3238016

Golar-Nor (UK) Limited

Report and Financial Statements

31 December 2005

Regıstered No 03238016

Directors
D Law
T Ruud
A Braatalıen

Secretary
Jordan Company Secretarıes Lımıted

Auditors
Ernst & Young LLP
1 More London Place
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Bankers
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Solicitors
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2005

Results and dividends

The company recorded a profit after taxation of $140 000 (2004 – profit of $786 000)

The directors propose that no dividend be paid

Principal activities, review of the business and future developments

During the financial year, the company continued the business of FPSO vessel 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

Financial risk management objectives and policies

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

The key business risks and uncertainties affecting the company are considered to relate to competition from other FPSO contractors and international oil companies

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately Accordingly, the principal risks and of the Teekay Petrojarl Group, which include those of the company, are related to interest rates, currency exchange rates, credit risk related to trade receivables, and liquidity

The company utilise market sensitive financial instruments to hedge risk related to interest rates and currency exchange rates Furthermore, the company is of the opinion that credit risk related to our customers, which are mainly multinational integrated oil companies and independent oil and natural gas companies, is relatively low Based on the year-end cash balance, available liquidity resources and the current structure and terms of our debt, the company has adequate liquidity and that liquidity risk is at acceptable levels

Change in reporting currency

With effect from 1 January 2005, the reporting currency of the company was changed from British pounds to US dollars as the main activities of the company are conducted in US dollars Comparative figures have been translated at an appropriate average rate and at the year-end closing rate in the profit and loss account and the balance sheet respectively

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

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by trade creditors at the year-end was 40 days

Directors' report

Auditors

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

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

Tore Sind

Director

Date 23/8 - 2007

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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

The directors confirm that they have complied with these requirements and having a reasonable expectation that the company has, or has access within the Petrojarl Group to, adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts

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 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20 These financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of the profit of the company for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
Date 30 8 2007

Profit and loss account

for the year ended 31 December 2005

	Notes	*2005* *$000*	*2004* *$000*
Turnover		89 191	96 594
Cost of sales		(86 197)	(93 932)
Gross profit		2 994	2 662
Administrative expenses		(3 133)	(2 593)
Operating(loss)/profit	3	(139)	69
Interest payable	6	(7)	(15)
Interest receivable	7	369	214
Profit on ordinary activities before taxation		223	268
Tax on profit on ordinary activities	8	(83)	518
Retained profit for the financial year	15	140	786

The activities of the company relate entirely to continuing operations The company has no recognised gains or losses other than the profit above

Balance sheet
at 31 December 2005

	Notes	2005 $000	2004 $000
Fixed assets			
Tangible assets	9	-	-
Current assets			
Stock	10	-	1 349
Deferred tax asset	11	435	518
Debtors	12	11 601	11 518
Cash at bank and in hand		2 114	525
		14 150	13 910
Debtors amounts falling due after more than one year	12	3 406	2 410
Creditors: amounts falling due within one year	13	(14 665)	(13 569)
Net current assets		2 891	2 751
Net assets		2 891	2 751
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	2 891	2 751
Equity shareholders' funds	15	2 891	2 751

Terje Kund
Director

Date 23/8-2007

Notes to the financial statements

at 31 December 2005

1. 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, and in accordance with applicable accounting standards and include the results of the company's operations which are described in the directors' report and all of which are continuing

The financial statements have been prepared on a going concern basis as the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future

With effect from 1 January 2005, the reporting currency of the company was changed from British pounds to US dollars as the main activities of the company are conducted in US dollars Comparative figures have been translated at an appropriate average rate and at the year-end closing rate in the profit and loss account and the balance sheet respectively

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currency

The company's primary activities are in US Dollars As a result, the financial statements are prepared in US Dollars, this being the functional currency of the company

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 US dollar at the rates of exchange ruling at the balance sheet date Any exchange profits or losses are credited 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 16)

Notes to the financial statements

at 31 December 2005

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

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

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company An analysis of turnover is given below

	2005	*2004*
	$000	*$000*
United Kingdom	89 191	96 594

3. Operating profit

Operating profit is stated after charging/ (crediting)

	2005	*2004*
	$000	*$000*
Staff costs (note 5)	241	214
Exchange (gain)/loss	(921)	306
Operating lease rentals	44 479	59 383
Auditors remuneration – audit services	73	127

Notes to the financial statements

at 31 December 2005

4. Directors' emoluments

The directors did not receive any emoluments for the services they provided to the company during the year (2004 – £nil)

5. Staff costs

	2005	*2004*
	$000	*$000*
Wages and salaries	208	185
Social security costs	25	22
Other pension costs	8	7
	241	214

The average monthly number of persons (including directors) employed by the company during 2005 was one (2004 – one)

6. Interest payable

	2005	*2004*
	$000	*$000*
Finance charges	7	15
	7	15

7. Interest receivable

	2005	*2004*
	$000	*$000*
Bank interest	27	14
Interest from group companies	342	200
	369	214

8.a. Tax on profit on ordinary activities

	2005	*2004*
	$000	*$000*
Current tax		
United Kingdom corporation tax at 30% (2004 – 30%)	-	-
Deferred tax (charge)/credit	(83)	518
	(83)	518

Notes to the financial statements

at 31 December 2005

8.b. Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% The differences are explained below

	2005	*2004*
	$000	*$000*
Profit on ordinary activities before taxation	223	268
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 30%)	67	80
Expenses not deductible for tax purposes	2	2
Group relief surrendered	14	(82)
Timing differences	(83)	-
Prior period benefit of group relief	-	(125)
Prior period timing differences not recognised	-	125
Total current tax (note 8(a))	–	–

Notes to the financial statements

at 31 December 2005

9. Tangible fixed assets

	Capitalised classification costs $000	*Fixture and fittings $000*	*Total $000*
Cost			
At 1 January 2005	2 076	-	2 076
Additions	-	-	-
Disposals	2 076	-	2 076
At 31 December 2005	-	-	-
Depreciation			
At 1 January 2005	2 076	-	2 076
Charge for year	-	-	-
Accrued depreciation disposals	2 076	-	2 076
At 31 December 2005	-	-	-
Net book value			
At 31 December 2005	-	-	-
At 31 December 2004	-	-	-

10. Stocks

	2005 $000	*2004 $000*
Consumables and suppliers	-	654
Fuel inventory	-	695
	-	1 349

The difference between the purchase price of stocks and their replacement cost is not material

Notes to the financial statements

at 31 December 2005

11. Deferred tax asset

Deferred tax has been fully recognised as follows

	2005	*2004*
	$000	*$000*
Depreciation in advance of capital allowances	435	518

The movement on the provision for deferred tax is as follows

	2005	*2004*
	$000	*$000*
Opening balance	518	-
Profit and loss account (charge)/credit	(83)	518
Closing balance	435	518

12. Debtors

	2005	*2004*
	$000	*$000*
Other debtors	2 470	1 791
Amount owed by group undertakings	5 621	6 541
Amounts recoverable on contracts	6 809	5 513
VAT recoverable	107	83
	15 007	13 928

Amounts falling due after more than one year included above are

	2005	*2004*
	$000	*$000*
Amount owed by group undertakings	3 406	2 410
	3 406	2 410

Notes to the financial statements

at 31 December 2005

13. Creditors: amounts falling due within one year

	2005	*2004*
	$000	*$000*
Trade creditors	2 126	2 369
Accruals and deferred income	6 348	4 258
Amounts due to fellow group undertakings	6 191	6 942
	14 665	13 569

14. Share capital

	2005	*2004*
	$	*$*
Authorised		
2 ordinary shares of £1 each	3	3
Allotted, called up and fully paid		
2 ordinary shares of £1 each	3	3

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total*
	$000	*$000*	*$000*
At 1 January 2004	-	1 965	1 965
Profit for the year	-	786	786
At 31 December 2004	-	2 751	2 751
Profit for the year	-	140	140
At 31 December 2005	-	2 891	2 891

Notes to the financial statements

at 31 December 2005

16. Operating lease commitments

The company has entered into operating leases of the FPSO Petrojarl Foinaven and two shuttle-tankers The annual commitment under the lease of FPSO Petrojarl Foinaven is variable and equals net income less a defined Charterers Profit of 0 25% Lease payment for the FPSO in 2005 was $19 828 690 (2004 - $37 320 183)

At 31 December 2005 the company had annual commitments as set out below

	2005	*2004*
	$000	*$000*
Leases which expire		
In two to five years	-	-
In greater than five years	12 900	12 500
	12 900	12 500

17. Statement of cash flows

The company was a wholly owned subsidiary of Petroleum Geo-Services ASA The company is included in the consolidated financial statements of Petroleum Geo-Services ASA, 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

18. 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 $6 184 (2004 – $7 794)

19. Related party transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standard 8 "Related Party Transactions" in not disclosing transactions with group undertakings where there is a common ownership interest of 90% or more

20. 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 company's ultimate parent undertaking was until 30 June 2006 Petroleum Geo-Services ASA, a company registered in Norway The group financial statements can be obtained from Petroleum Geo-Services ASA, Strandveien 4, 1366 Lysaker, Norway

The production unit in PGS ASA was demerged as of 30 June 2006, and from the same date the ultimate parent of Golar-Nor (UK) Limited is Teekay Petrojarl ASA, Beddingen 16, 7014 Trondheim, Norway

The company has received from its parent undertaking confirmation of its intention to continue to provide support, which may be required to enable it to continue in operation for the foreseeable future