# Golar-Nor (UK) Limited
## Annual Report and Financial Statements
Registered number 03238016

For the year ended 31 December 2013

## Company Information

### Directors
T Arnesen (resigned 16 July 2014)
T Bye-Andersen
P Lytzen
D Law (appointed 16 July 2014)

### Secretary
Jordan Company Secretaries Limited
21 St Thomas Street
Bristol BS1 GJS

### Auditor
KPMG LLP
191 West George Street
Glasgow
G2 2LJ

### Bankers
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

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# Strategic Report for the year ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013

**Results and performance**
The company recorded a profit after taxation of $237,900 (2012 – loss after taxation of $540,344)

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 It has been a challenging year with one major shutdown of production to conduct necessary repair and maintenance The shutdown was unplanned, and was caused by iron sulphide from the subsea equipment This has caused problems with the compressor trains also after the last shutdown, and has caused lower production than normal

Bearing this in mind, 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

| | 2013 | 2012 | Variance |
|---|---|---|---|
| | $000 | $000 | % |
| Turnover | 106,298 | 102,547 | 3 66 |
| Operating profit | 793 | 564 | 40 60 |
| Profit before taxation | 266 | 256 | 3 99 |
| Shareholders' funds | 11,586 | 11,348 | 2 10 |
| | | | |
| Current assets as % of current liabilities (quick ratio) | 111 04 % | 122 14 % | -9 09 |

Golar-Nor (UK) Limited has a long term contract with BP for the operation of the FPSO Petrojarl Foinaven with expected duration up until 2021

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

**Business environment**
The UK market for FPSO's is a competitive market with some specialised vendors for operations in harsh environment The customers are the operators and owners of the oil field licenses The company meets competition from other third party vendors, and from the operators and owners of the oil field as they can choose to own and run an FPSO themselves

**Strategy**
The company's success is dependent on the stable and high production of the oil field on behalf of the customer This is achieved with stable running of the FPSO, and keeping it well maintained

The company will continue to concentrate its efforts on achieving a well maintained and stable running FPSO Customer satisfaction remains a top priority

## Strategic Report for the year ended 31 December 2013 (continued)

**Key Performance Indicators**
The Companies Act 2006 requires directors to disclose the company's Key Performance Indicators (KPIs) Teekay Petrojarl manages its KPIs at a group 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 parent undertaking Teekay Petrojarl Production AS

**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

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 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

By order of the Board

Tor Olav Bye-Andersen

**T Bye-Andersen**
Director
Date 16 September 2014

# Directors' Report for the year ended 31 December 2013

The directors present their report and financial statements for the year ended 31 December 2013

**Dividends**
The directors propose that no dividend be paid (2012 - $nil)

**Directors**
The directors who held office during the year and to the date of this report were the following

T Arnesen (resigned 16 July 2014)
T Bye-Andersen
P Lytzen
D Law (appointed 16 July 2014)

**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

**Charitable and political contributions**
The company made no charitable donations or political contributions during the current or prior year

**Disclosure of information to auditor**
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

**Auditor**
Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board

Tor Olav Bye-Andersen
**T Bye-Andersen**
Director
Date 16 September 2014

## Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 adequate 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

# Independent auditor's report to the members of Golar-Nor (UK) Limited

We have audited the financial statements of Golar-Nor (UK) Limited for the year ended 31 December 2013 set out on page 6 to 15 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor**

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 Ethical Standards for Auditors

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

**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 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with 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

BMarks

**Bruce Marks (Senior Statutory Auditor)**
**For and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
191 West George Street, Glasgow, G2 2LJ
Date 19 September 2014

# Profit and loss account

for the year ended 31 December 2013

| | Notes | 2013 $000 | 2012 $000 |
|---|---|---|---|
| **Turnover** | 2 | 106,298 | 102,547 |
| Cost of sales | | (103,687) | (99,784) |
| **Gross profit** | | 2,611 | 2,763 |
| Administrative expenses | | (1,818) | (2,199) |
| **Operating profit** | 3 | 793 | 564 |
| Interest payable and similar charges | 6 | (533) | (317) |
| Interest receivable and similar income | 7 | 6 | 9 |
| **Profit on ordinary activities before taxation** | | 266 | 256 |
| Tax charge on profit on ordinary activities | 8 | (28) | (796) |
| **Retained profit/(loss) for the financial year** | 14 | 238 | (540) |

The activities of the company relate entirely of continuing operations
The company has no recognised gains or losses other than the result above for the current and prior year

# Balance sheet
at 31 December 2013

| | Note | 2013 | 2013 | 2012 | 2012 |
|---|---|---|---|---|---|
| | | | $000 | | $000 |
| **Fixed assets** | | | | | |
| Tangible fixed assets | 9 | | 6,259 | | 3,751 |
| Deferred tax asset | 10 | | 186 | | 214 |
| | | | 6,445 | | 3,965 |
| **Current assets** | | | | | |
| Debtors | 11 | 46,027 | | 39,824 | |
| Cash at bank and in hand | | 5,697 | | 913 | |
| | | 51,724 | | 40,737 | |
| **Creditors:** amounts falling due within one year | 12 | (46,583) | | (33,354) | |
| **Net current assets** | | | 5,141 | | 7,383 |
| **Net assets** | | | 11,586 | | 11,348 |
| **Capital and reserves** | | | | | |
| Called up share capital | 13 | | 4,000 | | 4,000 |
| Profit and loss account | 14 | | 7,586 | | 7,348 |
| **Shareholders' funds** | 14 | | 11,586 | | 11,348 |

These financial statements were approved by the directors on 16 September 2014 and are signed on their behalf by

Tor Olav Bye-Andersen

**T Bye-Andersen**
Director
Date 16 September 2014

# Notes to the financial statements

at 31 December 2013

## 1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom Except as noted below, the accounting policies have been consistently applied

**Basis of preparation**

The financial statements of the company were approved for issue by the Board of Directors on 16 September 2014 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 strategic 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

**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

**Fixed assets**

Classification and dry-docking costs are capitalised when incurred and depreciated over five years to the next classification

**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 15

# Notes to the financial statements

at 31 December 2013

## 1 Accounting policies (continued)

**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

**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

# Notes to the financial statements
at 31 December 2013

## 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

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| United Kingdom | 106,298 | 102,547 |

## 3 Operating profit

| Operating profit is stated after charging/ (crediting) | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| Staff costs (note 5) | 0 | 359 |
| Depreciation | 1,694 | 1,023 |
| Exchange (gain)/loss | (770) | 1,943 |
| Operating lease rentals – plant & machinery (note 15) | 1,946 | 12,110 |
| Auditors remuneration – audit services | 23 | 30 |

## 4 Directors' emoluments

Management charges of $8,367,058 (2012 $6,627,078) in respect of Production Support Service fees have been made by Teekay Petrojarl Production AS, the company's holding company, and Teekay Petrojarl UK Ltd, a sister company to the company, which includes the directors' remuneration which it is not possible to identify separately

## 5 Staff costs

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| Wages and salaries | 0 | 293 |
| Social security costs | 0 | 39 |
| Other pension costs | 0 | 27 |
| | 0 | 359 |

The average monthly number of persons employed by the company during 2013 was nil (2012 - one)

# Notes to the financial statements
at 31 December 2013

## 6 Interest payable and similar charges

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| Interest to group companies | 523 | 311 |
| Finance charges | 10 | 6 |
| | 533 | 317 |

## 7 Interest receivable and similar income

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| Bank interest | 6 | 9 |
| | 6 | 9 |

## 8.a. Tax on profit on ordinary activities

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| *Current tax* | | |
| United Kingdom corporation tax at 23 25% (2012 – 24 5%) | 0 | 0 |
| Total current tax | 0 | 0 |
| *Deferred tax* | | |
| Origination and reversal of timing differences (charge)/credit | 0 | 0 |
| Adjustment in respect of previous periods | 0 | (778) |
| Impact of change in tax rate | (28) | (18) |
| Total deferred tax (note 10) | (28) | (796) |
| Tax on profit on ordinary activities | (28) | (796) |

# Notes to the financial statements
at 31 December 2013

## 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 23 25% The differences are explained below

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| Profit on ordinary activities before taxation | 266 | 256 |
| | | |
| Profit on ordinary activities multiplied by the standard rate of | 62 | 63 |
| Expenses not deductible for tax purposes | 0 | 76 |
| Income not taxable for tax purposes | (22) | 0 |
| Capital allowances in excess of depreciation | 0 | 0 |
| Group relief not paid for | (40) | (139) |
| Timing differences not recognised | 0 | 0 |
| **Total current tax (note 8(a))** | 0 | 0 |

**Factors affecting future tax rate changes**

Reduction in the UK Corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective from 1 April 2013) were substantively enacted on 26 March 2013 and 3 July 2013 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 This will reduce the company's future current tax charge accordingly UK deferred tax is therefore recognised at the reduced rate of 20%

# Notes to the financial statements

at 31 December 2013

## 9 Tangible fixed assets

| | Classification and dry-docking cost $000 |
|---|---|
| Costs | |
| At 1 January 2013 | 7,935 |
| Additions | 4,202 |
| Disposals | (4,365) |
| At 31 December 2013 | 7,772 |
| | |
| Accumulated depreciation | |
| At 1 January 2013 | 4,184 |
| Depreciation | 1,694 |
| Disposals | (4,365) |
| At 31 December 2013 | 1,513 |
| | |
| Net book value | |
| At 31 December 2013 | 6,259 |
| | |
| At 31 December 2012 | 3,751 |

## 10 Deferred tax asset

Deferred tax has been fully recognised as follows

| | 2013 $000 | 2012 $000 |
|---|---|---|
| Depreciation in advance of capital allowances | 186 | 214 |
| Other short term timing differences | 0 | 0 |
| Losses carried forward | 0 | 0 |
| | 186 | 214 |

The movement on the provision for deferred tax is as follows

| | 2013 $000 | 2012 $000 |
|---|---|---|
| Opening balance | 214 | 1,010 |
| Profit and loss account (charge)/credit | (28) | (18) |
| Adjustment in respect of prior years | 0 | (778) |
| Closing balance | 186 | 214 |

# Notes to the financial statements
at 31 December 2013

## 11 Debtors

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| Other debtors | 35,183 | 23,407 |
| Amounts recoverable on contracts | 9,160 | 15,771 |
| VAT recoverable | 1,684 | 646 |
| | 46,027 | 39,824 |

## 12 Creditors: amounts falling due within one year

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| Trade creditors | 8,700 | 2,735 |
| Accruals and deferred income | 8,576 | 7,824 |
| Amounts due to fellow group undertakings | 29,307 | 22,795 |
| | 46,583 | 33,354 |

## 13 Share capital

| | 2013 | 2012 |
|---|---|---|
| | *$* | *$* |
| *Authorised* | | |
| 3,000,000 ordinary shares of £1 each | 4,500,000 | 4,500,000 |
| *Allotted, called up and fully paid* | | |
| 2,699,202 ordinary shares of £1 each | 4,000,003 | 4,000,003 |

## 14 Reconciliation of shareholders' funds and movement on reserves

| | *Share capital* | *Profit and loss account* | *Total* |
|---|---|---|---|
| | *$000* | *$000* | *$000* |
| At 1 January 2012 | 4,000 | 7,888 | 11,888 |
| Loss for the year | 0 | (540) | (540) |
| At 31 December 2012 | 4,000 | 7,348 | 11,348 |
| Profit for the year | 0 | 238 | 238 |
| At 31 December 2013 | 4,000 | 7,586 | 11,586 |

# Notes to the financial statements
at 31 December 2013

## 15 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 payments for the FPSO in 2013 were $1,945,872 Lease payments for the FPSO in 2012 were $12,109,643

At 31 December 2013 the company had annual commitments for the tankers as set out below

| | 2013 | 2012 |
|---|---|---|
| | *$000* | *$000* |
| In two to five years | 24,090 | 24,090 |
| | 24,090 | 24,090 |

The lease period for the two tankers has increased to November 2015 for Petronordic and to March 2016 for Petroatlantic

## 16 Statement of cash flows

As at 31 December 2013 the company was a wholly-owned subsidiary of Teekay Corporation and the cash flows of the company are included in the consolidated group statement of cash flows of Teekay Corporation 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

## 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 $33,652 (2012 - $27,229)

## 18 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 100%

## 19 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 Corporation The group financial statements can be obtained from Teekay Corporation, Vancouver, Canada