

Golar-Nor (UK) Limited

Report and Financial Statements

31 December 2010

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COMPANIES HOUSE

Directors

T Arnesen
T Bye-Andersen
P Lytzen

Secretary

Jordan Company Secretaries Limited
21 St Thomas Street
Bristol BS1 GJS

Auditor

Ernst & Young LLP
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London SE1 2AF

Bankers

The Royal Bank of Scotland
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Solicitors

Watson Farley & Williams
15 Appold Street
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Registered Office

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Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

Results and dividends

The company recorded a profit after taxation of \$387 730 (2009 – loss after taxation of \$252 687)

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.

The key financial and other performance indicators during the year were as follows

	2010	2009	Variance
	\$000	\$000	%
Turnover	155 728	77 135	101,89
Operating profit/ (loss)	2 715	1 069	153,98
Profit/(loss) before taxation	387	(252)	153,57
Shareholders funds	7 921	7 530	5,19
Current assets as % of current liabilities (quick ratio)	126%	131%	-3,82

On 31 March 2010 Golar-Nor (UK) signed an amendment contract with BP for the operation of the FPSO Petrojarl Foinaven. The amendment contract provides a commercial agreement which secures the provision of operating services for the Foinaven field until 2021 and includes operating performance incentives which increase the revenues generated by the Foinaven unit. This is expected to secure Golar-Nor UK increased revenues for the years to come.

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.

Directors' report

Key Performance Indicators

The Companies Act 2006 requires directors to disclose the company's Key Performance Indicators (KPIs). Teekay Corporation manages its KPIs at a segment and geographical level. As a result the directors have taken the decision not to disclose KPIs in individual subsidiary accounts. Golar-Nor (UK) Limited KPIs are included within the accounts of the ultimate parent undertaking Teekay Corporation.

Directors

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

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 19 (2009: 23) days.

Auditor

Ernst & Young LLP were appointed auditor on 26 March 2003. A resolution to appoint KPMG as auditor will be put to the members at the Annual General Meeting.

Directors' qualifying third party indemnity provisions

The Company's ultimate controlling entity has entered into deeds of indemnity with each of the Company's directors who are employees of the ultimate controlling entity or one of its wholly owned subsidiaries, in terms of the indemnity provided under the ultimate controlling entity's Constitution, against liabilities (to the extent not precluded by law) incurred in or arising out of the conduct of the business of the Company or the discharge of their duties.

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

With the amendment contract with BP for providing FPSO services on the Foinaven fields the Directors have a reasonable expectation that the company have adequate foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and account.

By order of the Board



Director

Date: 4 October 2011

Statement of directors' responsibilities in respect of the financial statements.

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

Company law requires the directors to prepare financial statements for each financial 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 UK 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Teekay Corporation 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 financial statements of Golar-Nor (UK) Limited for the year ended 31st December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Statement of directors' responsibilities in respect of the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

Ernst and Young LLP

Paul Wallek (Senior statutory auditor)

for and on behalf of Ernst & Young LLP Statutory Auditor

London 19 October 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 \$000	2009 \$000
Turnover	2	155 728	77 135
Cost of sales		(153 013)	(76 066)
Gross profit		2 715	1 069
Administrative expenses		(1 629)	(1 832)
Operating (loss)/ profit	3	1 086	(763)
Interest payable and similar charges	6	(838)	(109)
Interest receivable and similar income	7	144	80
Profit/ (loss) on ordinary activities before taxation		392	(792)
Tax credit/(charge) on profit on ordinary activities	8	(4)	540
Retained profit/(loss) for the financial year	13	388	(252)

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

Balance sheet

at 31 December 2010

	Notes	2010 \$000	2009 \$000
<i>Non-Current assets</i>			
Deferred tax asset	9	1 232	1 236
<i>Current assets</i>			
Debtors amounts falling due within one year	10	29 128	17 820
Cash at bank and in hand		8 056	13 052
		<u>38,416</u>	<u>32 108</u>
<i>Creditors</i> amounts falling due within one year	11	(30 498)	(24 578)
<i>Net assets</i>		<u>7918</u>	<u>7 530</u>
<i>Capital and reserves</i>			
Called up share capital	12	4 000	4 000
Profit and loss account	13	3918	3 530
<i>Equity shareholders' funds</i>	13	<u>7918</u>	<u>7 530</u>

These financial statements were approved by the directors on 4 October 2011 and are signed on their behalf by

Tor Olav Bye-Andersen

Director

Date 4 October 2011

Notes to the financial statements

at 31 December 2010

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 4 October 2011. 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.

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.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

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 2010

Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue 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:

	2010 \$000	2009 \$000
United Kingdom	155,728	77,135

3. Operating profit

Operating profit is stated after charging/ (crediting):

	2010 \$000	2009 \$000
Staff costs (note 5)	267	325
Exchange (gain)/loss	(3,024)	4,373
Operating lease rentals – plant & machinery (note 14)	73,482	-
Auditors remuneration – audit services	37	27

4. Directors' emoluments

A management charge of or \$6,471,339 (2009: \$6,456,170) in respect of administration costs has been made by Teekay Petrojarl Production AS, the company's holding company, which includes the directors' remuneration which it is not possible to identify separately.

Notes to the financial statements

at 31 December 2010

5. Staff costs

	2010 \$000	2009 \$000
Wages and salaries	216	272
Social security costs	27	34
Other pension costs	24	19
	<u>267</u>	<u>325</u>

The average monthly number of persons employed by the company during 2010 was one (2009 – two)

6. Interest payable and similar charges

	2010 \$000	2009 \$000
Interest to group companies	833	104
Finance charges	5	5
	<u>838</u>	<u>109</u>

7. Interest receivable and similar income

	2010 \$000	2009 \$000
Bank interest	144	2
Interest from group companies	-	78
	<u>144</u>	<u>80</u>

8.a. Tax on profit on ordinary activities

	2010 \$000	2009 \$000
<i>Current tax</i>		
United Kingdom corporation tax at 28% (2009 – 28%)	-	-
Deferred tax (charge)/credit	(4)	540
	<u>(4)</u>	<u>540</u>

Notes to the financial statements

at 31 December 2010

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 28%. The differences are explained below

	2010	2009
	\$000	\$000
(Loss)/profit on ordinary activities before taxation	391	(792)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	109	(222)
Expenses not deductible for tax purposes		2
Group relief not paid for	(151)	5
Timing differences	42	215
Total current tax (note 8(a))	—	—

Tax rate changes

A number of changes to the UK Corporation tax system were announced in the March 2011 Budget Statement

The Finance (No 3) Bill 2010-11 includes legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011 and 26% to 25% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

Proposed changes (which were subsequently amended after the balance sheet date) to reduce the rate to 27% had been substantively enacted at the balance sheet date and, therefore, are included in these financial statements.

Please note, the changes to reduce the rate further have not been included as these have not been substantively enacted at the balance sheet date.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year.

Notes to the financial statements

at 31 December 2010

9. Deferred tax asset

Deferred tax has been fully recognised as follows

	2010 \$000	2009 \$000
Depreciation in advance of capital allowances	392	406
Other short term timing differences	840	642
Losses carried forward	0	188
	<u>1 232</u>	<u>1 236</u>

The movement on the provision for deferred tax is as follows

	2010 \$000	2009 \$000
Opening balance	1 236	696
Profit and loss account (charge)/credit	(4)	540
Closing balance	<u>1 232</u>	<u>1 236</u>

Tax rate changes

The effect of the announced changes in the UK corporation tax rate, as described in note 8(b), on the company's deferred tax assets as at 31 December 2010 is that they will reduce from \$1 232 thousand to \$1 049 thousand

10. Debtors

	2010 \$000	2009 \$000
Other debtors	9 205	1 252
Amount owed by group undertakings	7 417	7 811
Amounts recoverable on contracts	12 329	8 473
VAT recoverable	177	284
	<u>29 128</u>	<u>17 820</u>

Notes to the financial statements

at 31 December 2010

11. Creditors: amounts falling due within one year

	2010 \$000	2009 \$000
Trade creditors	1 850	3 813
Accruals and deferred income	5 833	5 645
Amounts due to fellow group undertakings	22 815	15 120
	<u>30 498</u>	<u>24 578</u>

12. Share capital

	2010 \$	2009 \$
<i>Authorised</i>		
3,000,000 (2009 3,000,000) ordinary shares of £1 each	<u>4 500 000</u>	<u>4 500 000</u>
<i>Allotted, called up and fully paid</i>		
2,699,202 (2009 2,699,202) ordinary shares of £1 each	<u>4 000 003</u>	<u>4 000 003</u>

13. Reconciliation of shareholders' funds and movement on reserves

	Share capital \$000	Profit and loss account \$000	Total \$000
At 1 January 2009	4 000	3 782	7 782
Loss for the year	<u>-</u>	<u>(252)</u>	<u>(252)</u>
At 31 December 2009	4 000	3 530	7 530
Profit for the year	<u>-</u>	<u>388</u>	<u>388</u>
At 31 December 2010	<u>4 000</u>	<u>3918</u>	<u>7918</u>

Notes to the financial statements

at 31 December 2010

14. Operating lease commitments

The company has entered into operating leases of the FPSO Petrojarl Fomaven and two shuttle-tankers. The annual commitment under the lease of FPSO Petrojarl Fomaven is variable and equals net income less a defined Charterers Profit of 0.25%. Lease payment for the FPSO in 2010 was \$73,481,527. Given that in 2009 the income statement shows a net loss, the Charterers Profit is \$0. In 2009, Lease payment for the FPSO was \$0, due to loss before lease cost.

At 31 December 2010 the company had annual commitments for the tankers as set out below:

	2010 \$000	2009 \$000
Leases which expire		
Within one year		549
In two to five years	15,257	-
	<u>15,257</u>	<u>549</u>

The lease period for the two tankers has increased to November 2012 for Petronordic and March 2013 for Petroatlantic.

15. Statement of cash flows

As at 31 December 2010 the company was a wholly-owned subsidiary of Teekay Corporate and the cash flows of the company are included in the consolidated group statement of cash flows of Teekay Corporate which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a statement of cash flows.

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 \$24,231 (2009 – \$19,386).

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 of the company is Teekay Petrojarl Production AS.

The ultimate parent of Golar-Nor (UK) Limited is Teekay Corporate. The group financial statements can be obtained from Teekay Corporate, Vancouver, Canada.