

Registered number: 12473084

NET ZERO NORTH SEA STORAGE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2025**

NET ZERO NORTH SEA STORAGE LIMITED

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NET ZERO NORTH SEA STORAGE LIMITED

COMPANY INFORMATION

Directors

L H Eldering
T J Kabir
G Le Parc
Dr. P J McFadzean
T G Mellott-Batty
A A A Nabeeh
J S Whittington

Registered number

12473084

Registered office

Chertsey Road
Sunbury On Thames
Middlesex
TW16 7BP
United Kingdom

Independent auditor

BDO LLP
55 Baker Street
London
W1U 7EU

NET ZERO NORTH SEA STORAGE LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2025

The directors present their report and the audited financial statements for Net Zero North Sea Storage Limited ("the Company") for the 15 month period ended 31 March 2025.

Change in reporting date

The Company has extended its reporting period to align to regulatory requirements, so as to end on 31 March 2025. These financial statements have been prepared for a period of 15 months. The Company was dormant throughout the previous financial year, as defined under section 1169 of the Companies Act 2006. Accordingly, the Company had no significant accounting transactions and did not generate any income or incur any expenses during the prior period.

Principal activity

The principal activity of Net Zero North Sea Storage Limited (the Company) is the development, construction and future operation of a Carbon Dioxide Transportation and Storage network in the North East of England.

Business review

In December 2024, the Company was awarded an Economic License from the Secretary of State, and achieved financial close, giving the green light to proceed to the execution phase of the UK's first CO₂ transportation and storage infrastructure network that will serve three initial carbon capture projects on Teesside: NZT Power, H2Teesside and Teesside Hydrogen CO₂ Capture.

From financial close to period end, the Company was engaged in the early stages of project development, including, assembling the project team, establishing necessary processes, awarding key contracts and the mobilisation of key contractors.

Dividends

During the financial period, the Company declared a final dividend of £133,000,000 in respect of the period ended 31 March 2025 which was paid in March 2025. The dividend was declared by the Company to return a temporary source of equity financing provided to fund pre-license award appraisal and development activities, in accordance with the capital structure pre-agreed with the Company's lenders and the Department for Energy Security and Net Zero (DESNZ).

Future developments

The Company is currently progressing development work to facilitate expansion of the network to enable transportation of Carbon Dioxide from carbon capture projects in the Humber region to secure offshore storage under the North Sea

Development activities includes engineering, supply chain procurement and permitting and licensing for a Humber Carbon Capture Pipeline; and the drilling of appraisal wells, data gathering, front-end engineering, permitting and licencing for Expansion Storage Systems.

Principal risk and uncertainties

The Company manages, monitors and reports on the principal risk and uncertainties that can impact the Company's ability to deliver its objectives. The Company's system of internal control includes policies, processes, management systems, organisational structures, culture and standard of conduct employed to manage the Company's business and associated risks. The Company is also implementing review and reporting processes to measure progress and risks.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the Company's strategy, business and, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation.

NET ZERO NORTH SEA STORAGE LIMITED
DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

Principal risk and uncertainties (continued)

Risk Type	Principal Risk	Description	Mitigation Measures
Strategic and Commercial	Project Delivery	Risk of delays and cost overruns during the construction phase.	Appointment, oversight, and performance management of a competent Construction and Operating Services Provider and Engineering, Procurement and Construction (EPC) contractors.
	Cost Recovery	Inability to fully recover capital and operating expenditures through the regulated revenue model, potentially affecting returns.	Pre-approval of work programmes and budgets by regulator, robust cost management processes, contractor oversight, and transparent cost reporting.
	Operational Performance	Poor operational performance post-commissioning could impact financial returns.	Oversight and performance management of a competent Construction and Operating Services Provider.
	Emitter Project Delivery	Cancellation of Track 1 selected emitter projects could impact available CO2 volumes and NEP long term viability.	Additional volume capture from potential future emitter projects. NEP investment return ultimately protected by Government Support Package.
	Future Developments	Lack of government support or changes in regulation may inhibit network growth or investment access.	Engagement with government and regulators; close monitoring of financing conditions and regulatory developments.
Safety and Operational	HSE Incident	Exposure to health, safety, and environmental risks during offshore drilling, surveys, construction and operations, potentially leading to regulatory actions, legal liability, or reputational damage.	Implementation of robust HSE policies, and procedures, including the cascading to contractors and sub-contractors; appointment and oversight of competent Construction and Operating Services Provider and EPC contractors.

NET ZERO NORTH SEA STORAGE LIMITED
DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

Principal risk and uncertainties (continued)

Compliance and Controls	Regulatory Compliance	Breaches of economic licence conditions could result in licence revocation and business failure.	Active management of licence obligations, regular regulator engagement, and proactive data provision.
	Financial Reporting Misstatement	Risk of errors in financial/non-financial reporting due to system, process, or human error, potentially leading to regulatory or legal repercussions.	Maintenance of a strong control environment, reliable systems, and adequately trained staff.
	Ethical Misconduct	Unethical behaviour could damage trust, reputation, and result in legal or regulatory consequences.	Implementation of robust ethical policies, procedures, regular training, and promotion of an ethical corporate culture.

Financial risk management

The use of financial instruments and their related risks are disclosed in the risk sections in note 17.

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

In assessing whether the going concern assumption is appropriate, management has considered the forecast spend and cash requirements for a period of at least 12 months from the date of approval of these financial statements. With the substantial project financing arrangements and parent company guarantees in place, the Company expects that it has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements; and it is appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

For further information on financial risk factors, including liquidity risk and credit risk, see page 30.

NET ZERO NORTH SEA STORAGE LIMITED

DIRECTORS' REPORT (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

Directors

The directors who served during the period and up to the date of signing the financial statements, unless otherwise stated, were:

C R S Daykin	(appointed 4 June 2024 and resigned 18 December 2024)
M K De Grove	(resigned 4 June 2024)
L H Eldering	(appointed 18 December 2024)
J Howe	(appointed 4 June 2024 and resigned 6 November 2024)
S C Jaeger	(appointed 4 June 2024 and resigned 13 September 2024)
T J Kabir	(appointed 28 August 2024)
A C Lane	(resigned 4 June 2024)
G Le Parc	(appointed 4 June 2024)
Dr. P J McFadzean	(appointed 4 June 2024)
T G Mellott-Batty	(appointed 23 December 2024)
A A A Nabeeh	(appointed 23 December 2024)
M W Perrie	(resigned 4 June 2024)
J S Whittington	(appointed 23 December 2024)

Qualifying third-party indemnity provisions

Subject to the conditions set out in Section 234 of the Companies Act 2006, the Company has indemnified its directors for any liability incurred by the directors in connection with negligence, default, breach of duty or trust in relation to the Company or an associated company, and in their duties as officers of the Company or an associated company. These indemnities were in force throughout the period and remain in force at the date of this report.

Disclosure of information to auditor

In the case of each director in office at the date the directors report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditor, BDO LLP, was appointed during the period as the auditor to the Company for the period ended 31 March 2025 and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

NET ZERO NORTH SEA STORAGE LIMITED
DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors have also taken advantage of the small companies' exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic report.

By order of the board:

Peter McFadzean

[Peter McFadzean \(Sep 29, 2025 13:10:01 GMT+1\)](#)

Dr. P J McFadzean

Director

Date: 29-Sep-2025

NET ZERO NORTH SEA STORAGE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES OF NET ZERO NORTH SEA STORAGE LIMITED

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NET ZERO NORTH SEA STORAGE LIMITED

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2025 and of its profit for the period then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Net Zero North Sea Storage Limited ("the Company") for the period ended 31 March 2025 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NET ZERO NORTH SEA STORAGE LIMITED (continued)

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NET ZERO NORTH SEA STORAGE LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be company law, tax legislation, bribery act, employment legislation, corporation tax and VAT legislation, health and safety including the financial reporting framework.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NET ZERO NORTH SEA STORAGE LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls via posting inappropriate journal entries and management bias regarding key accounting estimates and judgments.

Our procedures in respect of the above included:

- Obtained an understanding of the design and implementation of relevant controls surrounding the financial reporting close process such as controls over the posting of journals and obtained understanding of the segregation of duties in these processes.
- Performed information produced by entity ("IPE") testing regarding the completeness and accuracy of data received from the entity.
- Tested the appropriateness of journal entries made throughout the year which met specific risk-based criteria to supporting documentation.
- Performed additional journal entry testing over a sample of journal entries posted which did not meet the above-mentioned risk-based criteria in order to confirm the appropriateness of the audit teams risk assessment over journal entries.
- Reviewed unadjusted audit differences for indicators of bias or deliberate misstatement.
- Enquired of individuals involved in the financial reporting process, about the knowledge or existence of any inappropriate or unusual activity that may be indicative of an override of the control environment.
- Challenged assumptions, estimates and judgements made by management in areas involving significant estimates, with the key sources of estimation and judgement identified.
 - The carrying value of Assets under Construction;
 - The carrying value of Intangible Assets; and
 - The valuation of derivatives.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

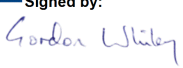
A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NET ZERO NORTH SEA STORAGE LIMITED (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:

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Gordon Whiley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 29 September 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

NET ZERO NORTH SEA STORAGE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MARCH 2025

		Period from 1 January 2024 to 31 March 2025	Year ended 31 December 2023
	Note	£'000	£'000
Administrative expenses		(1,825)	–
Operating loss	6	(1,825)	–
Finance income	7	86,586	–
Profit before tax		84,761	–
Tax on profit	8	(23,033)	–
Profit for the financial period/year		61,728	–

There is no comprehensive income attributable to the shareholders of the Company other than the profit for the period and so no statement of other comprehensive income is presented.

The Company's results are derived from continuing operations.

In the year ended 31 December 2023, the Company did not trade and made neither a profit nor a loss.

The notes on pages 18 to 37 are an integral part of these financial statements.

NET ZERO NORTH SEA STORAGE LIMITED
BALANCE SHEET
AS AT 31 MARCH 2025

REGISTERED NUMBER: 12473084

	Note	31 March 2025 £'000	31 December 2023 £'000
Non-current assets			
Intangible assets	10	44,869	—
Tangible assets	11	393,998	—
Trade and other receivables	12	9,866	—
Derivative assets	17	84,926	—
Total non-current assets		533,659	—
Current assets			
Trade and other receivables	12	20,404	—
Cash and cash equivalents	13	136,494	—
Total current assets		156,898	—
Total assets		690,557	—
Current liabilities			
Trade and other payables: amounts falling due within one year	14	(86,338)	—
Total current liabilities		(86,338)	—
Non-current liabilities			
Borrowings	15	(502,884)	—
Deferred tax liability	16	(23,033)	—
Total non-current liabilities		(525,917)	—
Total liabilities		(612,255)	—
Net assets		78,302	—
Equity			
Share capital	18	—	—
Retained earnings	19	78,302	—
Total equity		78,302	—

The notes on pages 18 to 37 are an integral part of these financial statements.

NET ZERO NORTH SEA STORAGE LIMITED

BALANCE SHEET (continued)

REGISTERED NUMBER: 12473084

AS AT 31 MARCH 2025

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 13 to 37 were approved by the board of directors and were signed on its behalf by:

Peter McFadzean

[Peter McFadzean \(Sep 29, 2025 13:10:01 GMT+1\)](#)

Dr. P J McFadzean

Director

Date: 29-Sep-2025

NET ZERO NORTH SEA STORAGE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2025

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2023	–	–	–
<i>Comprehensive income:</i>			
Profit for the financial year	–	–	–
At 31 December 2023 and 1 January 2024	–	–	–
<i>Comprehensive income:</i>			
Profit for the financial period	–	61,728	61,728
<i>Transactions with owners:</i>			
Issue of share capital (note 18)	149,574	–	149,574
Reduction in share capital (note 18)	(149,574)	149,574	–
Dividend paid (note 9)	–	(133,000)	(133,000)
At 31 March 2025	–	78,302	78,302

The notes on pages 18 to 37 are an integral part of these financial statements.

NET ZERO NORTH SEA STORAGE LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2025

	Note	Period from 1 January 2024 to 31 March 2025 £'000	31 December 2023 £'000
Cash used in operating activities	20	(17,023)	–
Net cash used in operating activities		(17,023)	–
Cash flow from investing activities			
Purchase of tangible assets		(302,392)	–
Purchase of intangible assets		(39,477)	–
Finance income		1,660	–
Net cash used in in investing activities		(340,209)	–
Cash flow from financing activities			
Drawdown of project financing net of transaction costs		481,812	–
Repayment of project financing VAT facility		(4,660)	–
Dividends paid	9	(133,000)	–
Proceeds from issue of share capital	18	149,574	–
Net cash generated from financing activities		493,726	–
Net increase in cash and cash equivalents		136,494	–
Cash and cash equivalents at the beginning of financial period/year		–	–
Cash and cash equivalents at the end of financial period/year	13	136,494	–

The notes on pages 18 to 37 are an integral part of these financial statements.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2025

1 General information

The principal activity of Net Zero North Sea Storage Limited is the development, construction and future operation of a Carbon Capture and Storage (CCS) network in the North East of England, known as the Northern Endurance Partnership (NEP).

The Company is a private company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of its registered office is Chertsey Road, Sunbury On Thames, Middlesex, TW16 7BP, United Kingdom.

2 Principal accounting policies

The significant accounting policies and critical accounting judgement, estimates and assumptions of the Company are set out below.

2.1 Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with UK adopted International Accounting Standards.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this section.

2.2 New standards, amendments and IFRIC interpretations

Amendments to IFRSs that are mandatorily effective for the current period:

In the current period, the Company has applied the following amendments to adopted IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2024. The directors do not expect that the adoption of the standards listed below will have a material impact on the financial statements of the Company in the current or future reporting years.

- Amendments to IAS 1, Presentation of financial statements' on non-current liabilities with covenants.
- Amendment to IAS 7 and IFRS 7 - Supplier finance.
- Amendment to IFRS 16, Lease - Liability in a Sale and Leaseback.
- Amendments to IAS 21 - Lack of Exchangeability (effective 1 January 2025).

New and revised IFRSs in issue but not yet effective:

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the UK:

- Amendments to the Classification and Measurement of Financial Instruments -amendments to IFRS 9 and IFRS 7 (effective 1 January 2026)

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

2 Principal accounting policies (continued)

2.2 New standards, amendments and IFRIC interpretations (continued)

- Annual improvements 2024 (effective 1 January 2026)
- Contracts Referencing Nature-dependent Electricity- amendment to IFRS 9 and IFRS 7
- IFRS 18, Presentation and disclosure in financial statement (effective 1 January 2027).
- IFRS 19, Subsidiaries without Public Accountability: Disclosures (effective 1 January 2027).

The directors have considered the standards that are not yet effective and are currently assessing their potential impact. At this stage, the directors do not expect the implementation of these standards to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

2.3 Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

In assessing whether the going concern assumption is appropriate, management has considered the forecast spend and cash requirements for a period of at least 12 months from the date of approval of these financial statements. With the substantial project financing arrangements and parent company guarantees in place, the Company expects that it has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements; and it is appropriate to continue adopt the going concern basis of accounting when preparing the financial statements.

For further information on financial risk factors, including liquidity risk and credit risk, see page 30.

2.4 Foreign currency

i. Functional and presentation currency

The Company's functional and presentational currency is pounds sterling (£). The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

2 Principal accounting policies (continued)

2.4 Foreign currency (continued)

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income except where deferred in Other Comprehensive Income as qualifying cash flow hedges.

All other foreign exchange gains and losses are presented in the Statement of Profit or Loss and Other Comprehensive Income within other operating (losses)/expenses or administrative expenses.

2.5 Finance costs and income

Finance costs related to interest expense on borrowings are recognised in the Statement of Profit or Loss using the effective interest method, except to the extent that they are directly attributable to the acquisition, construction, or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset in accordance with IAS 23 'Borrowing Costs'.

Finance income relates to interest income on cash held and is recognised in profit or loss as it accrues, using the effective interest method.

Additionally the fair value movements of derivatives is included within finance income/finance costs depending on whether the fair value movements represent a gain/loss.

i. Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.6 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

Tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

2 Principal accounting policies (continued)

2.6 Taxation (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2.7 Intangible assets

Intangible assets are recognised in accordance with IAS 38 "Intangible Assets".

Intangible assets are capitalised when the Company can demonstrate the following criteria has been met:

- The technical feasibility of completing the project so that it will be available for use or sale.
- The intention to complete, and ability to use or sell, the project.
- The project will generate future economic benefits.
- The availability of resources to complete the project.
- The ability to measure reliably the expenditures during development.

Intangible assets include the development of CO₂ transportation and storage facilities.

i. Derecognition

Once the consent to construct has been awarded, at this time the capitalised costs are transferred to property, plant and equipment provided that there is reasonable certainty of construction proceeding.

Additionally the intangible assets are derecognised on disposal, or when no future economic benefits are expected to arise.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

2 Principal accounting policies (continued)

2.7 Intangible assets (continued)

ii. Impairment

Intangible assets that have an indefinite useful life and intangible assets not yet available for use are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. If intangible assets with an indefinite useful life or intangible assets not yet available for use were initially recognised during the current annual period, that intangible asset is tested for impairment before the end of the current annual period. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable.

The aggregate carrying value is compared against the expected recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Tangible assets

i. Assets under construction

Assets under construction relate to the construction of onshore and offshore CO₂ pipelines, injection wells, subsea infrastructure, control rooms, and compression facilities. Assets under construction are recognised in accordance with IAS 16 Property Plant and Equipment, which defines property, plant and equipment as tangible items held for use in the production or supply of goods or services expected to be used for more than one accounting period and are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The cost of assets under construction includes the cost of materials, direct labour and other directly attributable costs. Additionally, preliminary costs for site preparation, installation, and commissioning of the assets are included. Where the asset is a qualifying asset, for which a considerable period of time is required to prepare the asset for use or sale, borrowing costs are being capitalised as part of the asset's cost and ceases to be capitalised when substantially all the activities necessary to prepare the asset for its intended use are complete. Recognition occurs when consent to construct has been awarded, marking the project's transition from the planning phase to the active construction phase.

Capitalisation of costs ceases once the asset is in the location and condition necessary for it to be capable of operating as intended, usually marked by the Commercial Operation Date at which time they are reclassified to the appropriate property, plant and equipment category from assets under construction.

All the subsequent expenditures will be assessed carefully to determine if they qualify for capitalisation, such as those aimed at enhancing the asset's operational capacity or extending its useful life.

Assets under construction are not subject to depreciation until they become operational.

During the period of construction, the asset is tested for impairment if any indicators of impairment are identified.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

2 Principal accounting policies (continued)

2.8 Tangible assets (continued)

Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly.

ii. Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.9 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. The Company's accounting policies in respect of financial instruments transactions are explained below:

i. Trade and other receivables

Trade and other receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows, and it therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the current receivables, their carrying amount is considered to be a reasonable approximation of their fair value.

ii. Cash and cash equivalents

Cash and cash equivalents include cash at bank.

iii. Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, there has been a negative impact on its estimated future cash flows. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

iv. Derivatives that do not qualify for hedge accounting

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are classified as either a financial asset or financial liability depending on the fair value of the instrument at the reporting date. The accounting for subsequent changes in fair value are recognised immediately in the Statement of Profit or Loss.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

2 Principal accounting policies (continued)

2.9 Financial instruments (continued)

At initial recognition, derivatives are measured at fair value, which is normally the transaction price. However, where the fair value at initial recognition differs from the transaction price and the fair value is evidenced by a quoted price in an active market or based on a valuation technique that uses only data from observable markets, any resulting day 1 gain or loss is recognised immediately in the Statement of Profit or Loss. If the fair value is not evidenced by observable market data, the day 1 gain or loss is not recognised immediately in the Statement of Profit or Loss but is deferred and capitalised as part of the cost of the related asset or liability. The deferred amount is subsequently recognised in the Statement of Profit or Loss (on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data and) only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the derivative or the transaction is closed out. Hedge accounting is not applied by the Company.

v. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit or Loss over the period of the borrowings using the effective interest 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. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a trade and other receivables for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Company has a right to defer settlement of the liability for at least 12 months after the reporting period.

vi. Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

vii. Derecognition of financial instruments

Financial assets are derecognised when either the contractual rights to the cash flows from the asset expire or when the asset is transferred, along with substantially all the risks and rewards of ownership, to another entity. Financial liabilities are derecognised only when the Company's obligations are discharged, cancelled, or expire.

2.10 Share capital

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

2.11 Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

3 Critical accounting judgements and estimation uncertainty

Key judgement

The preparation of these financial statements has specifically considered the following significant financial judgements, some of which are also areas of estimation uncertainty as noted below.

Judgements

i. Capitalisation of development costs

The assessment of whether costs incurred on development should be capitalised or expensed involves judgement. Any expenditure where it is not probable that future economic benefits will flow to the Company are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on whether it is probable that the expenditure will result in future economic benefits that are attributable to the assets.

ii. Financial Instruments

Information about valuation techniques, inputs used and sensitivities are disclosed in note 17.

4 Auditor's remuneration

	Period from 1 January 2024 to 31 March 2025 £'000	Year ended 31 December 2023 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	200	–

5 Employee information

(a) Remuneration of directors

	Period from 1 January 2024 to 31 March 2025 £'000	Year ended 31 December 2023 £'000
Directors		
Aggregate remuneration	22	–

No directors received contributions from the Company into a personal pension scheme for individual employees (year ended 31 December 2023: £nil).

(b) Employee costs

The Company had no employees during the period (year ended 31 December 2023: none).

NET ZERO NORTH SEA STORAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

6 Operating loss

Operating loss is stated after charging:

	Period from 1 January 2024 to 31 March 2025 £'000	Year ended 31 December 2023 £'000
Accountancy and professional fees	611	–
Early development expenditure	909	–

7 Finance income

	Period from 1 January 2024 to 31 March 2025 £'000	Year ended 31 December 2023 £'000
Bank interest received	455	–
Unrealised gains on derivative financial instruments	84,926	–
Other finance income	206	–
Derivative interest	999	–
	86,586	–

8 Tax on profit

	Period from 1 January 2024 to 31 March 2025 £'000	Year ended 31 December 2023 £'000
Current tax		
UK corporation tax on profits for the period/year	–	–
Current tax charge	–	–
Deferred tax		
Derivative contracts	23,033	–
Deferred tax charge	23,033	–
Tax on profit	23,033	–

The tax assessed for the period is higher than (year ended 31 December 2023: lower than) the standard rate of corporation tax in the UK of 25% (year ended 31 December 2023: weighted average rate of 23.52%). The differences are explained below:

NET ZERO NORTH SEA STORAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

8 Tax on profit (continued)

	Period from 1 January 2024 to 31 March 2025 £'000	Year ended 31 December 2023 £'000
Profit before tax	84,761	–
Profit before tax multiplied by UK weighted average rate of tax of 25% (year ended 31 December 2023: 23.52%)	21,190	–
Effects of:		
Pre-trading expenditure	1,843	–
Total tax charge	23,033	–

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. There has been no change to the corporation tax rates for the financial period ended 31 March 2025. The prevailing rate of UK corporation tax for the period is therefore 25% (year ended 31 December 2023: 23.52%).

9 Dividends

	Period from 1 January 2024 to 31 March 2025 £'000	Year ended 31 December 2023 £'000
Dividends of £1,330,000 per share were declared during the period (year ended 31 December 2023: £Nil)	133,000	–

10 Intangible assets

	Assets under construction £'000
Cost	
At 1 January 2024	–
Additions	44,869
At 31 March 2025	44,869
Net book value	
At 31 March 2025	44,869
At 31 December 2023	–

NET ZERO NORTH SEA STORAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

11 Tangible assets

	Assets under construction £'000
Cost	
At 1 January 2024	–
Additions	393,998
At 31 March 2025	393,998
Net book value	
At 31 March 2025	393,998
At 31 December 2023	–

Assets under construction are held at cost until such time that they are made available for use and are therefore not subject to depreciation at this time.

12 Trade and other receivables

	31 March 2025 £'000	31 December 2023 £'000
Non-current		
Prepayments	9,866	–
Current		
Amounts owed by group undertakings	108	–
VAT recoverable	14,981	–
Other receivables	5	–
Prepayments	5,310	–
	20,404	–
	30,270	–

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13 Cash and cash equivalents

	31 March 2025 £'000	31 December 2023 £'000
Cash at bank and in hand	136,494	–

NET ZERO NORTH SEA STORAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

14 Trade and other payables: amounts falling due within one year

	31 March 2025 £'000	31 December 2023 £'000
Trade payables	2,143	–
Other taxation and social security	2	–
Accrued expenses	84,193	–
	86,338	–

15 Borrowings

Borrowings are denominated in UK pounds with a nominal interest rate on a fixed rate over SONIA.

The company's Commercial loan facility, Devex debt facility and VAT loan facility were each entered into with a consortium of banks in December 2024.

The borrowings are as follows:

- Amounts of £385,244,000 and £144,045,000 were drawn down on 17 December 2024 and 17 March 2025 respectively under the Company's commercial loan facility. No loan repayments were made during the period in line with the Agreement.
- Amounts of £3,337,000 and £5,484,000 were drawn down on 17 December 2024 and 17 March 2025 respectively under the Company's Devex debt facility. No loan repayments were made during the period in line with the Agreement.
- Amounts of £4,660,000 and £13,623,000 were drawn down on 17 December 2024 and 17 March 2025 respectively under the Company's VAT loan facility. In March 2025, an amount of £4,660,000 was repaid.

The borrowings carrying amount at period end is £502,884,000 and are secured by a charge over all the Company's assets and by collateral encompassing all present and future interests of the Company.

16 Deferred taxation

	31 March 2025 £'000	31 December 2023 £'000
At the beginning of the period/year	–	–
Charged to profit and loss	23,033	–
At the end of the period/year	23,033	–

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

16 Deferred taxation (continued)

Deferred tax consists of the following deferred tax liabilities:

	31 March 2025	31 December 2023
	£'000	£'000
Fixed assets	1,801	–
Derivative contracts	21,232	–
	23,033	–

At the period end, the Company has an unrecognised deferred tax asset of £1,843,000 (year ended 31 December 2023: £nil) in relation to tax losses and restricted interest.

17 Financial instruments

The Company's principal financial instruments are set out below and stated at their carrying values:

	31 March 2025	31 December 2023
	£'000	£'000
Financial assets at fair value through profit and loss		
Derivative financial instruments	84,926	–
	84,926	–
Financial assets at amortised cost		
Cash and cash equivalents	136,494	–
Trade and other receivables	15,095	–
	151,589	–

Trade and other receivables above exclude prepayments. Trade and other receivables are classified and measured at amortised cost under IFRS 9. Impairment of these assets as assessed under the simplified expected credit loss model was immaterial at 31 March 2025, and therefore not recognised within the year.

NET ZERO NORTH SEA STORAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

17 Financial instruments (continued)

	31 March 2025 £'000	31 December 2023 £'000
Liabilities at amortised cost:		
Trade and other payables	(86,338)	–
Borrowings	(502,884)	–
	(589,222)	–

There were no significant differences between the carrying amounts and fair values of any of the financial assets or financial liabilities in the Balance Sheet as at 31 March 2025.

Fair Value Measurements

The fair value of financial instruments represents the price that would be received to sell an asset or paid to transfer a liability between informed and willing parties, other than in a forced or liquidation sale at the measurement date.

The valuation techniques for determining the fair value of financial instruments are classified under the hierarchy defined in IFRS13 which categorises inputs to valuation techniques into Levels 1-3 based on the degree to which the fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs, other than quoted process are included for Level 1 that are observable for the asset or liability either directly (i.e, as prices) or indirectly (i.e derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability are categorised across different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of financial instruments are shown in the table below. The Company has not disclosed the fair values for cash and cash equivalents, short-term deposits, trade receivables and trade payables as their carrying amounts are a reasonable approximation of the fair value.

	31 March 2025 Fair Value £'000
Financial assets at fair value through profit and loss	
Derivative financial instruments	84,926
	84,926
Financial liabilities at amortised cost	
Borrowings - Floating-rate sterling loans	(502,884)
	(502,884)

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

17 Financial instruments (continued)

Financial Instruments at Fair Value Through Profit and Loss

The Company's derivatives comprise of interest rate swaps which are measured at fair value through profit and loss. Fair value movements on these derivatives are recognised in the Statement of Profit and Loss. The fair values of the interest rate swaps are determined as the net present value of the expected future cash flows associated with each leg of the swap, discounted to the reporting date using market rates. Estimates of future cash flows are based on well-defined and traded market references. Future cash flows in periods where there is no quoted price for an instrument with an identical settlement date are based on an interpolation of the nearest quoted prices.

The Company has assessed all derivative financial instruments to fall within Level 2 of the fair value hierarchy, as the estimated fair value is based on market data inputs which are observable directly or indirectly and is adjusted with unobservable inputs where that adjustment is not significant to the entire measurement.

There were no transfers between levels 1 and 2 for these recurring fair value measurements during the period.

Financial Liabilities at Amortised Cost

The carrying value of borrowings approximates their fair value. The fair value of borrowings is determined using observable quoted market prices where this is available or by discounting the expected future cashflows using appropriate available market data.

Capital Risk Management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Company defines capital as net funds (total assets less total liabilities) and equity attributable to shareholders.

The Company's gearing level remains in line with the Company's capital management strategy and is fully compliant with the financing arrangements and regulatory obligations.

Management of Financial risk

Management monitors and manages the Company's financing, including debt, cash management and interest costs for the Company on a day to day basis. The Board of Directors reviews the Company's financing, treasury, policies and strategies.

In line with project financing arrangements, the Board has authorised the use of derivative financial instruments to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. Derivatives are used to hedge interest rate risk and to change the basis of interest cash flows from floating to fixed.

The Company's management of specific financial risks is dealt with as follows:

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

17 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to fund on a timely basis its capital expenditure program or service its debt. At 31 March 2025, the Company had total liquidity of £136,494,000, comprising entirely of cash borrowing. The Company has access to debt facilities and equity commitments from shareholders to meet obligations when due.

The Company is supported by the parent undertakings. The Company monitors funding to ensure availability of required liquidity, including capital expenditures and debt service payments, through cash management.

The table below analyses the Company's undiscounted cash flows on borrowings and net-settled derivative financial instruments, into relevant maturity groupings based on the remaining period to the contractual maturity date at the Balance Sheet date.

Liquidity risk (continued)

As at 31 March 2025	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total £'000
Non derivative financial liabilities					
Trade and other payables	86,338	–	–	–	86,338
Borrowings	13,623	–	–	538,110	551,733
	99,961	–	–	538,110	638,071
Derivatives					
Derivative assets – net settled interest rate swaps	1,531	(1,983)	2,418	81,417	83,383
	1,531	(1,983)	2,418	81,417	83,383

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, favourable derivative financial instruments and deposits with banks and financial institutions, as well as outstanding receivables.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

17 Financial instruments (continued)

The Company's maximum exposure to credit risk is the carrying amount of financial assets and therefore the maximum exposure at 31 March 2025 was £236,515,000. Analysis of this amount can be found in the financial assets section of this note. The Company has an arrangement in place whereby the counterparties of the Company's financial derivatives may be required to post collateral limiting risk of non-payment.

The Company's financial arrangements provide clear guidelines for liquidity instruments, sets counterparty concentration and minimum credit rating requirements (as measured by reputable credit agencies), outlines requirements and limits for derivative instruments.

At 31 March 2025 there were no significant concentrations of credit risk.

Market Risk – Interest Rate Risk

The Company's finance strategy defines long term objectives for the management of interest rate risk, in addition to compliance with the hedging policies contained in the financing documentation. These include, amongst other things, restrictions on over hedging and requirements as to the amount of the Company's debt which bears a floating rate of interest. Management reviews the hedging instruments quarterly to ensure restrictions are met.

All drawn debt at 31 March 2025, which is based on floating rates, is hedged via interest rate swaps at fixed rates. The fixed interest rates of the swaps range between 3.868% and 3.939%. The settlement dates largely coincide with the dates on which interest is payable on the underlying debt and the notional value of these instruments match the expected future drawings for committed borrowings.

Derivatives are only used for economic hedging purposes and not as speculative investments. The Company has not designated any derivatives within hedging relationships and therefore has not applied hedge accounting.

The table below summarises the sensitivity at 31 March 2025 of the Company's profit and loss to changes in interest rates for the Company's derivatives only. The sensitivity analysis excludes the Company's borrowings. A hypothetical 1% increase in interest rates would result in the following movement in fair value of the interest rate swaps as at 31 March 2025:

	31 March 2025		31 December 2023	
	£'000 +100bps	£'000 -100bps	£'000 +100bps	£'000 -100bps
Profit/(loss)	228,967	(228,967)	–	–

NET ZERO NORTH SEA STORAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

18 Share capital

	31 March 2025 £'000	31 December 2023 £'000
Allotted and fully paid		
100 (year ended 31 December 2023: 100) ordinary shares of £1 each	*_	*_

* less than £1,000

During the period ended 31 March 2025, a total of 149,574,264 ordinary shares of £1 each were allocated to the parent company at par value and settled in cash.

On 26 March 2025, the share capital of the Company was reduced by £149,574,264 by cancelling and extinguishing 149,574,264 ordinary shares of £1 each. £149,574,264 arising upon the capital reduction was credited to the profit and loss account of the Company.

19 Reserves

Retained earnings

Retained earnings represent all net gains and losses and transactions with owners (e.g. dividends) that are not recognised elsewhere.

20 Net cash used in operating activities

	31 March 2025 £'000	31 December 2023 £'000
Profit before tax	84,761	—
Interest receivable and similar income	(1,660)	—
Fair value adjustment to derivatives	(84,926)	—
Increase in trade and other receivables	(20,970)	—
Increase in trade and other payables	5,772	—
Net cash used in operating activities	(17,023)	—

NET ZERO NORTH SEA STORAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 MARCH 2025

21 Related party transactions

Key management personnel

During the period, key management personnel of the Company received total remuneration of £22,000 (year ended 31 December 2023: £nil).

Other related party transactions

	31 March 2025 £'000	31 December 2023 £'000
<i>Net Zero North Sea Storage Holdings Limited</i>		
Amount owed from parent company	108	–
<i>BP Alternative Energy Investments Limited</i>		
Amount owed to related party	(169)	–
Costs recharged out	(246)	–
<i>Net Zero Teesside Power Ltd</i>		
Costs recharged in	320	–
Amount owed to related party	(479)	–
Costs recharged out	(320)	–
<i>BP Exploration Operating Company Limited</i>		
Amount owed to related party	(17,587)	–
Costs recharged out	(139,198)	–
<i>BP Trinidad and Tobago LLC</i>		
Costs recharged out	(10)	–
<i>Equinor Low Carbon UK Limited</i>		
Amount owed to ultimate parent	(78)	–
Costs recharged out	(17,289)	–
<i>Equinor New Energy Limited</i>		
Amount owed to related party	(410)	–
Costs recharged out	(51,378)	–
<i>TotalEnergies CCS UK Limited</i>		
Amount owed to ultimate parent	(91)	–
Costs recharged out	(15,220)	–
<i>TotalEnergies E&P UK Limited</i>		
Amount owed to related party	(15)	–
Costs recharged out	(113)	–

There were also floating rate subordinated unsecured loan notes issued from BP Exploration Operating Company Limited, Equinor New Energy Limited & TotalEnergies CCS UK Limited of £9,667,791, £9,667,791 and £2,148,390 respectively in relation to the VAT on the transfer of project designs, business models & data. These loans were interest free and repaid in full in year.

NET ZERO NORTH SEA STORAGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2025

22 Capital and other commitments

At 31 March 2025, the Company had the following capital commitments:

	31 March 2025 £'000	31 December 2023 £'000
Contracts for future capital expenditure not provided in the financial statements	211,900	–

The capital commitments represent amounts that the Company is committed to as at the Balance Sheet date, inline with their contractual obligations.

23 Controlling party

The immediate parent company is Net Zero North Sea Storage Holdings Limited which is registered in the United Kingdom and whose registered office address is Chertsey Road, Sunbury On Thames, Middlesex, United Kingdom, TW16 7BP.

The ultimate parent companies are Equinor Low Carbon UK Limited, TotalEnergies CCS UK Limited and BP CCUS UK NEP Limited which are registered in the United Kingdom and whose registered office addresses are 1 Kingdom Street, London, United Kingdom, W2 6BD, 19th Floor 10 Upper Bank Street, Canary Wharf, London, England, E14 5BF and Chertsey Road, Sunbury On Thames, Middlesex, United Kingdom, TW16 7BP respectively.

There is no one ultimate controlling party.

Board Approval - Company's Audited Accounts

Final Audit Report

2025-09-29

Created:	2025-09-29
By:	Matthew Budge (matthew.budge@nep-eastcoastcluster.co.uk)
Status:	Signed
Transaction ID:	CBJCHBCAABAAEr9b4dXSdXdwrSAiuvHwPgStO-xUh8jT

"Board Approval - Company's Audited Accounts" History

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