether the counterparty was profit-making in 2021 and in a net current asset or net asset position at the year-end. Due to the shared treasury function, for all entities in the Group we inspected the letter of support that management has in place and assessed whether it provided a basis for management’s conclusions in relation to recoverability. We also challenged whether the three trading entities were forecast to generate sufficient cash, and then if they were able to pay that cash up through the group structure via dividends or interest.	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.

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.

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

We determined materiality for the company to be £0.5 million (2020: £0.5 million), which is 2% (2020: 2%) of equity. We believe that equity provides us with the most relevant measure for a company whose principal trade is that of a holding company.

During the course of our audit, we reassessed initial materiality. This has not significantly impacted the extent of our planned audit procedures

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 75% (2020: 75%) of our planning materiality, namely £0.4m (2020: £0.4m). We have set performance materiality at this percentage due to the control environment in place and a lower likelihood of misstatements..

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £23,000 (2020: £24,000), 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 2-4, 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.

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
- we have not received all the information and explanations we require for our audit

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities 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.

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 company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies (Jersey) Law 1991) and the relevant tax compliance regulations;

- We understood how Selkie Investments Midstream Midco 1 Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Group's Audit and Risk Committee and attendance at all meetings of the Audit and Risk Committee;

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override;

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of legal counsel and management and testing journals identified by specific risk criteria. In addition, we completed procedures to conclude on the compliance of the disclosures in the Financial Statements with the requirements of the relevant accounting standards and legislation.

A further description of our responsibilities for the audit of the financial statements is located on the

Independent auditor's report (continued)

to the members of Selkie Investments Midstream Midco 1 Limited

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.

DocuSigned by:

Ernst & Young LLP

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Kate Jarman

for and on behalf of Ernst & Young LLP

Leeds

1 June 2022

Income statement

for the year ended 31 December 2021

	Notes	*2021* *£000*	*2020* *£000*
Administrative expenses	2	(228)	(18)
Interest receivable and similar income	3	53,242	54,236
Interest payable and similar costs	4	(55,627)	(55,461)
Loss before taxation		(2,613)	(1,243)
Tax (charge) / credit on loss	5	(25,613)	977
Loss after taxation and Total comprehensive loss		(28,226)	(266)

All amounts relate to continuing activities.

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

Statement of financial position

as at 31 December 2021

	Notes	*2021* *£000*	*2020* *£000*
Fixed assets			
Investments	6	73,424	73,424
		73,424	73,424
Current assets			
Debtors	7	601,019	512,001
Cash		3,850	–
		604,869	512,001
***Creditors*: amounts falling due within one year**	8	(166,015)	(93,445)
Net current assets		438,854	418,556
Total assets less current liabilities		512,278	491,980
Creditors: amounts falling due after more than one year	9	(514,852)	(466,328)
Net (liabilities) / assets		(2,574)	25,652
Capital and reserves			
Called up share capital	10	73,424	73,424
Profit and loss reserve	10	(75,998)	(47,772)
Total shareholders' equity		(2,574)	25,652

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

AHeppel

Andrew Heppel
Director
1 June 2022

Statement of changes in equity

for the year end 31 December 2021

	Called up share capital £000	*Profit and loss reserve £000*	*Total shareholders' equity £000*
At 1 January 2020	73,424	(47,506)	25,918
Loss for the year	–	(266)	(266)
At 31 December 2020	73,424	(47,772)	25,652
Loss for the year	–	(28,226)	(28,226)
At 31 December 2021	73,424	(75,998)	(2,574)

Notes to the financial statements

for the year ended 31 December 2021

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 principal activity is the holding of investments.

Statement of compliance

The Company's financial statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland" and the Companies (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 requirement to prepare a Statement of Cash Flows

– the requirements of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c)

– the requirements of Section 33.7 Related Party Disclosures. The entity has taken advantage of the exemption in paragraph 33.1A not to disclose transactions entered into with other entities that are wholly owned within the group.

The equivalent disclosures and results of the Company are included in the consolidated parent company accounts. Selkie Investments Midstream Midco 1 Limited applies the exemption available under FRS 102 paragraph 9.3(g) with regards to consolidation as the Companies (Jersey) Law 1991 does not require the preparation of consolidated financial statements. Note 12 gives details of the Company's ultimate parent and where the consolidated financial statements prepared may be obtained.

In preparing the financial statements, the Directors and management have considered the impact of the physical and transition risks of climate change and identified this as a principal risk as set out on page 2 but have concluded that it does not have a material impact on the carrying values of investments or the recoverability of amounts due from group undertakings or have any other impact on these financial statements as at 31 December 2021.

Going concern

The financial statements are prepared utilising the presumption of going concern which is assessed by the Directors for the period to the end of December 2023. The documented assessment process is proportionate in depth and nature to the size, level of risk and complexity of the Company and its operations.

The Company is a holding company within the Selkie Investments Group, headed by Selkie Investments Midstream Topco Limited (the 'Group'). The Company has an investment in its subsidiary of £73.4 million, net current assets of £438.9 million and net liabilities of £2.6 million. To meet its financial obligations, the Company is dependent on receiving interest payments from its subsidiary. The Company is dependent on three trading entities within the Group to generate sufficient cash to fund the obligations of the rest of the Group, including the Company and being able to pay this to their respective parent companies.

The Directors have received confirmation from Selkie Investments Midstream Topco Limited, the Company's parent undertaking, that it intends to support the Company for the period to the end of December 2023, by directing cash flows to ensure the Company has sufficient funds available.

The Directors, in conjunction with the Directors of Selkie Investments Midstream Topco Limited, have considered the Group's business plans which provide financial projections through to the end of December 2023. . The Group's principal debt facilities comprise of a £616.0 million and €88.0 million term loans

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

***Going concern** (continued)*

repayable in November 2027 and November 2028 respectively, as well as Shareholder loan notes of £514.8 million. In addition, the Group has access to a £30.0 million and €5.0 million Revolving Credit Facilities. At the year end, the Group had sufficient liquidity (£49.8million) and was compliant with its financial covenants.

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

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

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

Judgements and key sources of estimation uncertainty

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

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

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

Impairment of assets

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

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

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including intercompany receivables, and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

Financial instruments *(continued)*

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

Basic financial liabilities, intercompany payables, 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 in the statement of changes in equity when paid.

Income from fixed asset investments

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

Taxation

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

Related party transactions

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

2. Operating loss

The audit fee of £30,000 is borne by NSMP Operations Limited. Disclosure of the total fees paid to the Group auditor is included in the financial statements of Selkie Investments Midstream Topco Limited.

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

3. Interest receivable and similar income

	2021	*2020*
	£000	*£000*
Intercompany loan interest receivable	53,242	54,236

Notes to the financial statements

for the year ended 31 December 2021

4. Interest payable and similar costs

	2021	*2020*
	£000	*£000*
Shareholder loan note interest payable	52,853	52,596
Intercompany loan interest payable	2,774	2,865
	55,627	55,461

5. Taxation

(a) Tax on loss

The tax charge is made up as follows:

	2021	*2020*
	£000	*£000*
Current tax:		
UK corporation tax on the loss for the year	25,613	26,726
Adjustments in respect of previous periods	–	(27,703)
Total current tax	25,613	(977)

(b) Factors affecting tax credit for the year

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

	2021	*2020*
	£000	*£000*
Loss before tax	(2,613)	(1,243)
Loss multiplied by standard rate of corporation tax in the UK of 19% (31 December 2020: 19%)	(496)	(236)
Effects of:		
Disallowable expenses	5,363	5,314
Effects of group relief	20,746	21,648
Adjustments in respect of previous periods	–	(27,703)
Total tax for the year (note 5(a))	25,613	(977)

Notes to the financial statements

for the year ended 31 December 2021

5. Taxation (continued)

(c) Factors affecting future tax charges

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017.

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.

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

6. Investments

	Shares in subsidiary undertakings
	£000
At 1 January 2021 and 31 December 2021	73,424

In November 2021, the Group acquired Risavika Production AS. As part of the acquisition, on 24 August 2021, the company made an investment in Selkie Investment Midstream Norway Limited for a capital contribution of £1.

The directors have performed an impairment review of the carrying value of the investments and no indicators were identified.

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 Norway 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

Notes to the financial statements

for the year ended 31 December 2021

6. Investments (continued)

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

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

Notes to the financial statements

for the year ended 31 December 2021

6. Investments (continued)

NSMP Norge AS*

Nature of business: Investment holding company
Class of shares: Ordinary
% Holding: 100%
Registered address: Munkedamsveien 59B, 0270 Oslo, Norway

Risavika Production AS*

Nature of business: Production of liquified natural gas
Class of shares: Ordinary
% Holding: 100%
Registered address: Munkedamsveien 59B, 0270 Oslo, Norway

7. Debtors

	2021	*2020*
	£000	*£000*
Loans to subsidiary companies	532,300	477,054
Amounts owed by subsidiary undertakings	63,168	32,510
Accrued intercompany interest	5,379	2,437
Other taxes	172	–
	601,019	512,001

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%. No repayments were made during the year (2020: £16.8m). The loan is repayable on demand.

On 16 November 2021, the company granted a loan of £55.2 million to Selkie Investments Midstream Norway Limited at a fixed rate of 11%. The loan is repayable on demand.

The amounts owed by subsidiary undertakings represent intercompany trading. No interest has been charged on intercompany balances and they are repayable on demand.

Notes to the financial statements

for the year ended 31 December 2021

8. Creditors: amounts falling due within one year

	2021	*2020*
	£000	*£000*
Trade creditors	53	–
Accruals	320	–
Loan from parent undertaking	31,057	24,371
Amounts owed to subsidiary undertakings	20,549	20,477
Group relief	71,696	46,083
Accrued shareholder loan note interest	40,424	2,389
Accrued interest on parent company loan	1,916	125
	166,015	93,445

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%. On 16 November 2021, the Company received an additional loan of £6.7 million from Selkie Investments Midstream Topco Limited at a fixed rate of 11%. No repayments were made during the year (2020: £1.8m). The loan is repayable on demand.

The amounts owed to subsidiary undertakings represent intercompany trading. No interest has been charged on intercompany balances and they are repayable on demand.

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

	2021	*2020*
	£000	*£000*
Shareholder loan notes	514,852	466,328

On 24 September 2018, the Company issued loan notes of £467.7 million at a fixed rate of 11%. No repayments were made during the year (2020: £1.4m). On 16 November 2021, the Company issued further loan notes of £48.5 million 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. Share capital and reserves

		2021		*2020*
Allotted, issued and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £0.01 each	7,342,426,080	73,424	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. The Company did not declare a dividend in the year (2020: £nil).

Notes to the financial statements

for the year ended 31 December 2021

11. Related party transactions

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

12. Parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary of 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.

13. Events after the reporting period

On 1st November 2021, NSMP Operations Limited (another entity within the Group) 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. Spend capitalised during the year include an initial accession payment of £3.2m (representing 10% share of historical costs incurred from inception) plus the companies' 10% share of expenditure since acquisition as well as other directly attributable costs incurred internally on the project. In NSMP Operations Limited Acorn project costs are held within intangible assets unamortised until an assessment of their economic commerciality is determined.

In April 2022, the company initiated the novation of its interest in the Acorn Development Agreement including any future obligations under the agreement to the company. As part of the novation, the value of the intangible asset as at 31 December 2021 will be transferred to Selkie Investments Midstream Midco 1 Limited and the transfer of rights pursuant to the novation deemed to discharge the intercompany loan arrangement created as part of the original acquisition of the interest.