

Golar-Nor (UK) Limited

Report and Financial Statements

31 December 2006

MONDAY



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COMPANIES HOUSE

Directors

D Law (until 1 December 2007)

T Ruud (until 1 December 2007)

A Braatalien (until 1 December 2007)

T Arnesen (appointed 1 December 2007)

T Bye-Andersen (appointed 1 December 2007)

P Lytzen (appointed 1 December 2007)

Secretary

Jordan Company Secretaries Limited

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Bankers

The Royal Bank of Scotland

Aberdeen Central Branch

12 Golden Square

Abderdeen AB9 8DU

DnBNOR

Munkegt 22

7013 Trondheim

Solicitors

Watson Farley & Williams

15 Appold Street

London EC2A 2HB

Registered Office

20-22 Bedford Row

London

WC1R 4JS

United Kingdom

Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The company recorded a loss after taxation of \$213 000 (2005 – profit of \$140 000)

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 utilises 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 (2006: 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

Director *Tor Olav Bye-Andersen*
Date *May 7, 2008*

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 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 2006 and of the loss 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 12 May 2008

Profit and loss account

for the year ended 31 December 2006

	<i>Notes</i>	<i>2006</i> <i>\$000</i>	<i>2005</i> <i>\$000</i>
<i>Turnover</i>		88 768	89 191
Cost of sales		(86 324)	(86 197)
<i>Gross profit</i>		<u>2 444</u>	<u>2 994</u>
Administrative expenses		(2 656)	(3 133)
<i>Operating loss</i>	3	<u>(212)</u>	<u>(139)</u>
Interest payable	6	(220)	(7)
Interest receivable	7	654	369
<i>Profit on ordinary activities before taxation</i>		<u>222</u>	<u>223</u>
Tax on profit on ordinary activities	8	(435)	(83)
<i>Retained profit for the financial year</i>	13	<u>(213)</u>	<u>140</u>

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 2006

	Notes	2006 \$000	2005 \$000
<i>Current assets</i>			
Deferred tax asset	9	-	435
Debtors			
amounts falling due within one year	10	15 527	11 601
amounts falling due after more than one year	10	-	3 406
		15 527	15 007
Cash at bank and in hand		10 636	2 114
		26 163	17 556
<i>Creditors</i> : amounts falling due within one year	11	(23 485)	(14 665)
<i>Net assets</i>		2 678	2 891
<i>Capital and reserves</i>			
Called up share capital	12	-	-
Profit and loss account	13	2 678	2 891
<i>Equity shareholders' funds</i>	13	2 678	2 891

Director

Tor Olav Bye Andersen

Date

May 7, 2008

Notes to the financial statements

at 31 December 2006

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 of the company were approved for issue by the Board of Directors on [date]. 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 over the lease term on the basis set out in note 14.

Notes to the financial statements

at 31 December 2006

Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Turnover

Tariff-based revenue from services from operation of floating production, storage and offloading vessels (FPSOs) is recognized as production occurs, while day-rate revenue is recognized over the passage of time.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

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:

	2006 \$000	2005 \$000
United Kingdom	88,768	89,191

3. Operating profit

Operating profit is stated after charging/ (crediting)

	2006 \$000	2005 \$000
Staff costs (note 5)	303	244
Exchange (gain)/loss	427	(921)
Operating lease rentals – plant & machinery	30,651	32,502
Auditors remuneration – audit services	67	73

Notes to the financial statements

at 31 December 2006

4 Directors' emoluments

The directors did not receive any emoluments for the services they provided to the company during the year (2005 – £nil)

5. Staff costs

	2006 \$000	2005 \$000
Wages and salaries	257	208
Social security costs	31	25
Other pension costs	15	11
	<u>303</u>	<u>244</u>

The average monthly number of persons employed by the company during 2006 was two (2005 – one)

6. Interest payable

	2006 \$000	2005 \$000
Interest to group companies	210	-
Finance charges	10	7
	<u>220</u>	<u>7</u>

7. Interest receivable

	2006 \$000	2005 \$000
Bank interest	229	27
Interest from group companies	425	342
	<u>654</u>	<u>369</u>

8.a Tax on profit on ordinary activities

	2006 \$000	2005 \$000
<i>Current tax</i>		
United Kingdom corporation tax at 30% (2005 – 30%)	-	-
Deferred tax (charge)/credit	(435)	(83)
	<u>-</u>	<u>(83)</u>

Notes to the financial statements

at 31 December 2006

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

	2006	2005
	\$000	\$000
Profit on ordinary activities before taxation	222	223
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	67	67
Expenses not deductible for tax purposes	2	2
Timing differences	-	(83)
Group relief not paid for	(69)	14
Total current tax (note 8(a))	-	-

Notes to the financial statements

at 31 December 2006

9. Deferred tax asset

Deferred tax has been fully recognised as follows

	2006 \$000	2005 \$000
Depreciation in advance of capital allowances	-	435

The movement on the provision for deferred tax is as follows

	2006 \$000	2005 \$000
Opening balance	435	518
Profit and loss account (charge)/credit	(435)	(83)
Closing balance	-	435

10. Debtors

	2006 \$000	2005 \$000
Other debtors	3 447	2 470
Amount owed by group undertakings	3 935	5 621
Amounts recoverable on contracts	7 990	6 809
VAT recoverable	155	107
	<u>15 527</u>	<u>15 007</u>

Amounts falling due after more than one year included above are

	2006 \$000	2005 \$000
Amount owed by group undertakings	-	3 406
	<u>-</u>	<u>3 406</u>

Notes to the financial statements

at 31 December 2006

11. Creditors amounts falling due within one year

	2006	2005
	\$000	\$000
Trade creditors	4 623	2 126
Accruals and deferred income	5 174	6 348
Amounts due to fellow group undertakings	13 688	6 191
	<u>23 485</u>	<u>14 665</u>

12 Share capital

	2006	2005
	\$	\$
<i>Authorised</i>		
2 ordinary shares of £1 each	<u>3</u>	<u>3</u>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	<u>3</u>	<u>3</u>

13. Reconciliation of shareholders' funds and movement on reserves

	Share capital \$000	Profit and loss account \$000	Total \$000
At 1 January 2005	-	2 751	2 751
Profit for the year	-	<u>140</u>	<u>140</u>
At 31 December 2005	-	2 891	2 891
Loss for the year	-	<u>(213)</u>	<u>(213)</u>
At 31 December 2006	-	<u>2 678</u>	<u>2 678</u>

Notes to the financial statements

at 31 December 2006

14. 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 2006 was \$16 649 017 (2005 - \$19 878 690).

At 31 December 2006 the company had annual commitments as set out below

	2006	2005
	\$000	\$000
Leases which expire		
Within one year	14 215	13 884
In two to five years	14 002	14 073
In greater than five years	-	-
	<u>28 217</u>	<u>27 957</u>

15. Statement of cash flows

The company was a wholly owned subsidiary of Teekay Petrojarl ASA. The company is included in the consolidated financial statements of Teekay Petrojarl 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.

16. 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 \$15 160 (2005 - \$11 368).

17. 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.

18. 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 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. The group financial statements can be obtained from Teekay Petrojarl ASA, Beddingen 16, 7014 Trondheim, Norway.

