

Golar-Nor (UK) Limited

Report and Financial Statements

31 December 2001



Golar-Nor (UK) Limited

Registered No: 03238016

Directors

D Low
E Alsaker
H Kjorsvik

Secretary

D Law

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

Bankers

The Royal Bank of Scotland
Aberdeen Central Branch
12 Golden Square
Aberdeen AB9 8DU

Solicitors

Watson Farley & Williams
15 Appold Street
London EC2A 2HB

Registered Office

PGS Court
Halfway Green
Walton on Thames
Surrey KT12 1RS

Directors' report

The directors present their report and financial statements for the year ended 31 December 2001.

Results and dividends

The company recorded a profit after taxation of £275,000 (2000 – £224,000).

The directors propose that no dividend be paid and the profit be carried to reserves.

Principal activities, review of the business and future developments

During the financial year, the company continued the business of oil rig operators.

The nature of the business carried out by the company has not significantly changed during the year. The directors are satisfied with the level of the business during the year and the year-end financial position. The directors expect that the present level of activity will be sustained for the foreseeable future.

Directors and their Interests

The directors who held office during the year were as listed on page 1.

None of the above directors had or has any interests in the shares of the company.

Charitable and political contributions

The company made no charitable donations or political contributions during the year.

Auditors

PricewaterhouseCoopers resigned as auditors on 24 February 2003 Ernst & Young LLP were appointed auditors on 26 March 2003. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Director

Date:


5 August 2003

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Golar-Nor (UK) Limited

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty – going concern

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the fundamental uncertainty surrounding the continuation of funding from the ultimate parent undertaking. The financial statements have been prepared on a going concern basis, the validity of which depends on future group funding becoming available. The financial statements do not include any adjustments that would result from future group funding not being available. Our opinion is not qualified in this respect.

Independent auditors' report

to the members of Golar-Nor (UK) Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

Date: 5 August, 2003

Profit and loss account

for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Turnover		82,723	83,862
Cost of sales		(81,878)	(83,063)
Gross profit		845	799
Administrative expenses		(606)	(586)
Operating profit	3	239	213
Interest payable	6	(10)	(10)
Interest receivable	7	24	35
Profit on ordinary activities before taxation		253	238
Tax on profit on ordinary activities	8	22	(14)
Retained profit for the financial year	14	275	224

The company has no recognised gains or losses other than the profit above.


Balance sheet

at 31 December 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	9	769	368
Current assets			
Stocks		81	—
Debtors	10	64,997	28,074
Cash at bank and in hand		1,550	1,319
		66,628	29,393
Creditors: amounts falling due within one year	11	(66,772)	(29,389)
Net current assets/(liabilities)		(144)	4
Total assets less current liabilities		625	372
Provision for liabilities and charges	12	(2)	(24)
Net assets		623	348
Capital and reserves			
Called up share capital	13	—	—
Profit and loss account	14	623	348
Equity shareholders' funds	14	623	348

Director

Date:


 5 August 2003

Notes to the financial statements

at 31 December 2001

1. Fundamental uncertainty – going concern

The ultimate parent undertaking, Petroleum Geo-Services ASA, has announced that it is in breach of certain financial covenants and requires the support of their banking syndicate to continue trading. The ultimate parent undertaking also announced on 29 July 2003 that it voluntarily filed a petition for protection under Chapter 11 of the United States Bankruptcy Court for the Southern District of New York. The company is funded by intercompany equity and debt and as such requires the support of the parent undertaking to enable continued trading. The financial situation of the ultimate parent undertaking is such that the required support cannot be assured and as a result the ability of the company to continue as a going concern is uncertain. Negotiations with lenders are continuing, however the outcome is uncertain. The financial statements have been prepared on a going concern basis, the validity of which depends upon future group funding becoming available. The directors consider that there is a reasonable expectation that future group funding will be available, and accordingly the financial statements do not include any adjustments which would result from a failure to obtain group funding.

2. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made on those long-term timing differences that are expected to reverse in the future.

Foreign currency

Foreign currency transactions during the year have been translated at the rate of exchange ruling at the date of the transaction. Foreign currency current assets and liabilities are converted to sterling at the rates of exchange ruling at the balance sheet date. Any exchange profits or losses are created or charged to the profit and loss account in the year in which they arise.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on variable basis over the lease term (note 15).

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of the fixed assets on a straight-line basis over their expected useful economic lives:

Deferred classification cost	– 5 years
Fixture and fittings	– 3-20 years

Turnover

Turnover excludes value added tax and trade discounts and represents the value of goods supplied. Turnover arises wholly from the principal activities of the company, all of which is derived in the UK.

Pensions

The company operates a defined contribution scheme, which is funded by both the employer's and employees' contributions. The amounts charged to the profit and loss account in respect of pension costs are the contributions payable in the year.

Notes to the financial statements

at 31 December 2001

3. Operating profit

Operating profit is stated after charging/(crediting):

	2001 £000	2000 £000
Staff costs (note 5)	119	103
Gain on exchange	(463)	(930)
Operating lease rentals	68,802	73,888
Auditors remuneration – audit services	6	13
	<u> </u>	<u> </u>

4. Directors' emoluments

	2001 £000	2000 £000
Aggregate emoluments	92	80
Pension contributions	4	4
	<u> </u>	<u> </u>
	96	84
	<u> </u>	<u> </u>

Retirement benefits are accruing to one director under a defined contribution scheme (2000 – one).

5. Staff costs

	2001 £000	2000 £000
Staff costs:		
Wages and salaries	104	88
Social security costs	11	11
Other pension costs	4	4
	<u> </u>	<u> </u>
	119	103
	<u> </u>	<u> </u>

The average monthly number of persons (including directors) employed by the company during 2001 was two (2000 – two).

6. Interest payable

	2001 £000	2000 £000
Bank interest	10	10
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2001

7. Interest receivable

	2001 £000	2000 £000
Bank interest	24	35

8. Tax on profit on ordinary activities

	2001 £000	2000 £000
United Kingdom corporation tax at 30% (2000 – 30%)		
Current	–	19
Deferred	(22)	(5)
	(22)	14

9. Tangible fixed assets

	Capitalised costs £000	Fixture and fittings £000	Total £000
Cost:			
At 1 January 2001	496	18	514
Additions	727	–	727
At 31 December 2001	1,223	18	1,241
Depreciation:			
At 1 January 2001	134	12	146
Provided during the year	320	6	326
At 31 December 2001	454	18	472
Net book value:			
At 31 December 2001	769	–	769
At 31 December 2000	362	6	368

10. Debtors

	2001 £000	2000 £000
Other debtors	1,356	208
Amounts due from fellow group undertakings	55,500	22,843
Amounts recoverable on contracts	8,141	5,023
	64,997	28,074

Notes to the financial statements

at 31 December 2001

11. Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	454	1,062
Amounts due to fellow group undertakings	62,055	25,446
Taxation and social security	—	34
Accruals and deferred income	4,263	2,847
	<u>66,772</u>	<u>29,389</u>

12. Provision for liabilities and charges

Deferred taxation provided in the financial statements at 30% comprises:

	2001 £000	2000 £000
Accelerated capital allowances	2	24

The movement on the provision for deferred tax is as follows:

	2001 £000
At 1 January 2001	24
Profit and loss account	(22)
At 31 December 2001	<u>2</u>

13. Share capital

	2001 £	2000 £
<i>Authorised</i>		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
<i>Allotted, called-up and fully paid</i>	<i>No.</i>	<i>No.</i>
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

Notes to the financial statements

at 31 December 2001

14. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2000	--	124	124
Profit for the year	--	224	224
At 31 December 2000	--	348	348
Profit for the year	--	275	275
At 31 December 2001	--	623	623

15. Financial commitments

The company has entered into an operating leases of the FPSO Petrojarl Foinaven and two shuttle-tankers. The annual commitments under the leases are variable and equal net income less a defined Charters Profit of 0.25%.

At 31 December 2001 the company had annual commitments as set out below:

	<i>2001 £000</i>	<i>2000 £000</i>
Leases which expire:		
In two to five years	7,023	7,023
In greater than five years	68,802	73,888
	<u>75,825</u>	<u>80,911</u>

16. Statement of cash flows

The company is a wholly owned subsidiary of Petroleum Geo-Services ASA Ltd and is included in the consolidated financial statements of Petroleum Geo-Services ASA Ltd, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

17. Pensions

The company operates a defined contribution scheme, which is funded by both the employer's and employees' contributions. The pension cost represents contributions payable by the company to the pension scheme and amounted to £4,000 (2000 – £4,000).

18. Related party transactions

The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Petroleum Geo-Services ASA group or investees of the Petroleum Geo-Services ASA group.

Notes to the financial statements

at 31 December 2001

19. Ultimate parent company

The immediate parent undertaking and smallest group to consolidate these financial statements is Golar-Nor Offshore (UK) Limited, a company registered in England. The ultimate parent undertaking is Petroleum Geo-Services ASA, which is the parent undertaking of the largest group to consolidate these financial statements. The group financial statements can be obtained from Petroleum Geo-Services ASA, Strandveien 50 E, 1366 Lysaker, Norway.