



ANNUAL FINANCIAL REPORT

2014

Njord Gas Infrastructure AS

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Board of Director's report 2014

We are pleased to present the 2014 annual financial report for Njord Gas Infrastructure AS ('the Company').

About Njord Gas Infrastructure AS

The Company's main business is long-term investment in gas infrastructure serving the Norwegian continental shelf. The Company is a Norwegian private limited liability company headquartered in Stavanger, Norway, wholly owned by Njord Gas Infrastructure Holding AS (the "Parent Company"). The Parent Company is headquartered in Stavanger, Norway, and issues the consolidated financial statements.

The Company has an 8.036% ownership interest in Gassled, an unincorporated joint venture gas pipeline business (the 'Joint Venture').

The Company's reporting currency is Norwegian Kroner ('NOK'). Foreign currency transactions are translated at market rates. Comparable figures from last year are provided in brackets.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Business activities

Operationally, 2014 represented another excellent year for Gassled. Deliverability was 99.6% (99.7%) and the average regularity for the transport system for 2014 ended as high as 99.9% (99.9%). During 2014, a total of 101 billion Sm³ (102.5 billion Sm³) of gas was transported in Gassled from the Norwegian continental shelf to the terminals in Germany, Belgium, France and the UK.

Regulatory developments

On 27 June 2013, the Ministry of Petroleum and Energy ('MPE') announced changes in the Tariff Regulation (the 'Amendment') which reduces the future income basis for the Company significantly. The implications for the Company are not substantial in the short to medium term, but will increase over time as new bookings at lower tariffs start to account for a higher proportion of the revenue basis.

In response to the Amendment, Njord Gas Infrastructure AS filed a writ of summons to initiate legal proceedings against the MPE on 16 January 2014. In the writ of summons, Njord Gas Infrastructure AS argues that the MPE's decision to reduce the Gassled tariffs does not have sufficient legal basis and must therefore be ruled invalid and claims compensatory damages for the loss incurred as a result of the decision. The hearing date has been scheduled to commence in April 2015.

Going concern

In accordance with the Norwegian Accounting Act section 3-3, the Board confirms that the conditions for continued operations as a going concern are present and that the annual financial statements have been prepared under this presumption.

Income statement and statement of financial position

Operating revenue for the year amounted to NOK 2,076 million (NOK 1,911 million). Net operating income for the year amounted to NOK 1,302 million (NOK 1,117 million).

Net financial expense of NOK 92 million (income of NOK 156 million) mainly relates to cost, partly offset by fair value gains, associated to the Company's bonds and swaps. The Board is of the opinion that mitigating the underlying economic risk relating to cash flows is of high importance to its stakeholders and that by synchronizing its debt service with its revenue base, the swapped position provides an effective hedge for the Company's overall cash flow position. However, the concept of using swaps to convert the three nominal bond series into a synthetic NOK denominated inflation linked bond as further outlined in Note 7 of the financial statements, creates an accounting mismatch which causes volatility in the Company's net financial results (ref. Note 3).

The Company's tax expense was NOK 978 million (NOK 949 million). The effective tax rate of 81% for the year was higher than the corporate tax rate (27%) plus the petroleum tax rate (51%) at 78% mainly due to depreciation of permanent differences. This effect is partly offset by onshore income which does not qualify for the petroleum tax element.

Net gain for the year amounted to NOK 232 million (gain of NOK 324 million).

At 31 December 2014, total assets amounted to NOK 6,417 million (NOK 5,824 million), of which the investment in Gassled amounted to NOK 4,635 million (NOK 4,680 million). Cash and cash equivalents amounted to NOK 514 million (NOK 415 million).

Capital and financing

Net cash flow for the year was NOK 99 million (negative NOK 414 million). Cash flow from operating activities amounted to NOK 847 million (NOK 481 million). Cash flow to investing activities amounted to NOK -275 million (NOK - 250 million) and cash flow to financing activities amounted to NOK - 474 million (NOK - 645 million). A detailed cash flow statement is included in the financial statements.

The difference between operating results and cash flow from operating activities, mainly relates to depreciation, tax payments and financial items. The Company's investments are financed through its operating cash flows for 2013 and 2014.

The Company has on issue four series of bond loans which are listed on the Oslo Stock Exchange. The bonds were issued in 2011 to part finance the Gassled acquisition, and matures in 2027. The various bond series comprise a NOK 300 million index linked tranche, a NOK 550 million nominal tranche, a GBP 165 million nominal tranche and a USD 265 million nominal tranche. GBP 28 million of bonds are held as treasury bonds following a buy back in 2013.

Through the Company's investment in Gassled, it receives an inflation adjusted revenue stream which is mainly NOK denominated. In order to synchronize its debt service to its revenue base, the Company entered into three swap arrangements to exchange its nominal debt liabilities into a NOK denominated inflation linked debt service. These swap arrangements match the structure of the bonds perfectly and are expected to provide an effective hedge of the currency and cash flow risks underlying the nominal bond series. Following the buyback of GBP 28 million in 2013, the equivalent swap position was settled for a consideration of

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NOK 1.5 million. The Company also paid net principal payments of NOK 114 million (NOK 73 million) to its swap providers during the year.

The Company paid dividends of NOK 350 million (NOK 308 million) to the Parent Company during the year. At balance sheet date, shareholder loans including accrued interest of NOK 176 million remain outstanding.

Corporate Governance

The Articles of Association stipulates that the Board shall consist of 4 to 7 Directors, including the Chairman. It is further stipulated that all Directors, respective alternates and the Chairman shall be elected by the shareholders meeting.

The Company's articles of association stipulates certain rights to first refusal and tag along/drag along rights that restricts the shareholders' right to transfer, pledge or otherwise encumber its shareholding in the Company.

The Group's principles for corporate governance aim to ensure the greatest possible value creation over time in the best interest of shareholders, lenders, employees and other stakeholders.

Risk management and internal control

The Board of Directors shall ensure that the Company has good internal control functions and appropriate systems for risk management tailored to its operations and in accordance with the Company's core values, ethical guidelines and social responsibility policy. A review of the Company's most important risk areas and its internal control functions is conducted by the Board at minimum on an annual basis.

The Board has established three sub-committees to assist the Board to meet its responsibilities in relation to specific areas:

Health, Safety & Environment Committee ('HSEC')

The HSEC reviews the Company's HSE performance and the effectiveness of the health and safety policy and environment policy in order to assist the Board to meet its oversight responsibilities in relation to the Company's health, safety and environment performance.

Audit & Risk Committee ('AC')

The AC reviews the effectiveness of the Company's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks in order to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control, risk management and legal and regulatory compliance.

The auditor meets with the AC without any employees of the Company being present at least once each year.

Human Resources & Compensation Committee ('HRC')

The HRC reviews the Company's remuneration policies and practices and oversees the organizational development and practices in order to assist the Board in ensuring the establishment of human resources and compensation policies and practices which is fair, responsible and create value for the owners.

Risks

The Company's activities expose it to a variety of financial risks, including market risks, credit risks and liquidity risks. The Company's risk management program includes focusing on the unpredictability of financial markets and seeks to minimize potential adverse effects of such risks on its financial performance. The Company will therefore continue to manage its currency and cash flow exposures through derivative financial instruments for its long term exposures in accordance with market practice and to maintain flexibility in its liquidity base by keeping committed credit lines available.

The Company was incorporated on 25 January 2010. The acquisition of the ownership share in Gassled was completed in June 2011. Most of the Gassled assets are mature assets with a long operation history and stable management by Gassco AS ('Gassco'). However, no assurance can be given that this trend will continue or that future results will correspond to the previous performance of the Gassled assets. Although the Company has taken out insurances against certain risks and losses, not all operating risks are insurable and the coverage is subject to exclusions and limitations. The occurrence of any events that affect Gassled operations and are not fully covered by insurance could have a significant adverse effect of the Company's financial condition.

The Company has no significant assets except for those relating to the ownership share in Gassled. The operations, licenses and tariff system of Gassled are regulated by the MPE. The tariff regulations are designed to cover actual operating costs and capital costs for the facilities as well as a reasonable return on capital invested. As further outlined in the 'Business activities' section of this report, the MPE amended the Tariff Regulation in June 2013. The Amendment significantly reduced the future income basis of the Company. No guarantee can be given that the framework and/or the tariff basis will not be subject to further amendments in the future. A decrease in future bookings and/or further adverse changes to the regulatory system under which Gassled operates may reduce the Company's future cash flows further.

While the regulatory framework seeks to preserve the income of each Gassled participant in the event that it does not invest in additions of new gas transport assets into Gassled, there can be no assurance that such additions will not affect the Company's income. The Company may require additional capital in the future due to unforeseen events, for participation in expansion projects to the Gassled pipeline system and/or other business opportunities that may be presented to it.

The clients of the Joint Venture are generally oil companies with a strong financial basis, but – as with suppliers and customers in general – there is always a risk that unforeseen financial difficulties or contractual disagreements may arise which could have adverse effects on the financial condition of the Company.

Health, safety and environment

At the date of this report, the Company has six employees. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment occurred in 2014.

Sick leave was 0.9% (2.4%) during the year and the working environment is considered good. The Board and the management continue to focus on equal positions and opportunities for men and women among its employees and Board members. 50% (50%) of the employees are women. At present there are no female members of the Board of Directors.

External environment

The Company seeks to reduce its environmental footprint with its legal obligations as the minimum standard for performance. The Company's environmental policy stipulates that all activities shall be carried out with the aim of minimizing adverse effects on the environment and applies to all personnel and contractors engaged in activities under the Company's operational control.

The Company together with its Joint Venture partners in Gassled and Gassco, the operator of Gassled, work actively on measures that can reduce any negative impact on the environment. Operation of Gassled is based on a principle of using the best available technology and striving to exploit energy as efficiently as possible as well as a philosophy of zero harm to people, the environment and material assets. This view is founded on a conviction that all harm can be prevented by systematic and purposeful HSEQ work and maintenance of an effective emergency preparedness at all times with a view to responding to all conceivable hazards and accidents.

Corporate social responsibility

The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company is committed to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. The Company's whistleblower policy helps provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and the Company. As part of this policy, the Company has established a helpline which can be used for reporting unacceptable conduct.

Corporate social responsibility is also an integrated part of Gassco's organizational culture, strategy, operational activities and ethical conduct towards the world at large. The ethical guidelines of Gassco conform to the UN's Global Compact and the OECD's guidelines for multinational companies.

Gassco's tendering process clarifies whether the supplier has established its own policy and guidelines for corporate social responsibility, and whether it has been involved in incidents related to corruption, child labor or breaches of human rights or the rights of employees to unionize. Information on such matters is obtained from the suppliers themselves, from internet searches and from Achilles. Possible conditions uncovered will be significant in qualifying the supplier for participation in the tendering process.

Annual results and year-end appropriations

The Board proposes the following appropriation of the annual gain of NOK 232,302,884 in Njord Gas Infrastructure AS:

Gain transferred to other equity:	NOK 232,302,884
Total transfer:	NOK 232,302,884

At balance sheet date, the Company had total equity of NOK 727,174,874. Following an assessment of the soundness of the Company's equity and liquidity in relation to its activities and risks, the Board will propose a dividend payment of NOK 150,000,000 for the ordinary general meeting to take place in March 2014.

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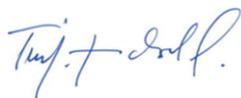
Outlook

With the exception of the ongoing tariff dispute, operation of the Company's main asset, the investment in Gassled, is running in line with expectations. Deliverability was as high as 99.6% for the year and 2014 represented the best annual HSE results ever.

However, the Company's long term financial profile has clearly changed as a consequence of the Amendment. The Board of Directors expects that the ongoing legal processes will require significant resources from the executive management and Board of Directors over the next 2-4 years. The Board of Directors views the Company's legal position as solid, but recognizes that there is always uncertainty associated with litigation processes. The final outcome of the court case is therefore considered uncertain. The Company intends to continue to fulfil all of its obligations as owner in Gassled.

The Board is not aware of any additional risk factors facing the Company other than those outlined in this report.

Stavanger, 26 March 2015
The Board of Directors of Njord Gas Infrastructure AS



Tore I. Sandvold
Chairman



Paul J. Moy
Director



Mark A. Gilligan
Director



Gautier M. J. F. Chatelus
Director



Birte Norheim
CEO

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Income statement

<i>NOK thousands</i>	Note	Year ended 31 December 2014	Year ended 31 December 2013
Transportation and processing revenue	4	2,075,759	1,911,213
<i>Operating expense</i>			
Transportation and processing expense		(439,497)	(453,437)
Depreciation	9	(319,547)	(303,230)
Employee benefit expense	5	(10,394)	(8,674)
Other operating expense	6/19	(4,297)	(28,631)
Total operating expense		(773,735)	(793,972)
Net operating income/(loss)		1,302,024	1,117,240
<i>Financial income and expense</i>			
Finance income	7	592,270	216,968
Finance expense	7	(684,206)	(61,008)
Net financial income/(expense)	7	(91,935)	155,960
Net income/(loss) before taxes		1,210,088	1,273,200
Income tax (expense)/credit	8	(977,786)	(949,466)
Net income/(loss) for the period		232,303	323,735

Statement of comprehensive income

<i>NOK thousands</i>	Year ended 31 December 2014	Year ended 31 December 2013
Net income/(loss) for the period	232,303	323,735
Total comprehensive income/(loss)	232,303	323,735

Statement of financial position

<i>NOK thousands</i>	Note	As at 31 December 2014	As at 31 December 2013
Assets			
<i>Non-current assets</i>			
Gas transportation and processing facilities	9	4,485,354	4,540,421
Buildings	9	113,250	118,406
Construction in progress	9	36,008	20,764
Other fixtures & equipment	9	776	627
Asset retirement reimbursement	10	11,302	75,293
Other financial assets	11	888,117	310,675
Loan to parent company	18	1,198	916
Total non-current assets		5,536,004	5,067,103
<i>Current assets</i>			
Asset retirement reimbursement, current portion	10	67,453	66,466
Trade and other receivables	12	299,507	275,633
Cash and cash equivalents	13	513,773	415,219
Total current assets		880,733	757,318
Total assets		6,416,737	5,824,420
Equity and liabilities			
<i>Equity</i>			
Share capital	14	228,599	228,599
Other paid in capital		266,273	377,490
Retained earnings		232,303	238,783
Total equity		727,175	844,872
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Deferred tax liabilities	8	902,513	553,140
Shareholder loans	15/17	176,260	166,188
Bond loans	15/17	3,663,179	3,444,869
Asset retirement obligation	10	12,923	77,035
Total non-current liabilities		4,754,874	4,241,232
<i>Current liabilities</i>			
Asset retirement obligation, current portion	10	67,453	66,466
Current taxes	8	276,677	272,030
Other financial liabilities	11	10,226	92,090
Bond loans	15/17	422,033	198,742
Trade and other payables	16	158,299	108,989
Total current liabilities		934,688	738,316
Total liabilities		5,689,562	4,979,548
Total equity and liabilities		6,416,737	5,824,420

Stavanger, 31 December 2014/26 March 2015

The Board of Directors of Njord Gas Infrastructure AS



Tore I. Sandvold
Chairman



Paul J. Moy
Director



Mark A. Gilligan
Director



Gautier M. J. F. Chatelus
Director



Birte Norheim
CEO

Statement of changes in equity

<i>NOK thousands</i>	Nominal share capital	Other paid in capital	Retained earnings	Total equity
Total equity as at 1 January 2013	457,198	457,198	(84,952)	829,443
Total comprehensive income/(loss) for the year	0	0	323,735	323,735
Reduction of share capital	(228,599)	228,599	0	0
Dividend payment proposed in 2012, paid in 2013	0	(88,306)	0	(88,306)
Dividend, proposed and paid in 2013	0	(220,000)	0	(220,000)
Total equity as at 31 December 2013	228,599	377,490	238,783	844,872

<i>NOK thousands</i>	Nominal share capital	Other paid in capital	Retained earnings	Total equity
Total equity as at 1 January 2014	228,599	377,490	238,783	844,872
Total comprehensive income/(loss) for the year	0	0	232,303	232,303
Dividend payment proposed in 2013, paid in 2014	0	(11,217)	(238,783)	(250,000)
Dividend, proposed and paid in 2014	0	(100,000)	0	(100,000)
Total equity as at 31 December 2014	228,599	266,273	232,303	727,175

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Statement of cash flow

<i>NOK thousands</i>	Note	Year ended 31 December 2014	Year ended 31 December 2013
<i>Cash flows from operating activities</i>			
Net income/(loss) before taxes		1,210,088	1,273,200
Depreciation	9	319,547	303,230
Interest expenses and finance expenses not paid		18,181	13,952
Interest income not received		(42)	(16)
Foreign exchange and other gains and losses		(101,692)	(346,618)
Changes in trade and other receivables	12	(23,874)	(11,432)
Changes in other long term receivables		(25)	0
Changes in trade and other payables	16	49,214	4,193
Tax payments	8	(623,766)	(755,189)
Net cash flow from/(used in) operating activities		847,632	481,320
<i>Cash flows from investing activities</i>			
Investment in property plant and equipment	9	(274,715)	(249,685)
Net cash flow used in investing activities		(274,715)	(249,685)
<i>Cash flows from financing activities</i>			
Dividend payments	14	(350,000)	(308,306)
Payment of principal bond loans	15/17	(10,502)	(6,210)
Repurchase of bond loans	15/17	0	(256,417)
Payments on swap contracts	11/17	(113,620)	(73,900)
Loan to parent company	18	(240)	(434)
Net cash flow used in financing activities		(474,362)	(645,266)
Net change in cash and cash equivalents		98,555	(413,631)
Cash and cash equivalents at the beginning of the period		415,219	828,850
Cash and cash equivalents at the end of the period	13	513,773	415,219
Interest paid		(179,795)	(185,643)

Notes to the accounts

Note 1 - General information

Njord Gas Infrastructure AS ('the Company') is a limited liability company incorporated and domiciled in Norway, with its main office in Stavanger. The Company holds an 8.036% interest in Gassled, which owns the Norwegian gas transport infrastructure.

The Company's presentation currency is Norwegian Kroner ('NOK'). All amounts in the financial statements are provided in NOK thousands unless stated otherwise.

The financial statements were authorized for issue by the Board of Directors on 26 March 2015.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis for preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis with some exceptions, as detailed in the accounting policies set out below.

2.2 Interests in joint arrangements

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Gassled is not a separate legal entity. However, the ownership of the integrated set of assets and liabilities is regulated by a contractual agreement giving the Company the rights to its share of the respective assets and liabilities.

The Company accounts for its ownership in Gassled as joint operation. Interests in joint operations are recognized by including the Company's share of assets liabilities, income and expense on a line-by-line basis. At balance sheet date, the interest in the Joint Venture is included in the following lines in the statement of financial position; gas transportation and processing facilities, buildings, construction in progress and other fixtures & equipment, in addition to working capital assets and liabilities.

2.3 Foreign currency

The functional currency of the Company is NOK. Monetary assets and liabilities denominated in other currencies are translated at exchange rates prevailing at balance sheet date. Foreign currency revenues and expenses are translated at exchange rates prevailing at transaction date. Realized and unrealized gains and losses resulting from foreign exchange are recognized in the income statement as incurred.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over expected useful life. If individual parts of property, plant and equipment have different useful lives they are accounted for and depreciated separately.

2.5 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether any indication of impairment exists. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

2.6 Asset retirement obligation

Provisions for asset retirement obligations are recognized when the Company has an obligation (legal or constructive) to dismantle and remove gas transportation and processing facilities. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

In accordance with underlying agreements, the majority of the future asset retirement costs will be reimbursed from the companies utilizing the gas transportation system for transportation of gas (the 'Shippers'). To the extent that an asset retirement obligation recognized in the balance sheet may be reclaimed by the Shippers, it will therefore result in a corresponding receivable from the Shippers. Any part of the provision for asset retirement obligations that are to be borne by the Company is capitalized as a part of the asset cost and depreciated over the assets expected useful life.

The liability and the corresponding receivable are accreted for the change in its present value each reporting period. Accretion expense related to the time value of money are classified as part of financial expense in the income statement.

The provision and the discount rate are reviewed at each reporting period.

2.7 Financial instruments at fair value through profit or loss

Derivatives

Derivative instruments are classified as financial assets or liabilities at Fair Value Through Profit or Loss ('FVTPL'). The carrying value of derivative instruments at FVTPL represents the instrument's fair market value. Any gains or losses arising on re-measurement is recognized in the income statement as incurred.

The net gain or loss recognized in profit or loss incorporates transaction cost and interest expense incurred on the financial liability.

2.8 Financial assets

Short term receivables are initially recognized at fair value plus any transaction costs. The receivables are subsequently carried at amortized cost using the effective interest method (if the amortization effect is material). The carrying amount of the asset is reduced by any impairment losses.

2.9 Financial liabilities

Financial liabilities, other than those recognized at FVTPL, are initially recognized at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortized cost with any difference between cost and redemption being recognized in the statement of income over the expected duration of the loan.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from gas transportation and gas processing is recognized as earned in line with underlying agreements. Transportation and processing of gas is based on nominations from the shippers on a ship-or-pay basis. The tariffs for the transportation of gas is regulated by the MPE and are designed to cover actual operating costs and capital costs for the facilities as well as a return on capital invested.

2.12 Taxes

Income taxes for the period comprise tax payable and changes in deferred tax. The tax rates and tax laws used to compute tax are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

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Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realized or the liabilities are settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

2.13 Segment reporting

The Company only operates within one business segment and one geographical area and therefore does not report segment information.

2.14 Cost of equity transactions

Transaction costs directly linked to an equity transaction are recognized directly in equity, net after tax.

2.15 Cash flow statement

The cash flow statement is prepared by using the indirect method.

2.16 Equity

Fund for unrealized gains

The Company recognizes its nominal bonds at fair value using the FVTPL option based on the “accounting mismatch” criterion in IAS 39.9. The nominal bonds and the corresponding swap contracts are considered as a group of assets or liabilities for the purpose of recognition of unrealized gains in the fund for unrealized gains. Any applicable unrealized gains on the bonds are therefore recognized in the fund for unrealized gains net of the unrealized losses on the related derivatives and vice versa.

2.17 New and amended standards and interpretations

Amendments to standards effective for the accounting periods starting 1 January 2014 did not have any material impact on the Company’s financial statement.

IFRS and IFRIC issued but not adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and FVTPL. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities

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designated at FVTPL. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. It is not expected that IFRS 15 will have a material impact on the Company's financial statement.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company are listed below.

It is assessed that none of the standards, amendments and interpretation to existing standards will have material impact on the financial statements as the currently is presented, however they may have impact in the future.

Note 3 – Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under current circumstances.

i. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Income taxes

The Company is mainly subject to income taxes under the Norwegian Petroleum Tax jurisdiction. Judgment is required in determining the provision for income taxes. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The accounting of deferred income tax asset relies upon management's judgment of the Company's ability to generate future positive taxable income in respective jurisdictions.

Removal cost

Estimating the costs of decommissioning/removal activities are challenging and relevant risks and uncertainties including potential changes to technology and regulations need to be considered. Most of the removal activities are expected to take place many years into the future and removal technology and cost are constantly changing. The estimates include assumptions of the probability that the Company will be required to remove various assets as well as required duration and rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, estimating decommissioning obligations involves significant judgment.

The Company has based its estimated cost on budgets prepared by Gassco, the independent operator of Gassled. The discount rate is based on market quoted swap rates for each currency group and additionally includes an estimate for inflation and risk premium. The estimates are based on management's best estimate. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the provisions in the period in which such determination is made. The majority of removal obligations are reclaimable from the Shippers (ref. Note 2.6), and any potential changes to the provisions will therefore not materially impact the income statement.

Fair value of bond loans and derivative financial instruments

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses FVTPL to account for its nominal bond loan series and related swap instruments. Due to the terms and structure of the derivatives and the bond loan, the measurement of fair value is complex, and requires substantial judgment.

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The Company calculates the fair value of its FVTPL financial instruments by applying conventional bond and swap valuation techniques based on market quoted swap rates and management's best estimate of market expectations for future inflation and credit spread. Changes in the combined fair values of the bonds and swaps are mainly impacted by changes in Norwegian interest rates, changes in expectations for future Norwegian consumer price inflation ('CPI') as well as currency movements. The fair value of the nominal bond loan series may additionally be impacted by changes to assumed credit risk. Increased credit spread in 2013, due to lowered rating of the Company's bonds, reduced the fair value of the bonds and impacted the financial results by a gain of NOK 366m for 2013. Further increased credit spread in 2014, due to an overall increase in spread on non-investment grade bonds, impacted the financial results by a gain of NOK 311m for 2014. Accumulated gain due to increased credit spread amounts to NOK 677m. Of the key parameters impacting the FVTPL, the change in credit spread had the most significant impact which is attributable to changes in regulation (2013) and significant movements in the high yield market (2014).

The estimated loss position of the swaps at inception is recognized as a financial asset which amortize linearly until maturity date.

ii. Critical judgments in applying the Company's policies

Assumptions applied for the purpose of estimating the fair value of the Company's nominal bond loan series and related swaps include expectations for future Norwegian interest rate, credit spread and future CPI. For the swapped position of the Company, an increase in a) Norwegian interest rates will have a favorable impact on the Company's income statement and vice versa, b) credit spread will have a favorable impact on the Company's income statement and vice versa, and c) CPI will have an adverse impact on the Company's income statement and vice versa. For example (all other variables kept constant):

a) If expectations for future Norwegian interest rates at 31 December 2014 had been:

- 50bps higher, then profit before tax would have been NOK 117.3 million higher
- 50bps lower, then profit before tax would have been NOK 122.7 million lower

Management's estimate of change in credit spread since issuance as applied in relation to these financial statements is 325bps.

b) If the change in credit spread at 31 December 2014 had been:

- 50bps higher, then profit before tax would have been NOK 95.2 million higher
- 50bps lower, then profit before tax would have been NOK 99.3 million lower
- 100bps higher, then profit before tax would have been NOK 186.7 million higher
- 100bps lower, then profit before tax would have been NOK 202.9.1 million lower

Management's estimate of CPI as applied in relation to these financial statements is 1.75%.

c) If expectations for future CPI at 31 December 2014 had been:

- 25bps higher, then profit before tax would have been NOK 56.7 million lower
- 25bps lower, then profit before tax would have been NOK 55.6 million higher
- 50bps higher, then profit before tax would have been NOK 114.2 million lower
- 50bps lower, then profit before tax would have been NOK 110.3 million higher

Note 4 – Segment information

The Company operates within one business segment; namely its investment in gas the transportation infrastructure connected to the North Sea. The Company does therefore not separate its activities into different operating or geographical segments.

Specification of major customers

Approximately 71% (68%) of the Company's revenue was from a national oil company with investment grade credit rating. Estimated total revenue attributable to this customer during the year was NOK 1.5 billion (NOK 1.3 billion).

Note 5 – Employee benefit expense

Specification of employee benefit expense

<i>NOK thousands</i>	2014	2013
Payroll expense	8,755	7,076
Social security tax	1,270	1,067
Pensions	289	323
Other personnel expense	79	208
Total employee benefit expense	10,394	8,674

Total number of man-years (rounded)	6	6
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Pensions

The Company has a defined contribution pension plan for its employees, which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

See information in Note 18 regarding remuneration of key management.

Note 6 – Other operating expense

Specification of other operating expense

<i>NOK thousands</i>	2014	2013
Legal fees	11,457	16,270
Other consulting fees	6,005	10,368
Lease expenses and other office costs	684	598
IT expense	254	286
Refunded VAT for prior years	(16,323)	0
Other operating expense	2,220	1,108
Total operating expense	4,297	28,631

Specification of auditor's fees

<i>NOK thousands</i>	2014	2013
Statutory audit	279	272
Tax advisory services	58	122
Other advisory services	0	100
Total auditor's fees	337	494

Note 7 – Finance income and expense

<i>NOK thousands</i>	2014	2013
Interest income	9,521	14,041
Net gain on derivative instruments (swaps)	580,590	44,230
Fair value gain on bond loans at FVTPL	0	157,990
Net currency translation effects	2,159	708
Total finance income	592,270	216,968
Interest expense	31,267	28,579
Amortization of day 1 loss	10,433	25,343
Fair value loss on bond loans at FVTPL	635,174	0
Net realised loss on buyback of bond loans	0	2,819
Other financial expenses	7,331	4,267
Total finance expense	684,206	61,008
Net financial income/(expense)	(91,935)	155,960

The majority of the Company's revenues are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt exposure to its cash flows from operations (ref. Note 17), the Company has entered into three series of swap arrangements (ref. Note 11). Each series of swaps replicate perfectly the three nominal bond series so that the Company effectively has swapped all of its nominal bond positions into a NOK denominated inflation linked position.

Management expects that the concept of converting the three nominal bond series into a synthetic NOK denominated inflation linked position provides an effective hedging of the Company's overall cash flow position. However, the synthetic position creates an accounting exposure/mismatch that is distinct and separate from the underlying economic exposure of the Company and that would not arise for a conventional NOK denominated inflation linked bond position recognized at amortized cost.

During 2013, the net adverse effect of the NOK swap rates reducing in the near term and increasing in the long term was more than offset by the impact of the change in credit spread. During 2014, the weakened NOK increased the fair value of the bonds, which was partly offset by an increase in the fair value of the swaps. The adverse effect of the NOK swap rates continuing to reduce in 2014 was more than offset by the impact of the change in credit spread as further described in Note 3. These effect are due to the FVTPL approach applied for the recognition of the bonds and swaps requires the Company to value the financial instruments marked-to-market and thus recognizing the full unrealized change in fair value of the financial instruments in the income statement immediately. In reality however, those exposures are matched against the operating cash flows which will be recognized in the income statement as incurred.

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Note 8 – Tax

Income taxes recognized in the income statement

<i>NOK thousands</i>	2014	2013
Tax payable	627,710	603,855
Tax payable, adjustment previous years	702	(29)
Change in deferred tax	349,373	345,640
Total income tax expense recognized in the income statement	977,786	949,466

Reconciliation of income tax

<i>NOK thousands</i>	2014	2013
Profit/(loss) before income tax	1,210,088	1,273,200
Expected income tax at nominal tax rate (27% / 28%)	326,724	356,496
Expected petroleum tax (51% / 50%)	617,145	636,600
Permanent differences (1)	112,891	111,471
Financial items	25,099	(75,380)
Onshore items	(81,116)	(50,819)
Uplift	(22,969)	(20,722)
Changed tax rates	0	(8,151)
Change in valuation allowance and changes related to prior years	11	(29)
Total income tax expense recognized in the income statement	977,786	949,466

Effective income tax rate	80.8 %	74.6 %
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(1) Permanent differences mainly relate to depreciation of property, plant and equipment recognized at acquisition of interest in Gassled (section 10 resolution)

Specification of tax effects on temporary differences, tax losses and uplift carried forward

<i>NOK thousands</i>	2014	2013
Property, plant and equipment	549,218	426,488
Loans and swap contracts	369,516	142,277
Asset retirement obligation	(1,264)	(1,359)
Tax losses carried forward	(14,956)	(14,265)
Total deferred tax liabilities/(assets)	902,513	553,140
Total deferred tax liabilities/(assets) recognized	902,513	553,140

Deferred tax is calculated based on tax rates applicable at balance sheet date. Ordinary income tax is 27%, to which is added a special petroleum tax for oil and gas companies at the rate of 51%, giving a total tax rate of 78%.

Tax payable

<i>NOK thousands</i>	2013
Tax payable for year 2013	603,855
Tax paid for year 2013	(364,771)
Tax payable, adjustment previous years not yet assessed	32,945
Total tax payable 2013	272,030
Tax payable for year 2014	627,710
Tax paid for year 2014	(383,979)
Tax payable, adjustment previous years not yet assessed	32,945
Total tax payable 2014	276,677

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Note 9 – Property, plant and equipment

<i>NOK thousands</i>	Gas transportation and processing facilities	Buildings	Construction in progress	Other fixtures & equipment	Total
Cost					
Cost at 1 January 2013	5,054,805	133,533	0	373	5,188,712
Additions through acquisition	0	0	0	0	0
Additions since acquisition	224,286	4,321	20,764	313	249,685
Disposals	0	0	0	0	0
Cost at 31 December 2013	5,279,092	137,854	20,764	687	5,438,397
Additions	256,447	2,835	15,244	190	274,715
Transferred from construction in progress	0	0	0	0	0
Disposals	0	0	0	0	0
Cost at 31 December 2014	5,535,539	140,689	36,008	877	5,713,112
Depreciation and impairment					
Accumulated at 1 January 2013	(443,226)	(11,693)	0	(28)	(454,947)
Depreciation for the year	(295,444)	(7,754)	0	(32)	(303,230)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated at 31 December 2013	(738,670)	(19,447)	0	(60)	(758,177)
Depreciation for the year	(311,514)	(7,991)	0	(42)	(319,547)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated at 31 December 2014	(1,050,184)	(27,438)	0	(102)	(1,077,724)
Carrying amount at 31 December 2013	4,540,422	118,407	20,764	627	4,680,220
Carrying amount at 31 December 2014	4,485,354	113,250	36,008	776	4,635,388
Depreciation plan	Linear	Linear		Linear	
Estimated useful life (years)	17.6 (1)	17.6 (1)		17.6 (1)	

(1) Depreciation over 17.6 years corresponds to the period from the acquisition of the interest in Gassled to the end of the current license period in 2028. Additions in 2014 are depreciated over 14.5 years.

Impairment test

On the basis of the new Tariff Regulation which was amended in 2013, the Company has tested its property, plant and equipment for impairment. The calculated recoverable amount is higher than the carrying amount and no impairment has therefore been recognized.

Planned investments

The figures in the table below are based on the Company's share of the investments in the four year plan of the Joint Venture. The amounts are based on estimated cost and time for non-discretionary projects and do not necessarily represent committed liabilities.

<i>NOK thousands</i>	2015	2016	2017	2018
Investments	139,907	70,154	0	0

Note 10 – Assets retirement obligation and reimbursement

Provisions have been made for estimated costs for abandonment of gas transportation assets and processing facilities. However, in line with underlying agreements, the majority of these expected future expenses are reimbursable by the users of the system; the Shippers. This is reflected in the financial statements by the recognized asset retirement reimbursement that corresponds to the recognized liabilities (to the extent applicable).

The majority of the recognized asset retirement obligations and reimbursements is expected to incur over the next 2 years. The current license period expires in 2028. However, the outlook for continued production of Norwegian gas far beyond 2028 is considered highly probable and the Company therefore allocates a low probability that it will become liable for the cost of abandonment upon depletion of Norwegian gas on the continental shelf under the existing license.

Asset retirement reimbursement

<i>NOK thousands</i>	2014	2013
Asset retirement reimbursement, non-current portion	11,302	75,293
Asset retirement reimbursement, current portion	67,453	66,466
Total asset retirement reimbursement	78,755	141,759

Asset retirement obligation

<i>NOK thousands</i>	2014	2013
Asset retirement obligation, non-current portion	11,302	75,293
Asset retirement obligation, non-reimbursable non-current portion (1)	1,621	1,742
Total non-current asset retirement obligation	12,923	77,035
Asset retirement obligation, current portion	67,453	66,466
Total provision	80,376	143,500

(1) The non-reimbursable portion of the provision is recognized as an asset cost (ref. Note 9)

Changes in provision

<i>NOK thousands</i>	2014	2013
Balance at 1 January	143,500	198,411
Change in estimate of provision - reimbursable (1)	(5,319)	198
Payments - reimbursable	(57,685)	(55,012)
Change in provision - non-reimbursable	(208)	(183)
Unwinding of discount - non-reimbursable	87	87
Balance at 31 December	80,376	143,500

(1) As described above, changes in provision for reimbursable obligations are recognised as an adjustment to the asset retirement reimbursement.

Note 11 – Other financial assets and liabilities

As described in Note 7, the Company has entered into a series of swap arrangements that are matched perfectly to each nominal bond tranche (timing, payment structure, maturity) so that the Company effectively has exchanged its economic exposure to local currency denominated nominal debt service for NOK denominated inflation linked debt service. The following tables summarize the contracts and the carrying amounts:

Summary of contracts

Bond loan/swap contracts	Company pays to swap providers	Company receives from swap providers	Maturity
USD 265m nominal	NOK inflation linked interest and principal	USD nominal interest and principal	30 Sept. 2027
GBP 165m nominal*	NOK inflation linked interest and principal	GBP nominal interest and principal	30 Sept. 2027
NOK 550m nominal	NOK inflation linked interest and principal	NOK nominal interest and principal	30 Sept. 2027

* GBP 28m of the total issued amount of GBP165m is held as treasury bonds following a buy back in 2013. The equivalent swap position was settled in 2013.

Carrying amounts – Other financial assets

<i>NOK thousands</i>	2014	2013
Fair value on derivative financial instruments	755,965	168,091
Loss on derivative instruments at inception	132,151	142,584
Other financial assets	888,117	310,675

Carrying amounts – Other financial liabilities

<i>NOK thousands</i>		
Current portion of financial instruments	10,226	92,090
Other financial liabilities	10,226	92,090

Reconciliation of fair value measurement

<i>NOK thousands</i>	2014	2013
Opening balance fair value derivative financial instruments	76,001	(27,843)
Payments of principal amounts	113,620	72,400
Net receipt of interest payments	(24,471)	(14,287)
Loss on settlement	0	1,500
Gain/(loss) from fair value remeasurements recognised in income statement	580,590	44,230
Ending balance fair value derivative instruments	745,740	76,001

The purposes of the swap arrangements

1) Reduce bond currency risk

After taking into account the swaps, the Company is only exposed to debt service in NOK so that its debt service obligations are not impacted by movements in USD and GBP versus NOK.

2) Match debt service with the NOK inflation linked cash flows of Gassled

Through the Company's investment in Gassled, it receives an inflation adjusted revenue stream that is mainly NOK denominated. By entering into the swap arrangements, the Company has effectively exchanged its nominal bond debt liabilities for NOK denominated inflation linked debt service to match the underlying inflation linked NOK denominated cash flows from operations.

Loss of derivative instruments at inception

The fair value of the swap contracts has been calculated by using valuation techniques that incorporate all factors that market participants would consider in setting a price. At initial recognition, the best estimate of a fair value gave rise to a loss at inception of NOK 186,056 thousands. Consistent with IAS 39, this loss was not recognized in the income statement at initial recognition. The loss at inception was capitalized, and is reflected in the income statement on a linear basis over the duration of the swaps. The portion of the loss at inception allocated to the GBP 28 million position which was settled during the year was expensed in 2013. The remaining balance of the loss recognized at inception was NOK 132,151 thousands (NOK 142,584 thousands) at balance sheet date.

The loss reflects credit charges from the swap counterparties and a limited market for such transactions.

Note 12 – Trade and other receivables

Specification of trade and other receivables

<i>NOK thousands</i>	2014	2013
Accrued income	187,685	171,339
Joint Venture receivables	104,298	62,431
Prepaid expenses	1,674	38,394
VAT receivable	900	0
Other short term receivables	4,950	3,470
Trade and other receivables	299,507	275,633

Trade receivables

The Company did not have any trade receivables as at 31 December 2013 or 31 December 2014. No allowance for doubtful debts has been made, and no loss has been recognized during 2014 or 2013.

Note 13 – Cash and cash equivalents

Specification of cash and cash equivalents

<i>NOK thousands</i>	2014	2013
Bank deposits - NOK	513,769	415,211
Bank deposits - USD	1	1
Bank deposits - EUR	2	1
Bank deposits - GBP	2	6
Cash and cash equivalents	513,773	415,219

Restricted cash included in the above

<i>NOK thousands</i>	2014	2013
Customary withholding tax in relation to employee benefits	491	447
Debt service requirements (12 months interest obligation)	191,497	196,575

All cash and cash equivalents are bank deposits. NOK 99 million of the bank deposits in 2013 related to a 12 month time-deposit which expired on 24 October 2014.

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Note 14 – Share capital

Movements in share capital

	Number of shares	Share capital (NOK thousands)
Opening balance at 1 January 2013	9,143,950	457,198
Capital decrease in 2013 through reduction of nominal amount	0	(228,599)
Ending balance at 31 December 2013	9,143,950	228,599
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Ending balance at 31 December 2014	9,143,950	228,599

The share capital is denominated in NOK, and the nominal value per share NOK 25 (NOK 25). All issued shares are of equal rights. No potential shares, such as share options, were issued as of 31 December 2014.

Shareholders as of 31 December 2014

	Shares	Ownership
Njord Gas Infrastructure Holding AS	9,143,950	100 %
Total number of shares	9,143,950	100 %

Dividends paid and proposed

Dividend of NOK 350,000,000 (NOK 308,305,767) was paid during the year. Dividend of NOK 150,000,000 (NOK 16.40 per share) will be proposed for the ordinary general meeting in 2015. The proposed dividend is not recognized as a liability in the financial statements as at 31 December 2014.

Fund for unrealized gains

At balance sheet date, the fund for unrealized gains amounted to NOK 124,887,747 (NOK 67,415,454)

Note 15 – Shareholder loans and bond loans

To finance the acquisition of the interest in Gassled, the Company has entered into several loan agreements. The bond loans were issued on 9 June 2011 and are listed on the Oslo Stock Exchange. Interest is paid semi-annually in arrears. In August 2013, the Company bought back GBP 28 million of the GBP nominal bond loan which are held as treasury bonds. The following tables summarize the contracts and the carrying amounts are provided in Note 17.

Summary of contracts

Loan	Nominal amount remaining	Interest rate	Maturity	Category
NOK real bond loan (1)	NOKm 279	4.3000%	30 Sept. 2027	Amortized cost
NOK nominal bond loan (2)	NOKm 550	6.1525%	30 Sept. 2027	FVTPL
GBP nominal bond loan (3)	GBPm 137	5.2410%	30 Sept. 2027	FVTPL
USD nominal bond loan (4)	USDm 265	5.1000%	30 Sept. 2027	FVTPL
NOK shareholder loans	NOKm 174	6.0000%	30 Sept. 2028	Amortized cost

(1) *Series 1 - NOK Index Linked Bond Issue 2011/2027 - ISIN NO 001 060768.2*

(2) *Series 2 - NOK Senior Secured Bond Issue 2011/2027 - ISIN NO 001 060769.0*

(3) *Series 3 - GBP Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061111.4 (excluding treasury bonds)*

(4) *Series 4 - USD Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061112.2*

Guarantee

The Parent Company has provided a guarantee for all of the Company's obligations and liabilities under the loan arrangements. The guarantee consists of a pledge in the Parent Company's shareholding and assigned receivables in the Company.

Assets pledged as security

The Company has entered into market conventional security arrangements in relation to its lenders and swap providers on a first priority basis over its assets; inter alia its ownership share in Gassled and related insurances and receivables. The carrying amount of the secured assets were NOK 6.4 billion (NOK 5.8 billion) at balance sheet date.

Undrawn credit facilities

The Company has available to it, subject to customary conditions precedent, a NOK 250 million revolving credit facility. The facility is subject to a floating interest charge and expires on 18 December 2017. No drawdown was made under the credit facility at balance sheet date.

Note 16 – Trade and other payables

Specification of trade and other payables

<i>NOK thousands</i>	2014	2013
Joint Venture payables	150,156	96,382
Other accruals and provisions	4,452	292
VAT payable	0	9,146
Trade payables	1,451	1,675
Salary related provisions	2,239	1,495
Total trade and other payables	158,299	108,989

Terms and conditions for trade and other payables

Trade payables are non-interest bearing and are normally settled on 30-day terms. All other payables are settled as they fall due.

Note 17 – Financial instruments and risk management

Financial instruments by category

NOK thousands

Year ended 31 December 2014

Financial assets	Loans and receivables	Fair value through profit or loss	Total carrying amount
Derivative financial instruments (1)	0	888,117	888,117
Joint Venture receivables	104,298	0	104,298
Cash and cash equivalents	513,773	0	513,773
Total	618,071	888,117	1,506,188

(1) The capitalized loss at inception is included as part of the financial instrument (ref. Note 11)

Financial liabilities	Amortized cost	Fair value through profit or loss	Total carrying amount
Trade payables (1)	1,451	0	1,451
Joint Venture payables	150,156	0	150,156
Bond loans (2)	300,686	3,784,526	4,085,212
Shareholder loans	176,260	0	176,260
Derivative financial instruments	0	10,226	10,226
Total	628,553	3,794,752	4,423,305

(1) Other payables are not included

(2) Three of the four bond loans are recognized at FVTPL (ref. Note 15)

Year ended 31 December 2013

Financial assets	Loans and receivables	Fair value through profit or loss	Total carrying amount
Derivative financial instruments (1)	0	261,746	261,746
Joint Venture receivables	62,431	0	62,431
Cash and cash equivalents	415,219	0	415,219
Total	477,650	261,746	739,396

(1) The capitalized loss at inception is included as part of the financial instrument (ref. Note 11)

Financial liabilities	Amortized cost	Fair value through profit or loss	Total carrying amount
Trade payables (1)	1,675	0	1,675
Joint Venture payables	96,382	0	96,382
Bond loans (2)	303,078	3,340,533	3,643,611
Shareholder loans	166,188	0	166,188
Derivative financial instruments	0	43,161	43,161
Total	567,323	3,383,694	3,951,017

(1) Other payables are not included

(2) Three of the four bond loans are recognized at FVTPL (ref. Note 15)

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Fair value of financial instruments

The fair value of financial instruments that is recognized at FVTPL in the financial statements is provided in the table "financial instruments by category" in the previous table. The carrying amounts of financial instruments recognized at amortized cost in the financial statements approximate their fair values except as detailed below.

<i>NOK thousands</i>	2014		2013	
	Carrying amount at amortized cost	Fair value	Carrying amount at amortized cost	Fair value
NOK 300m real bond loan	300,686	289,368	303,078	294,008
Shareholder loans (1)	176,260	164,170	166,188	159,296

(1) Fair value calculations are provided under the assumption that no interest or principal will be paid until final maturity (ref. Note 15). However, the Company may choose to repay the loans in part or full at any time.

Fair value measurements

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

<i>NOK thousands</i>		Level 1	Level 2	Level 3
Assets				
Derivative financial assets	31 December 2014	0	0	888,117
Derivative financial assets	31 December 2013	0	0	261,746
Liabilities				
Derivative financial liabilities	31 December 2014	0	0	10,226
Bond loans recognized at FVTPL	31 December 2014	0	3,784,526	0
Bond loans and shareholder loans (1)	31 December 2014	0	453,538	0
Derivative financial liabilities	31 December 2013	0	0	65,351
Bond loans recognized at FVTPL	31 December 2013	0	3,340,533	0
Bond loans and shareholder loans (1)	31 December 2013	0	453,304	0

(1) Fair value is calculated only for disclosure purpose, since these loans are recognised at amortized cost.

Level 1 - Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements derived from inputs other than quoted prices included within 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 - Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In relation to the Level 3 derivative financial asset/liability, see Note 11 for a reconciliation of changes in fair value during the year.

In relation to the Level 2 financial liability, a loss of NOK 635,174 thousand (a gain of NOK 157,990 thousand) was recognized during the year (ref. Note 7). With exception of the GBP 28 million bonds bought back in 2013 and currently held as treasury bonds (ref. Note 15), the Company still holds this liability at balance sheet date.

Financial risk management

Overview

The Company is exposed to a variety of risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Company's exposure to each of the above mentioned risks, and the Company's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Company's capital management is provided.

Market risk from financial instruments

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: market risk (e.g. interest rate risk and currency risk), commodity price risk and other price risk. The Company's financial assets and liabilities are mainly exposed to interest rate and currency risks.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest risk arises from long-term borrowings. Borrowings issued at variable rates expose it to cash flow risk. Borrowings issued at fixed rates expose it to fair value interest rate risk.

All of the Company's revenues are from its investment in the Joint Venture, the majority of which are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt service with its revenue base, the Company's policy is to maintain its borrowing exposures in NOK denominated inflation linked instruments. Three out of four of the Company's bond loan series are denominated in nominal NOK, GBP and USD (ref. Note 15). In order to reduce its cash flow risk, the Company has entered into three series of swap arrangements (ref. Note 11) that effectively swaps the nominal currency bond positions into NOK denominated inflation linked positions. Quantitative data on the sensitivities of the Company's net position is included in Note 3.

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is primarily exposed to foreign exchange risk arising from various currency exposures with respect to USD, EUR and GBP in relation to its debt obligations as well as from certain commercial transactions. As described above, the Company has entered into swap arrangements to hedge its currency exposures arising from its debt obligations (ref. Note 11).

For operational transactions denominated in foreign currencies, the Company's policy is to exchange into foreign currency as required on a spot basis.

Accounting risk/mismatch

The majority of the Company's revenues are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt exposure to its cash flows from operations (ref. Note 17), the Company has entered into three series of swap arrangements (ref. Note 11). Each series of swaps replicate perfectly the three nominal bond series so that the Company effectively has swapped all of its nominal bond positions into a NOK denominated inflation linked position.

It is the management's expectation that the concept of converting the three nominal bond series into a synthetic NOK denominated inflation linked position provides an effective hedging of the Company's overall cash flow position. However, the synthetic position creates an accounting exposure/mismatch that is distinct and separate from the underlying economic exposure of the Company and that would not arise for a conventional NOK denominated inflation linked bond position recognized at amortized cost.

During 2013, the net adverse effect of the NOK swap rates reducing in the near term and increasing in the long term was more than offset by the impact of the change in credit spread. During 2014, the weakened NOK increased the fair value of the bonds, which was partly offset by an increase in the fair value of the swaps. The adverse effect of the NOK swap rates continuing to reduce in 2014 was more than offset by the impact of the change in credit spread as further described in Note 3. These effects are due to the FVTPL approach applied for the recognition of the bonds and swaps requires the Group to value the financial instruments marked-to-market and thus recognizing the full unrealized change in fair value of the financial instruments in the income statement immediately. In reality however, those exposures are matched against the operating cash flows which will be recognized in the income statement as incurred.

Credit risk

The carrying amounts of financial assets represent the Company's maximum credit exposure. Except for derivative instruments and cash and cash equivalents, the Company is only exposed to credit risk related to receivables owned through the Joint Venture. Receivables owned through the Joint Venture are receivable from large, solid oil and gas companies. The counterparty to the cash and cash equivalents and the derivative instruments are large banks with solid credit ratings. The Company monitors the credit ratings of its main counterparties on an ongoing basis.

Capital management

A key objective in relation to capital management is to ensure that the Company maintains a sufficient capital structure in order to support its business development and credit rating. The Company evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Company's financial commitments. In order to maintain or adjust the capital structure, the Company may issue new shares or bonds or return capital to shareholders.

The Company maintains and monitors its cash flow forecasting to ensure it has sufficient cash to meet operational needs and financial obligations. Such forecasting takes into consideration the Company's debt financing plans and compliance. The Company also has committed credit lines available to it (ref. Note 15). The Company's debt facilities are subject to customary covenant requirements. The Company has not been in breach of any such requirements during the year.

Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Company's

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reputation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of appropriate funding.

Maturities of liabilities

The following table details the contractual maturities for the Company's financial liabilities. The table includes amounts for both principal and interest payments. The contractual amounts were estimated based on an assumption of no inflation beyond confirmed adjustments and market exchange rates prevailing at balance sheet date. Estimate liabilities from derivative financial instruments (ref. Note 7 and 11) are presented on a net basis.

Per 31 December 2014

<i>NOK thousands</i>	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	(1,451)	0	0	0	(1,451)
Bond loans, interest and principal	(129,582)	(305,208)	(1,997,906)	(3,696,672)	(6,129,368)
Derivative financial instruments	(43,513)	38,582	315,004	1,010,222	1,320,295
Shareholder loans (1)	0	0	0	321,675	321,675
Total liabilities	(174,546)	(266,626)	(1,682,901)	(2,364,775)	(4,488,849)

(1) Calculations are provided under the assumption that no interest or principal will be paid until final maturity (ref. Note 15). However, the Company may choose to repay the loans in part or full at any time.

Per 31 December 2013

<i>NOK thousands</i>	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	(1,675)	0	0	0	(1,675)
Bond loans, interest and principal	(103,056)	(108,773)	(1,718,883)	(3,618,643)	(5,549,356)
Derivative financial instruments	(15,080)	(76,932)	(13,567)	655,909	550,330
Shareholder loans (1)	0	0	0	(313,265)	(313,265)
Total liabilities	(119,811)	(185,705)	(1,732,450)	(3,275,999)	(5,313,966)

(1) Calculations are provided under the assumption that no interest or principal will be paid until final maturity (ref. Note 15). However, the Company may choose to repay the loans in part or full at any time.

Note 18 – Related party disclosure

Purchases from related parties

Related party	Year ended 31 December 2014	Year ended 31 December 2013
UBS International Infrastructure Fund Holding Coöperatie UA (1)	133	383
CDC Infrastructure SA (1)	97	194
Sandvold Energy AS (100% owned by the Chairman of the Board)	2,656	2,094

Amounts above are exclusive of VAT and include refunds

(1) The purchases relate to rebilling of expenses incurred in relation to the management of Njord Gas Infrastructure AS.

Charges to related parties

During the year, the Company charged the Parent Company NOK 100 thousands (NOK 100 thousands) in relation to intercompany services.

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Balances with related parties

Information regarding loans from related parties is provided in Note 15 and 17. Information regarding swap arrangements with related parties is provided in Note 11 and 17. Information regarding other balances with related parties is provided in the following table:

NOK thousands

Related party	Year ended	Year ended
	31 December 2014	31 December 2013
UBS International Infrastructure Fund Holding Coöperatie UA - trade payables	60	130
CDC Infrastructure SA	30	0
Sandvold Energy AS (100% owned by the Chairman of the Board) - trade payables	1,198	916
Njord Gas Infrastructure Holding AS - non-current assets	1,198	916

Compensation to key management

NOK thousands

Year ended 31 December 2014

Position	Year ended 31 December 2014			Total 2014
	Salary	Pension contribution	Other remuneration	
Birte Norheim (CEO from April 2014) (1)	2,271	79	19	2,369
Jarle Joa (Finance Director) (2)	455	32	8	495
Arnulf Østensen (Technical & HSE Director)	1,361	34	22	1,417
Dan Jarle Flølo (CEO until April 2014) (3)	2,540	21	1	2,562
Total	4,087	145	49	4,281

(1) Birte Norheim commenced as CEO 11 April 2014. Prior to this Birte Norheim was the Company's Finance Director

(2) Jarle Joa commenced as Finance Director 20 August 2014

(3) Dan Jarle Flølo was CEO until 11 April 2014

Year ended 31 December 2013

Position	Year ended 31 December 2013			Total 2013
	Salary	Pension contribution	Other remuneration	
Dan Jarle Flølo (CEO)	1,978	73	27	2,078
Birte Norheim (Finance Director)	1,682	74	28	1,784
Arnulf Østensen (Technical & HSE Director)	1,328	34	33	1,394
Total	4,988	181	87	5,257

Compensation to Board of Directors

NOK 75 thousands (NOK 75 thousands) was recognized as remuneration of the Chairman for the year.

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Note 19– Operating leases

The Company's long term office rental agreement expired in October 2013 and was renewed in August 2014, and the company had therefore no contractual future lease obligations as per 31 December 2013. The new contract expires in August 2024, with an option to terminate in August 2019.

Operating expense related to lease agreements accounted for as operating leases

<i>NOK thousands</i>	2014	2013
Office rental	568	511
Other	46	63
Total	613	573

Future minimum lease payments under office lease

<i>NOK thousands</i>	2014	2013
Within 1 year	560	0
1 to 5 years	2,240	0
After 5 years	2,613	0
Total	5,413	0

Note 20– Capital commitments

Information regarding the Company's share of planned investment in gas transportation and processing facilities is provided in Note 9.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2014 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and income statement of the Company.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties facing the Company.

Stavanger, 31 December 2014/26 March 2015
The Board of Directors of Njord Gas Infrastructure AS



Tore I. Sandvold
Chairman



Paul J. Moy
Director



Mark A. Gilligan
Director



Gautier M. J. F. Chatelus
Director



Birte Norheim
CEO



To the Annual Shareholders' Meeting of Njord Gas Infrastructure AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Njord Gas Infrastructure AS, which comprise the balance sheet as at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Njord Gas Infrastructure AS as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

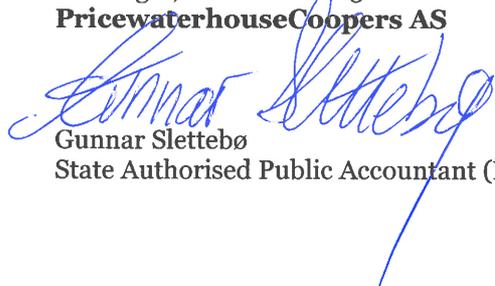
Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 26 March 2015
PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read "Gunnar Slettebø", is written over the printed name and title.

Gunnar Slettebø
State Authorised Public Accountant (Norway)