

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

For the year ended 31 December 2014

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COMPANIES HOUSE

Company Information

Directors

T. Bye-Andersen

P. Lytzen

D. Law

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 2014

The directors present their strategic report for the year ended 31 December 2014.

Results and performance

The company recorded a loss after taxation of \$1,942,885 (2013 – profit after taxation of \$237,900).

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 reduced production due to problems with the reservoirs and the subsea systems. This has led to problems in maintaining a stable production on part of the top side systems, including the compressor trains. Measures taken during 2014 have improved the regularity towards the end of the year. These issues have 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.

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

	2014 \$000	2013 \$000	Variance %
Turnover	103,535	106,298	(2.60)
Operating (loss)/profit	(1,049)	793	(232.28)
(Loss)/profit before taxation	(1,757)	266	(760.53)
Shareholders' funds	9,643	11,586	(16.78)
Current assets as % of current liabilities (quick ratio)	112.81 %	111.04 %	1.60

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 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 2014 (continued)**Key Performance Indicators**

The Companies Act 2006 requires directors to disclose the company's Key Performance Indicators (KPIs). Teekay Offshore Production 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 ultimate parent undertaking Teekay Corporation.

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 Offshore Production 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 moderately 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



T Bye-Andersen

Director

Date: 29 September 2015

Directors' Report for the year ended 31 December 2014

The directors present their report and financial statements for the year ended 31 December 2014.

Dividends

The directors propose that no dividend be paid (2013 - \$nil).

Directors

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

T. Bye-Andersen

P. Lytzen

F. Grønnegaard (resigned 2 January 2014)

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



T Bye-Andersen

Director

Date: 29 September 2015

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 2014 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 2014 and of its loss 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.



Bruce Marks (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

191 West George Street, Glasgow, G2 2LJ

Date: 29 September 2015

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 \$000	2013 \$000
Turnover	2	103,535	106,298
Cost of sales		(102,176)	(103,687)
Gross profit		1,359	2,611
Administrative expenses		(2,408)	(1,818)
Operating (loss)/profit	3	(1,049)	793
Interest payable and similar charges	6	(721)	(533)
Interest receivable and similar income	7	13	6
(Loss)/profit on ordinary activities before taxation		(1,757)	266
Tax charge on (loss)/profit on ordinary activities	8	(186)	(28)
(Loss)/profit for the financial year	14	(1,943)	238

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 2014

		2014	2013
	Note	\$000	\$000
Fixed assets			
Tangible fixed assets	9	4,698	6,259
Deferred tax asset	10	<u>0</u>	<u>186</u>
		4,698	6,445
Current assets			
Stocks		359	0
Debtors	11	42,609	46,027
Cash at bank and in hand		<u>564</u>	<u>5,697</u>
		43,532	51,724
Creditors: amounts falling due within one year	12	<u>(38,587)</u>	<u>(46,583)</u>
Net current assets		4,945	5,141
Net assets		<u>9,643</u>	<u>11,586</u>
Capital and reserves			
Called up share capital	13	4,000	4,000
Profit and loss account	14	<u>5,643</u>	<u>7,586</u>
Shareholders' funds	14	<u>9,643</u>	<u>11,586</u>

These financial statements were approved by the directors on 29 September 2015 and are signed on their behalf by:


T Bye-Andersen

Director

Date: 29 September 2015

Notes to the financial statements

at 31 December 2014

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 29 September 2015. 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.

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 2014

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.

Stock

Stock is stated at the lower of cost and net realisable value.

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 2014

2 Turnover

The turnover and (loss)/profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2014 \$000	2013 \$000
United Kingdom	103,535	106,298

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging/ (crediting):	2014 \$000	2013 \$000
Depreciation	1,561	1,694
Exchange gain	(7,455)	(770)
Operating lease rentals – plant & machinery (note 15)	0	1,946
Auditors remuneration – audit services	21	23

4 Directors' emoluments

Management charges of \$9,050,585 (2013: \$8,367,058) 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

The company employed no staff during the current and previous year.

Notes to the financial statements

at 31 December 2014

6 Interest payable and similar charges

	2014	2013
	<i>\$000</i>	<i>\$000</i>
Interest to group companies	713	523
Finance charges	8	10
	<u>721</u>	<u>533</u>

7 Interest receivable and similar income

	2014	2013
	<i>\$000</i>	<i>\$000</i>
Bank interest	13	6
	<u>13</u>	<u>6</u>

8.a. Tax on profit/(loss) on ordinary activities

	2014	2013
	<i>\$000</i>	<i>\$000</i>
<i>Current tax:</i>		
United Kingdom corporation tax at 21.49% (2013 – 23.25%)	0	0
Total current tax	<u>0</u>	<u>0</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences charge	199	0
Impact of change in tax rate	(13)	(28)
Total deferred tax (note 10)	<u>186</u>	<u>(28)</u>
Tax on profit/(loss) on ordinary activities	<u>186</u>	<u>(28)</u>

Notes to the financial statements

at 31 December 2014

8.b. Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21.49%. The differences are explained below:

	2014 \$000	2013 \$000
(Loss)/profit on ordinary activities before taxation	(1,757)	266
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	(378)	62
Income not taxable for tax purposes	0	(22)
Group relief not paid for	0	(40)
Timing differences not recognised	378	0
Total current tax (note 8(a))	0	0

Factors affecting future tax rate changes

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

Notes to the financial statements

at 31 December 2014

9 Tangible fixed assets

	Classification and dry-docking cost \$000
Costs	
At 1 January 2014	7,772
At 31 December 2014	<u>7,772</u>
Accumulated depreciation:	
At 1 January 2014	1,513
Depreciation	1,561
At 31 December 2014	<u>3,074</u>
Net book value:	
At 31 December 2014	<u>4,698</u>
At 31 December 2013	<u>6,259</u>

10 Deferred tax asset

Deferred tax has been fully recognised as follows:

	2014 \$000	2013 \$000
Depreciation in advance of capital allowances	0	186
	<u>0</u>	<u>186</u>

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

	2014 \$000	2013 \$000
Opening balance	186	214
Profit and loss account (charge)/credit	(186)	(28)
Closing balance	<u>0</u>	<u>186</u>

Deferred income tax assets are recognised for tax loss carry-forwards and accelerated tax depreciation of assets to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The company did not recognise deferred income tax assets of \$537,041 (2013: \$0) in respect of losses amounting to \$351,414 (2012: \$0) that can be carried forward and \$185,627 (2013: \$0) in respect of accelerated tax depreciation of assets.

Notes to the financial statements

at 31 December 2014

11 Debtors

	2014	2013
	<i>\$000</i>	<i>\$000</i>
Other debtors	21,742	35,183
Amounts recoverable on contracts	20,433	9,160
VAT recoverable	434	1,684
	<u>42,609</u>	<u>46,027</u>

12 Creditors: amounts falling due within one year

	2014	2013
	<i>\$000</i>	<i>\$000</i>
Trade creditors	3,747	8,700
Accruals and deferred income	4,496	8,576
Amounts due to fellow group undertakings	30,344	29,307
	<u>38,587</u>	<u>46,583</u>

13 Share capital

	2014	2013
	<i>\$</i>	<i>\$</i>
<i>Allotted, called up and fully paid</i>		
2,699,202 ordinary shares of £1 each	<u>4,000,003</u>	<u>4,000,003</u>

14 Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
At 1 January 2013	4,000	7,348	11,348
Profit for the year	<u>0</u>	<u>238</u>	<u>238</u>
At 31 December 2013	4,000	7,586	11,586
Loss for the year	<u>0</u>	<u>(1,943)</u>	<u>(1,943)</u>
At 31 December 2014	<u>4,000</u>	<u>5,643</u>	<u>9,643</u>

Notes to the financial statements

at 31 December 2014

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 2014 were \$0. Lease payments for the FPSO in 2013 were \$1,945,872.

At 31 December 2014 the company had annual commitments for the tankers as set out below:

	2014	2013
	\$000	\$000
Within one year	12,045	0
In two to five years	12,045	24,090
	<u>24,090</u>	<u>24,090</u>

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 2014 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 \$0 (2013 - \$33,652).

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.