

Golar-Nor (UK) Limited

Annual report and financial statements

Registered number 03238016

31 December 2017

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Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Principal activities and review of businesses

The Company's principal activities during the year were the business of FPSO vessel operations of Petrojarl Foinaven for BP.

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

	2017 \$000	2016 \$000	Variance %
Turnover	80,653	95,080	(15.2)
Operating (loss)/profit	(28,958)	241	(12,094.1)
(Loss)/profit before taxation	(28,944)	238	(12,261.5)
Shareholders' (deficit)/funds	(25,562)	3,382	(855.8)
Current assets as % of current liabilities (quick ratio)	42 %	103 %	

Company turnover has decreased from the prior year primarily due to a three month shut down in 2017. The revenue loss related to the three month shutdown and the repair and maintenance work done during the turn around, combined with a write-down of dry-dock costs and FX losses on payables to group entities from the strengthening of GBP to USD.

Principal risks and uncertainties

The Company is exposed to financial risks arising from its operations. The key financial risks include foreign currency risk, credit risk and liquidity risk.

The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the objectives, policies and processes of the management of these risks.

Foreign currency risk

The Company has transactional currency exposures arising from revenue and costs denominated in a currency other than USD. The foreign currencies in which these transactions are denominated are mainly GBP and NOK.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables and is concentrated mainly in the outstanding amount owing from multinational integrated oil companies. The credit risk exposure on these balances is considered moderately low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting the financial obligations due to shortage of funds. The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Strategic report (continued)

Business environment

The UK market for FPSO's is a competitive market with a few specialised vendors for operations in a 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 a FPSO themselves.

Future development

The Company has a long term contract with BP for the operation of the FPSO Petrojarl Foinaven on the Foinaven field with expected duration until 2021. The Company is experiencing a situation whereby an aging asset is putting pressure on operating expenses and where revenue is challenged because of lower production and reservoir issues. The Company is currently performing a study in order to assess whether the FPSO needs to go into drydock in order to cope with marine integrity risks. The Company is negotiating financial terms with the customer, but have not succeeded to come to an agreement so far.

In September 2017 a Master Service Agreement was signed to transfer the Company's share capital from its immediate parent undertaking, Teekay Petrojarl Production AS, to another group entity, TPO Investments AS as of 1 January 2018. The transaction is a result of Teekay Offshore Partners' strategic partnership with Brookfield Business Partners, which includes the transfer of five service companies from Teekay Corporation to Teekay Offshore Partners. The transaction involves the transfer of Teekay Petrojarl Production AS from Teekay Corporation to Teekay Offshore Partners. The Company was transferred to TPO Investments AS in order for it to remain in the Teekay Corporation group.

Going concern

The parent company supports the financial performance of the Company. At year end the Company's financial statements show a significant equity shareholders' deficit. In response the parent company is looking to recapitalize in 2018 through converting intercompany payables to equity. Based on this the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

By order of the Board



T Bye-Andersen
Director
Date: 28 September 2018

2nd Floor,
86 Jermyn Street,
London SW1Y 6JD,
United Kingdom.

Annual report

The directors present their annual report and financial statements for the year ended 31 December 2017.

Results and dividends

The Company recorded a loss after taxation of \$28,943,619 (2016 – profit after taxation of \$237,700).

The directors propose that no dividend be paid (2016 - \$nil).

Directors

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

T. Bye-Andersen
C. Brett
S. Helland

Financial instruments

The Company's policy is to minimise the use of complex financial instruments.

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 annual report confirm that, as 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the strategic report on page 2.

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: 28 September 2018

2nd Floor,
86 Jermyn Street,
London SW1Y 6JD,
United Kingdom

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

The directors are responsible for preparing the strategic report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Golar-Nor (UK) Limited ("the company") for the year ended 31 December 2017 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Katie Morrison (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow G2 5AS

28 SEPTEMBER 2018

Profit and loss account

for the year ended 31 December 2017

	Note	2017 \$000	2016 \$000
Turnover	2	80,653	95,080
Cost of sales		(106,736)	(93,232)
Gross (loss)/profit		(26,083)	1,848
Administrative expenses		(2,875)	(1,607)
Operating (loss)/profit	3, 9	(28,958)	241
Interest payable and similar charges	6	(19)	(21)
Interest receivable and similar income	7	33	18
(Loss)/profit before taxation		(28,944)	238
Tax charge on (loss)/profit	8	-	-
(Loss)/profit for the financial year		(28,944)	238

The activities of the Company relate entirely to continuing operations.

The Company has no items of other comprehensive income other than the results for the current and prior financial years as set out above.

Notes on pages 10 to 18 form part of the financial statements.

Balance sheet

as at 31 December 2017

		2017	2017	2016	2016
	Note	\$000	\$000	\$000	\$000
Fixed assets					
Tangible fixed assets	9				2,716
					<u>2,716</u>
Current assets					
Stock	10	359		359	
Debtors	11	12,078		15,592	
Cash at bank and in hand		<u>5,987</u>		<u>7,655</u>	
		18,424		23,606	
Creditors: amounts falling due within one year	12	<u>(43,986)</u>		<u>(22,940)</u>	
Net current (liabilities)/assets			(25,562)		666
Net (liabilities)/assets			<u>(25,562)</u>		<u>3,382</u>
Capital and reserves					
Called up share capital	13		4,000		4,000
Profit and loss account			<u>(29,562)</u>		<u>(618)</u>
Shareholders' (deficit)/funds			<u>(25,562)</u>		<u>3,382</u>

Notes on pages 10 to 18 form part of the financial statements.

These financial statements were approved by the board of directors on 28 September 2018 and are signed on their behalf by:

Tor Olav Bye-Andersen

T Bye-Andersen
Director

Company registered number: 03238016

Statement of changes in equity

	<i>Called up Share capital \$000</i>	<i>Profit and Loss account \$000</i>	<i>Total Equity \$000</i>
Balance as at 1 January 2016	4,000	(856)	3,144
Total comprehensive income for the period			
Profit for the financial year	-	238	238
Total comprehensive income for the period	-	238	238
Balance at 31 December 2016	4,000	(618)	3,382

	<i>Called up Share capital \$000</i>	<i>Profit and Loss account \$000</i>	<i>Total Equity \$000</i>
Balance as at 1 January 2017	4,000	(618)	3,382
Total comprehensive loss for the period			
Loss for the financial year	-	(28,944)	(28,944)
Total comprehensive loss for the period	-	(28,944)	(28,944)
Balance at 31 December 2017	4,000	(29,562)	(25,562)

Notes on pages 10 to 18 form part of the financial statements.

Notes to the financial statements

1 Accounting policies

Golar-Nor (UK) Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK. The registered office of this company is 2nd Floor, 86 Jermyn Street, London SW1Y 6JD, United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is USD.

The Company was wholly owned subsidiary of Teekay Petrojarl Production AS, which is incorporated in Norway. The ultimate parent undertaking and parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Teekay Corporation, which is incorporated in The Marshall Islands. As of 1 January 2018 the Company was transferred to TPO Investments AS, which is also incorporated in Norway. Teekay Corporation will remain as the ultimate parent undertaking.

The consolidated financial statements of Teekay Corporation are available to the public and may be obtained from 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08 Bermuda. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis and in accordance with applicable accounting standards.

1.2 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities and net liabilities of \$25,562,000, which the directors believe to be appropriate after reviewing the company’s forecasts and projections. Although the company is currently loss making, the directors confirm that the company continues to be of strategic and commercial importance to the Teekay group whereby if financial support was no longer provided, the ultimate parent company would be liable for significant settlement charges to the company’s main customer.

The company continues to receive financial support from its parent company, TPO Investments AS, as and when required. They have indicated that for at least 12 months from the date of approval of these financial statements, they will continue to provide such support and in particular will not seek repayment of the amounts currently outstanding. The directors consider this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that the shareholders’ support will not be available and sufficient should it be required. Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets. The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Dry-docking cost	5 years
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Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.5 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges including net foreign exchange losses are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.6 Turnover

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

1.7 Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation 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 right to pay less or to receive more, tax, with following exceptions:

- 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.

1.9 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, and trade and other creditors.

Trade debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairments losses.

Trade creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes (continued)

2 Turnover

	2017 \$000	2016 \$000
Day rate and operation of FPSO	<u>80,653</u>	<u>95,080</u>

All turnover generated in both the current and prior year was done so in the United Kingdom.

3 Expenses and auditor's remuneration

Operating (loss)/profit is stated after charging/(crediting):	2017 \$000	2016 \$000
Depreciation	786	2,444
Impairment of dry-dock costs (note 9)	1,930	-
Exchange loss/(gain)	3,341	(1,562)
Auditor's remuneration – audit services	<u>12</u>	<u>16</u>

4 Directors' emoluments

Management charges of \$6,503,499 (2016: \$6,492,241) 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, and includes the directors' remuneration which is not possible to identify separately.

5 Staff numbers and costs

The Company employed no staff during the current or previous year.

6 Interest payable and similar charges

	2017 \$000	2016 \$000
Finance charges	<u>(19)</u>	<u>(21)</u>

Notes (continued)

7 Interest receivable and similar income

	2017 \$000	2016 \$000
Bank interest income	<u>33</u>	<u>18</u>

8.a Taxation

Total tax expense recognised in the profit and loss account is as follows:

	2017 \$000	2016 \$000
Total current and deferred tax charge	<u>-</u>	<u>-</u>

8.b Reconciliation effective tax rate

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2016: lower) than the standard rate of corporation tax in the UK, 19.25 % (2016: 20 %). The differences are explained below:

	2017 \$000	2016 \$000
(Loss)/profit for the year	(28,944)	238
Total tax charge	<u>-</u>	<u>-</u>
(Loss)/profit before taxation	<u>(28,944)</u>	<u>238</u>
Current tax at 19.25 % (2016: 20 %)	(5,571)	48
Group relief with no consideration received/(not paid for)	1,411	(4)
Timing differences not recognised	4,160	(44)
Total tax charge included in (loss)/profit (note 8.a.)	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate from 20 % to 19 % (effective from 1 April 2017) and to 18 % (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17 % (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

Notes (continued)

8.c Deferred tax asset

The Company has unrecognised deferred tax on losses of \$4,319,723 (2016: \$645,404) that can be carried forward and \$157,783 (2016: \$157,783) in respect of accelerated tax depreciation of assets.

Deferred tax assets are only 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.

9 Tangible fixed assets

	Classification and dry-docking cost \$000
Cost at 1 January 2017 and 31 December 2017	9,987
Accumulated depreciation and impairment:	
At 1 January 2017	7,271
Depreciation for the year	786
Impairment	1,930
At 31 December 2017	9,987
Net book value:	
At 31 December 2017	-
At 31 December 2016	2,716

As the bareboat contract was replaced by a time charter contract in 1 April 2017 the remaining dry-dock costs related to the shuttle tankers have been written down to \$nil, resulting in an impairment charge of \$1,930,000.

10 Stock

	2017 \$000	2016 \$000
Bunker oil	<u>359</u>	<u>359</u>

Notes (continued)

11 Debtors

	2017 \$000	2016 \$000
Other debtors	5,869	4,355
Amount owed by group undertakings	8	-
Amounts recoverable on contracts	5,954	10,757
VAT recoverable	247	480
	<u>12,078</u>	<u>15,592</u>

12 Creditors: amounts falling due within one year

	2017 \$000	2016 \$000
Trade creditors	1,281	2,747
Accruals and deferred income	5,056	3,807
Amounts due to group undertakings	37,649	16,386
	<u>43,986</u>	<u>22,940</u>

Balances due to group undertakings are repayable on demand. No interest is charged on these amounts.

13 Called up share capital

	2017 \$	2016 \$
<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>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. During the year the Company issued no additional shares.

Notes (continued)

14 Operating lease commitments

The Company has entered into non-cancellable operating leases of the FPSO Petrojarl Foinaven and two shuttle-tankers. The annual commitment under the lease of FPSO Petrojarl Foinaven is variable. Lease payments for the FPSO in 2017 were \$nil. Lease payments for the FPSO in 2016 were \$365,050.

At 31 December 2017 the Company had total commitments for the tankers as set out below:

	<i>Vessels on bareboat charter contracts/ time charter contracts</i>	
	2017	2016
	\$000	\$000
Leases which expire:		
Within one year	20,898	24,156
In two to five years	64,883	5,940
	85,780	30,096

During the year \$32,842,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: \$24,521,000). As of 1 April 2017 the bareboat contract was replaced by a time charter contract for five years.

15 Related parties

	<i>Sales to</i>		<i>Expenses incurred from</i>	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Teekay Petrojarl Production AS	-	-	(4,841)	(4,671)
Transactions with subsidiaries within the Teekay group	-	-	(1,663)	(1,822)
	-	-	(6,504)	(6,493)

	<i>Receivables outstanding</i>		<i>Creditors outstanding</i>	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Teekay Petrojarl Production AS	-	-	(27,046)	(1,256)
Transactions with subsidiaries within the Teekay group	8	-	(10,603)	(15,130)
	8	-	(37,649)	(16,386)

Notes (continued)

16 Ultimate parent company

The Company is a subsidiary undertaking of Teekay Corporation which is the ultimate parent company incorporated in the Republic of the Marshall Islands. As of 1 January 2018 the Company was transferred from Teekay Petrojarl Production AS to TPO Investments AS, which is also incorporated in Norway. Teekay Corporation will remain as the ultimate parent undertaking.

The largest group in which the results of the Company are consolidated as at 31 December 2017 is that headed by Teekay Corporation, incorporated in the Republic of the Marshall Islands. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from their offices located at 4th Floor Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08 Bermuda.

17 Subsequent events

Foinaven have had issues with black solids (such as iron sulphides) coming into the process plant leading to production downtime and high maintenance/replacement cost. The Company is of the opinion that the solids come from the reservoir and that this is BP's responsibility. In 2018 a significant claim was raised to BP to compensate for lost revenue and increased maintenance cost. The claim has been rejected by BP, but the Company is preparing to take legal actions to pursue its claim. The financial statements do not reflect any figures in respect of this claim as at this point it is not possible to reliably estimate the probability that this will result in a financial inflow to the Company.

18 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods.

The accounting policies set out in note 1 have been applied consistently throughout the periods presented in these financial statements. The key areas in the financial statements of estimates and judgements are deferred tax asset recognition and going concern.