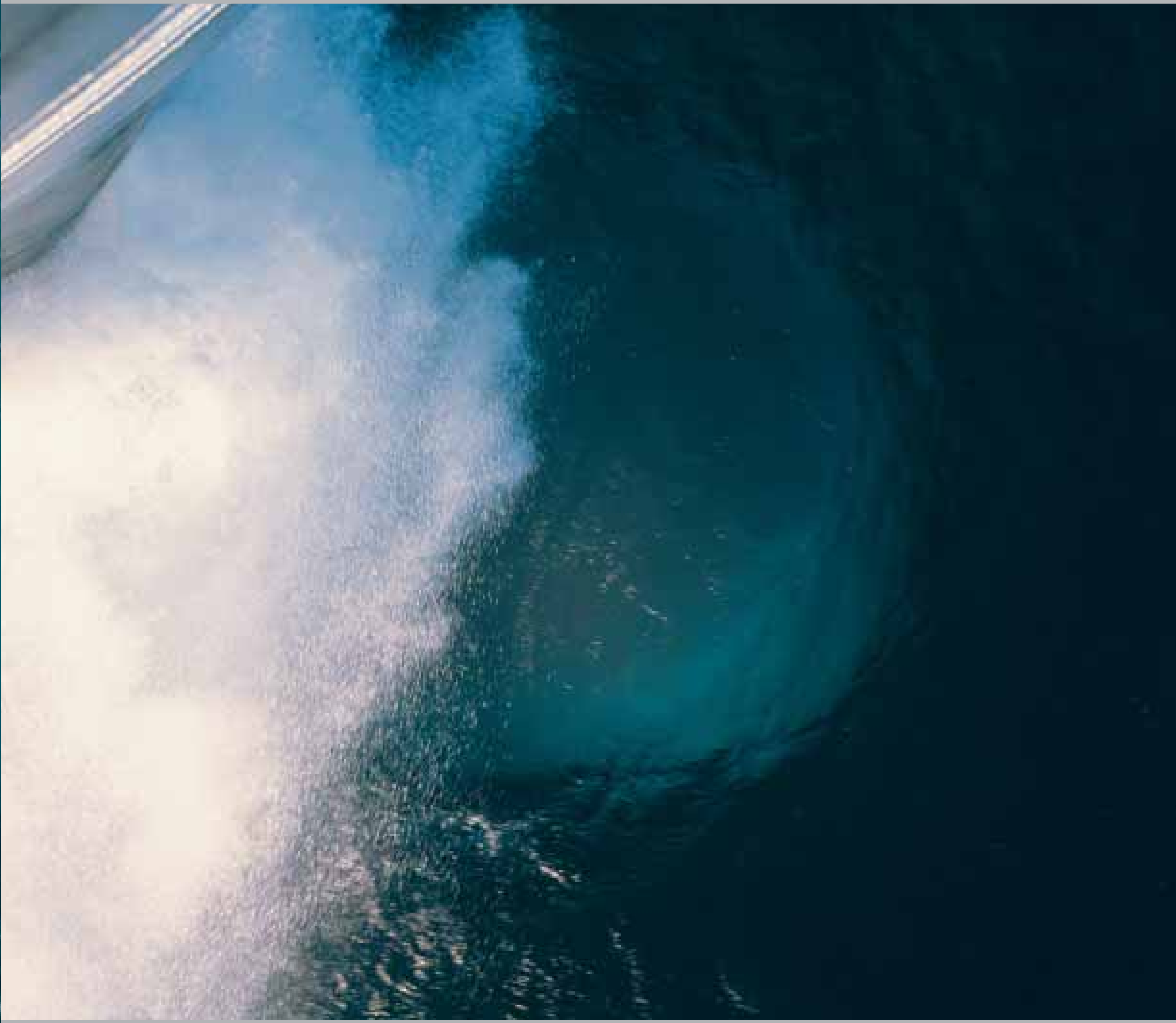
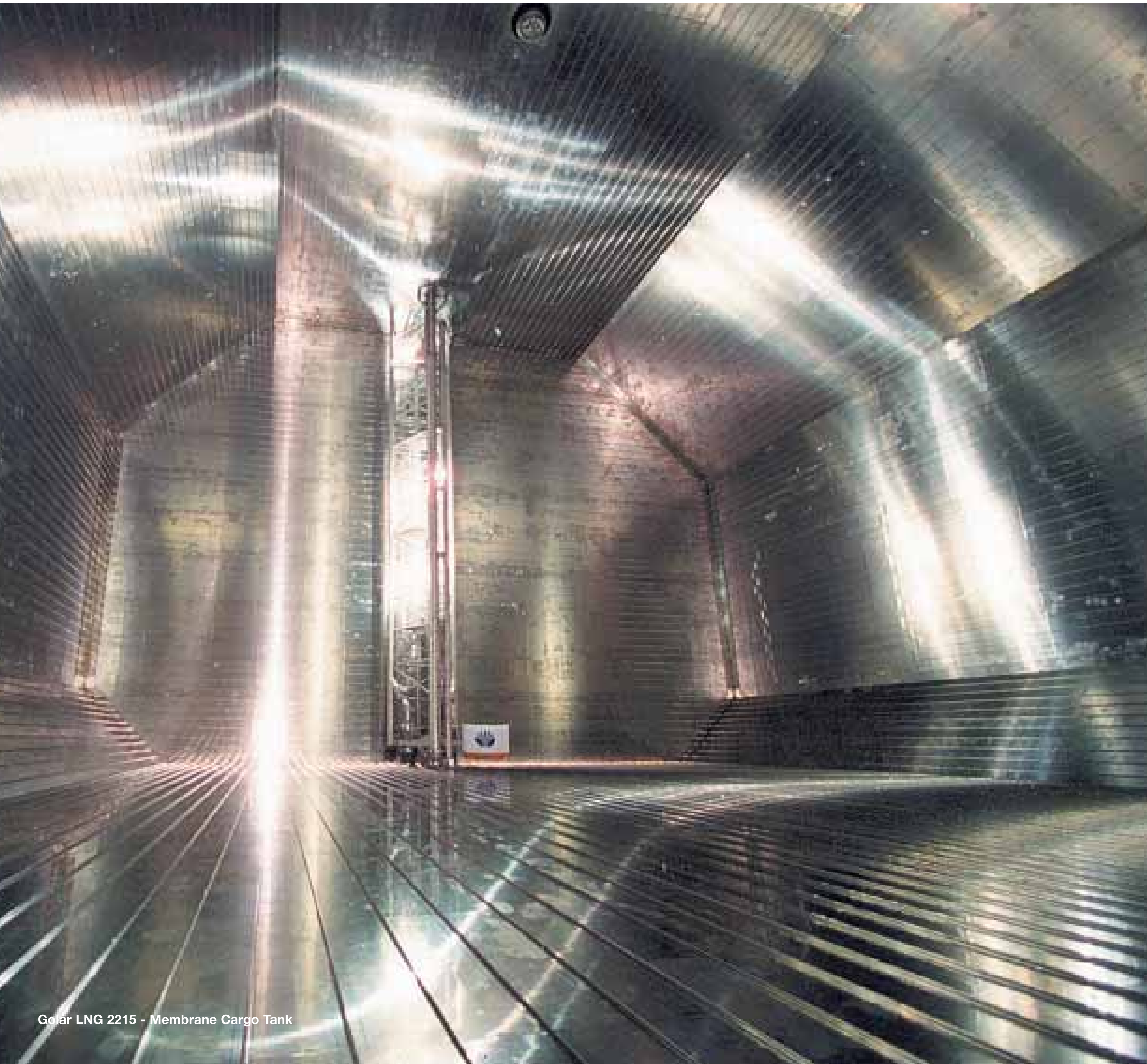
Golar LNG Limited

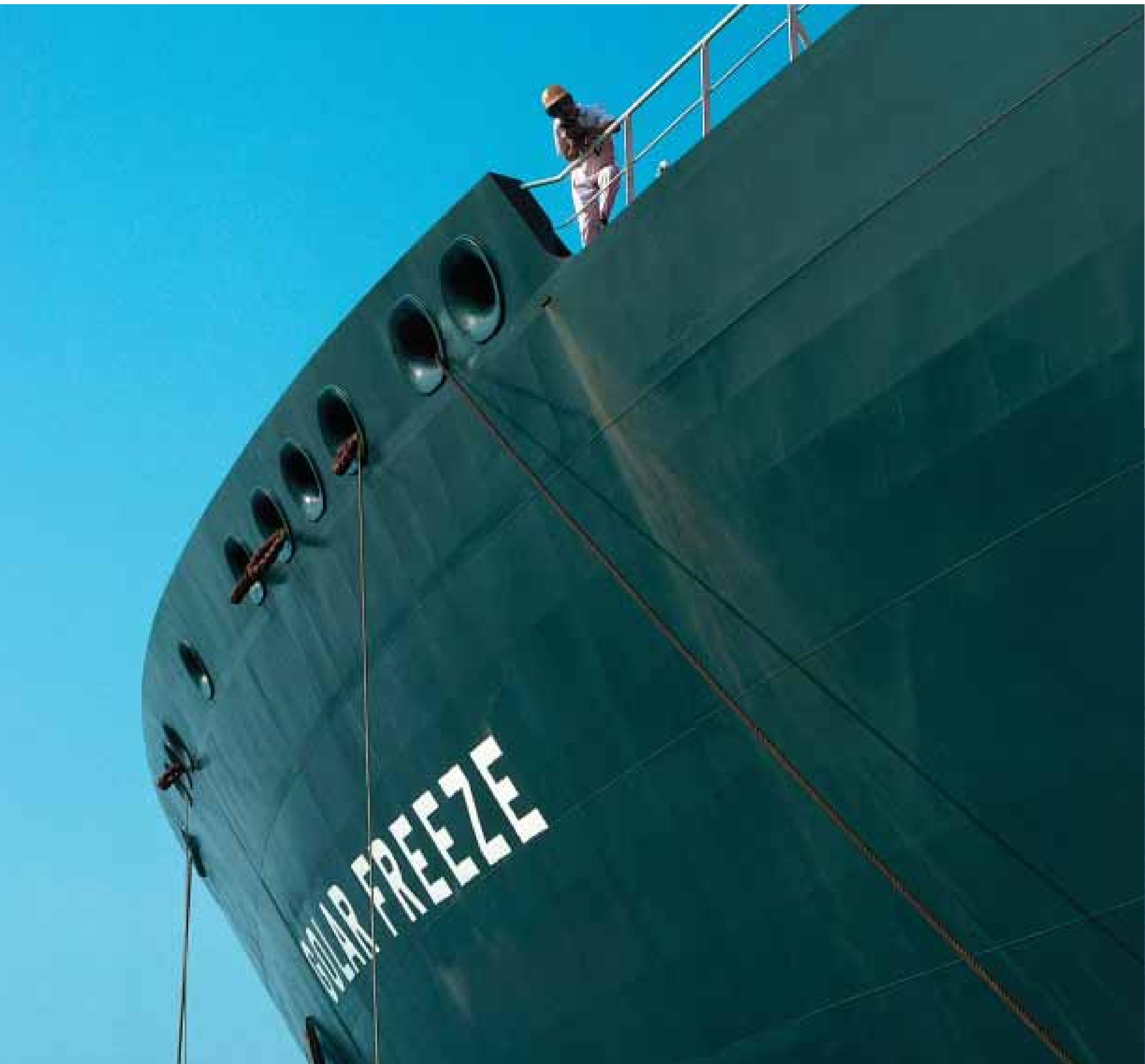


# Annual Report & Accounts 2001



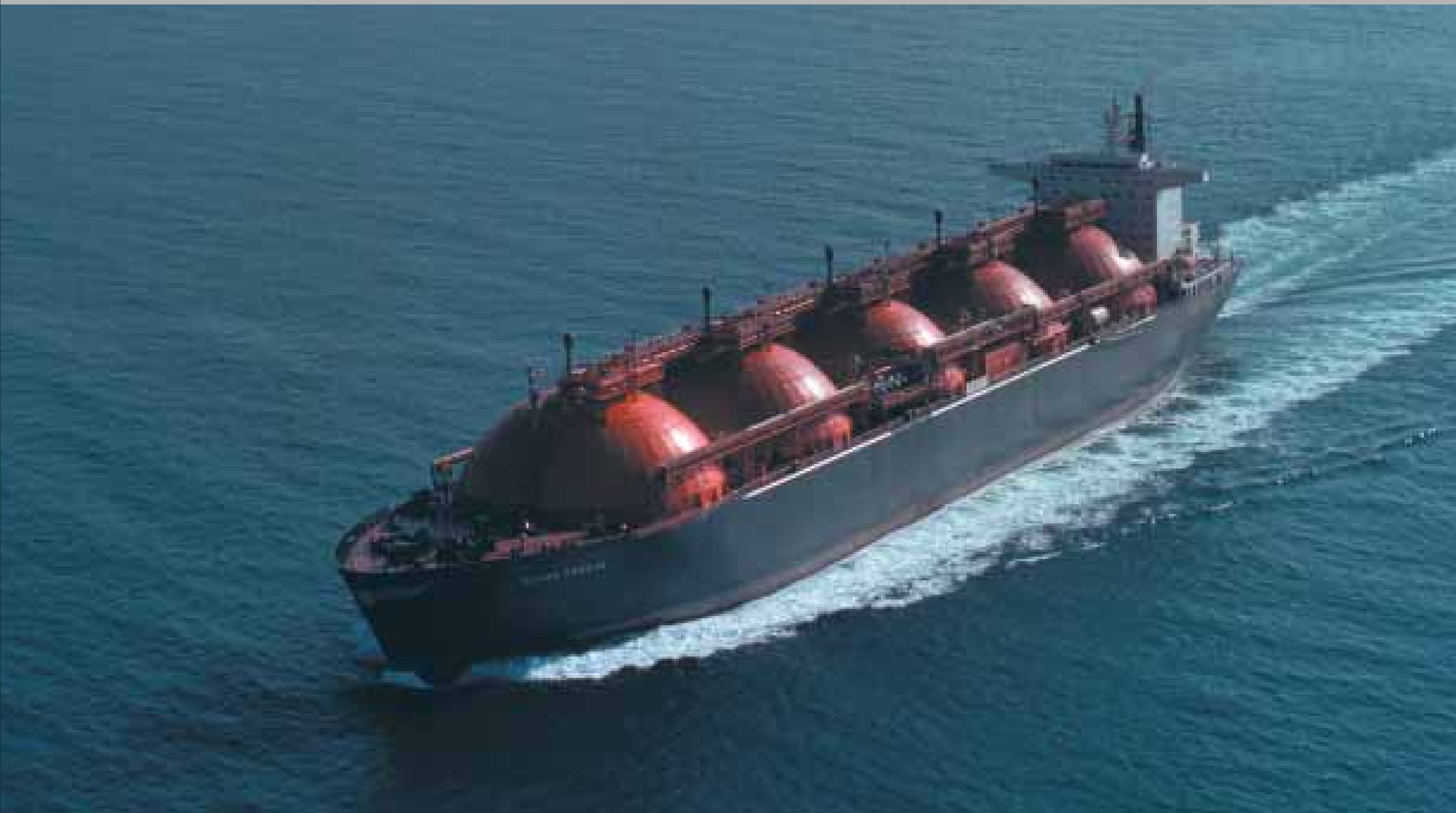
Golar LNG 2215 - Membrane Cargo Tank

# Golar LNG Limited
## Annual Report & Accounts 2001


GOLAR FREEZE

# 1.0 Our Mission, Vision and Strategy

Mission. To provide safe and reliable LNG transportation services to our customers, to take advantage of new and innovative business opportunities and to deliver excellent value to our shareholders. Vision. To be the industry leader in LNG transportation services. Strategy. Golar's strategy is to expand and diversify its LNG shipping operations and to capitalise on its shipping assets and specialised industry knowledge by investing upstream and downstream the LNG chain and by the physical trading of LNG in order to exploit arbitrage opportunities.



# Report of the Board of Directors
# 2.0 Overview and Strategy

On May 31, 2001 Golar LNG Limited (the "Company" or "Golar") completed the acquisition and restructuring of the liquefied natural gas ("LNG") shipping interests of Osprey Maritime Limited ("Osprey") and Seatankers Management Co. Ltd. ("Seatankers"). These LNG shipping interests comprised the ownership of LNG carriers, a contract and options to build LNG vessels and a management organisation that provides management services for LNG carriers owned by the Company and third parties.

Shortly thereafter, in July 2001 the Company listed its ordinary shares on the Oslo Stock Exchange. These events were the culmination of a vision to create a company entirely dedicated to the LNG industry and thereby realising the inherent value of the business.

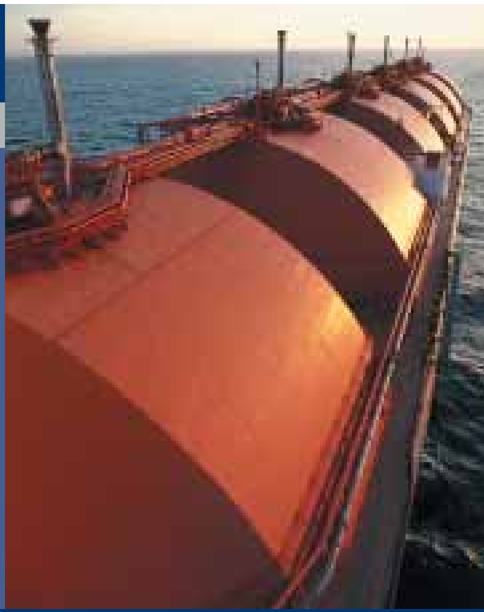
The Company owns and operates a fleet of six LNG carriers, all of which are currently employed under long-term charter contracts. The Company owns five of its vessels through wholly owned subsidiaries and has a 60 per cent interest in the sixth vessel. The Company has four new LNG carriers under construction for delivery between March 2003 and December 2004. These newbuildings will increase the fleet size by 67 per cent. Golar has already chartered one of these newbuildings to British Gas for 20 years. Golar's strategic objective is to use its position among LNG operators to become a leader in integrated LNG services. In pursuit of this objective, Golar plans to expand and diversify its LNG shipping operations, capitalise on its shipping assets and specialised industry knowledge and exploit available arbitrage opportunities afforded by price differentials for natural gas world-wide. Depending on market conditions, Golar will consider entering LNG trading activities and integrating into other LNG activities such as liquefaction and regasification. Golar benefits from long-term contracts that provide stable cash flows and the opportunities for attractive margins. To further enhance the earnings from its LNG shipping business, the Company's principal strategies are:

**a) Capitalise** on long-term charter contracts for new vessels. The Company has entered into construction contracts for four LNG carriers to be delivered in 2003 and 2004. The first newbuilding to be delivered has been employed on a long-term charter to a British Gas subsidiary, which will commence on vessel delivery in March 2003. Golar is considering various employment opportunities for the remaining three newbuildings that may include medium-term or long-term charter contracts, trading in the developing spot LNG carrier charter market, that is, carrying LNG under short-term contracts of up to one year or on a per voyage basis, and entering physical LNG trading.

**FLEET LIST**
(all ships are managed by Golar Management Ltd.)

| Vessel | Charterer | Flag | Built | Capacity | Yard |
|---|---|---|---|---|---|
| Hilli | British Gas | Liberia | 1975 | 125,000 | Moss Rosenberg |
| Gimi | British Gas | Liberia | 1976 | 125,000 | Moss Rosenberg |
| Khannur | British Gas | Liberia | 1977 | 125,000 | Moss Rosenberg |
| Golar Freeze | British Gas | Liberia | 1977 | 126,000 | HDW |
| Golar Spirit | Pertamina | Liberia | 1981 | 129,000 | Kawasaki |
| Golar Mazo | Pertamina | Liberia | 2000 | 135,000 | Mitsubishi |
| Golar LNG 2215 | British Gas | - | 3/2003 | 138,000 | Daewoo |
| Golar LNG 1444 | | - | 12/2003 | 137,000 | Hyundai |
| Golar LNG 2220 | | - | 3/2004 | 138,000 | Daewoo |
| Golar LNG 1460 | | - | 10/2004 | 140,000 | Hyundai |
| Al Hamra* | | Liberia | 1997 | 135,000 | Kvaerner |
| Mraweh* | | Liberia | 1996 | 135,000 | Kvaerner |
| Mubaraz* | | Liberia | 1995 | 135,000 | Kvaerner |
| Umm Al Ashtan* | | Liberia | 1997 | 135,000 | Kvaerner |

All vessels are managed by Golar Management Ltd. * These vessels are managed on behalf of National Gas Shipping Company Ltd. (NGSCO) Abu Dhabi



**b) Expand** the fleet to increase revenues and earnings. The Company may do this through new orders or by acquiring existing LNG carriers from third parties. Such acquisitions can give additional flexibility to avail Golar of opportunities either in the long-term contract market or the emerging spot market.

**c) Continue** building scale to increase operating efficiencies and enhance margins. The Company is working to identify areas in which it can reduce costs and increase productivity. As the fleet expands, the Company expects to be able to reduce incremental costs per vessel and increase margins.

**d) Embark** on LNG trading activities. If market conditions are favourable, Golar will consider expanding its LNG shipping operations by using its industry knowledge to begin trading LNG. Trading in this context means the buying and selling of physical cargoes of LNG on a back to back basis, i.e. for any firm purchase there is also a firm sale. The Company believes that trading LNG can enhance returns. The company is in discussions with several producers and buyers of LNG to put in place commercial agreements that will allow it to take advantage of unused production capacity and price differentials in an LNG spot market.

**e) Integrate** into upstream and downstream LNG activities. Golar is considering pursuing opportunities to leverage its expanded shipping assets and LNG industry knowledge to integrate into the liquefaction and regasification of LNG. The Company believes this can enhance its overall margins while at the same time diversifying its sources of income from LNG. In pursuit of this strategy, Golar will consider investing in both established LNG operations and technologies as well as newly developing technologies, such as offshore liquefaction and regasification operations. To this end, in March 2002 Golar reported that it had been selected as a shareholder in the Marathon Oil operated Baja LNG import project in Mexico. In addition in June 2002 Golar announced that it had signed a firm Heads of Agreement with the Italian offshore and contracting company Saipem SPA for the joint marketing and development of Floating Regasification Terminals for the Italian market.

# 2.1 Financial Results

**HISTORICAL FINANCIAL SUMMARY**
(in thousands of $, except per common share data, ratios and fleet data)

| | 2001 | 2000 | 1999 | 1998 (unaudited) |
|---|---|---|---|---|
| **Income Statement Data** | | | | |
| Total operating revenues | 114,223 | 113,009 | 81,792 | 78,254 |
| Net operating income before | | | | |
| Depreciation and amortisation | 79,560 | 84,321 | 55,608 | 48,278 |
| Net operating income | 47,946 | 47,833 | 26,144 | 18,563 |
| Net financial expenses | (41,617) | (44,820) | (27,764) | (31,591) |
| Net income (loss) | 4,366 | (504) | (1,857) | (12,792) |
| Earnings (loss) per ordinary share | | | | |
| - basic and diluted (1) | 0.08 | (0.01) | (0.03) | (0.23) |
| Cash dividends per ordinary share | - | - | - | - |
| Weighted average number of shares (1) | 56,012 | 56,012 | 56,012 | 56,012 |
| **Balance Sheet Data** (at end of period) | | | | |
| Cash and cash equivalents | 57,569 | 5,741 | 2,567 | 1,806 |
| Total assets | 855,991 | 817,990 | 724,101 | 594,264 |
| Total debt | 609,607 | 513,900 | 467,708 | 352,400 |
| Stockholders' equity | 174,397 | 257,034 | 225,056 | 220,641 |
| Common shares outstanding (1) | 56,012 | 56,012 | 56,012 | 56,012 |
| **Fleet Data** | | | | |
| Number of vessels at end of period | 6 | 6 | 5 | 5 |
| Average number of vessels during period | 6 | 6 | 5 | 5 |
| Average age of vessels | 20.4 | 19.4 | 22.1 | 21.1 |
| Total calendar days for fleet | 2,190 | 2,182 | 1,825 | 1,825 |
| Total operating days for fleet (2) | 2,060 | 2,103 | 1,673 | 1,566 |
| Average daily time charter earnings (3) | 53,600 | 50,900 | 43,300 | 42,100 |
| Average daily vessel operating costs (4) | 11,200 | 9,600 | 10,000 | 10,900 |

**NOTES**

1 Basic earnings per share is computed based on the income (loss) available to common shareholders and the weighted average number of shares outstanding. The number of shares as at May 31, 2001, the date Golar commenced to trade as a separate legal entity, has been used as the weighted average number of shares outstanding for prior periods.

2 The operating days for the fleet is the total number of days in a given period that the vessels were in Golar's possession less the total number of day's offhire. Day's offhire are defined as days spent on repairs, drydockings, special surveys and vessel upgrades or awaiting employment during which Golar does not earn charter hire.

3 Average daily time charter earnings are calculated by dividing time charter revenues by the number of calendar days minus days for scheduled offhire. This calculation is done on a vessel by vessel basis.

4 Average daily vessel operating costs are calculated by dividing vessel operating costs by the number of calendar days. This calculation is done on a vessel by vessel basis.

Golar LNG has operated as a legal entity since June 1, 2001, prior to that the business was owned by Osprey. In order to prepare historical financial statements prior to May 31, 2001 the Company has had to "carve out" the LNG business results from Osprey's historical financial statements. The twelve months results to December 31, 2001 therefore consist of five months of 'carved out' results plus seven months results for the new legal entity Golar LNG Limited.

### Operating Revenues

Since June 1, 2001, the date Golar became a separate legal entity, negotiations with British Gas (BG) have resulted in improved charter hire rates for the four vessels on hire with BG which has improved the average daily time charter earnings in 2001 and will further improve them in 2002. Total operating revenues increased 1 per cent from \$113.0 million in 2000 to \$114.2 million in 2001. This resulted primarily from higher average charter rates and an increase in the number of days trading for the Golar Mazo, offset by an increase in scheduled offhire days. The fleet earned an average daily time charter rate of \$53,600 and \$50,900 in 2001 and 2000, respectively. Total operating revenues were reduced due to an increased number of offhire days associated with the scheduled drydocking of three vessels in 2001. In the years ended December 31, 2001 and 2000 total day's offhire were 130 and 79, respectively.

### Vessel Operating Expenses

Vessel operating expenses increased 17 per cent from \$21.0 million in 2000 to \$24.5 million in 2001. This was principally attributable to increased crew costs, pension costs and insurance costs. In the years ended December 31, 2001 and 2000, the average daily operating costs of our vessels were \$11,200 and \$9,600, respectively. This increase also reflects increased expenditure on the existing ships to improve their operational performance. The Company's objective is to reduce future vessel operating expenses by, among other initiatives, leveraging the purchasing power of related companies, by increasing utilisation of our crew pool, and through the use of more cost efficient crewing strategies, consistent with industry practice. In addition, the Company plans to leverage overhead functions by increasing fleet size without corresponding incremental increases in overhead spending.

### Administrative Expenses

Administrative expenses increased 7 per cent from \$7.7 million in 2000 to \$8.2 million in 2001, principally due to a charge of \$2.4 million of expenses relating to a planned public offering and listing of shares in the United States. Offsetting this amount is reduced property costs and the absence of costs associated with financing activities, which took place in 2000.

The Company relocated its London office facilities during September 2000 and closed its Singapore office during May 2001, which reduced property costs from $1.2 million for the year ended December 31, 2000 to $0.8 million for the year ended December 31, 2001.

### Restructuring Costs

Restructuring costs of $1.9 million in the year ended December 31, 2001 consist primarily of employment severance costs incurred in connection with the restructuring of Osprey's Singapore operations following the acquisition by World Shipholding.

### Depreciation and Amortisation

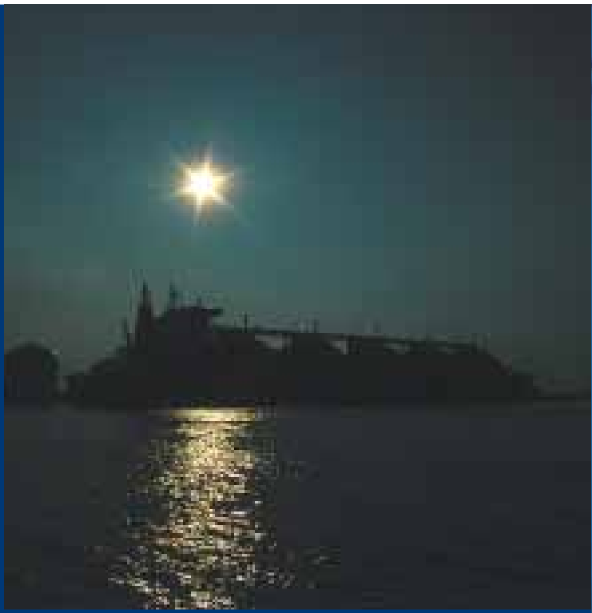
Depreciation and amortisation decreased 13 per cent from $36.5 million in 2000 to $31.6 million in 2001. This decrease is due to the reduction in carrying values of the vessels of approximately $109.8 million that resulted from World Shipholding's purchase of Osprey and was reflected in the Company's financial statements beginning February 1, 2001.

### Net Financial Expenses

Interest income was $3.3 million and $2.1 million for the years ended December 31, 2001 and 2000, respectively. This increase reflects a higher average cash balance for the Golar Mazo in the 2001 period. Interest expense was $32.5 million and $44.5 million for the years ended December 31, 2001 and 2000, respectively. The decrease of 27 per cent reflects a combination of lower average interest rates and an increase in capitalised interest from $0.2 million for the year 31 December, 2000 to $2.6 million for the year ended December 31 2001. In May 2001, the Company refinanced the facility for the five wholly owned vessels and by so doing significantly reduced financial costs. Other financial items increased to $12.4 million for the year ended December 31, 2001 from $2.4 million in the year ended December 31, 2000. This is primarily due to a 'mark to market' charge of $8.2 million relating to the application of a new accounting pronouncement for derivative instruments (swaps), which has meant that the movement in the valuation of interest rate swaps has to be taken through the Income Statement. In addition, during the first half of 2001, the Company wrote off approximately $2.3 million of deferred finance fees as a result of refinancing a loan facility.

### Minority Interest and Income Taxes

Minority interest, consisting of the 40 per cent interest in the Golar Mazo, decreased from $3.4 million in 2000 to $1.6 million in 2001, principally due to the impact of the 'mark to market' charge of $6.3 million on the interest swap facility.



Income taxes, which relate to the taxation of the United Kingdom branch operations of a subsidiary and certain interest income, were insignificant in both periods.

### Net Income (Loss)

As a result of the foregoing, the Company earned net income of $4.4 million in 2001, increased from a net loss of $0.5 million in 2000.

Hilli

# 2.2 Market

The year 2001 marked the first full year of operation for the two newcomers in the Atlantic Basin LNG trade, Nigeria LNG and Atlantic LNG in Trinidad. This year also marked the first time LNG from the Middle East was sold on a long term contract to Europe or the USA, with the signing of a 10 year supply agreement between Gas Natural in Spain and Qatargas in Qatar. Up until this point gas from middle-eastern producers had only been sold into European and US markets on a short-term or spot trading basis.

From a LNG pricing perspective the year 2001 was by far the most significant in recent history. Crude oil prices passed the $30/bbl ($ per barrel) mark in 2000 and this carried gas prices in Europe and the Far East to record levels in the first half of 2001. Equally important was the energy crisis in California that caused an enormous price ‘spike’ in the US in the same period, with spot gas prices on the Nymex (New York Mercantile Exchange) hitting $10/mmbtu ($ per million British thermal units) in January 2001. These events generated strong interest in LNG in general in the Atlantic Basin, but in particular in the US, with all major energy companies developing plans to build new import terminals, on both the Atlantic and the Pacific seaboard, and to charter LNG ships to move the LNG. The high prices in the US also caused all existing producers and buyers of LNG to bring a record number of excess and re-directed cargoes into the US market.

For the second half of 2001 this picture changed drastically in the US, with prices coming down to lower levels with an average of $2.6/mmbtu, whilst in Europe prices remained at a slightly higher level. This normalisation of prices naturally dampened a number of companies interest in LNG in the US.

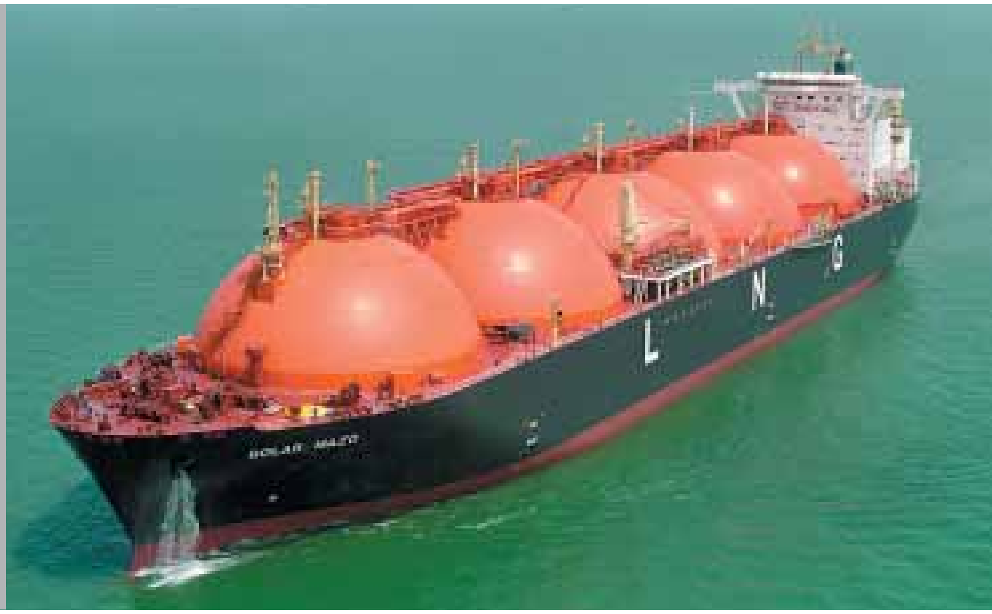
It is of course not possible to talk about the year 2001 without mentioning the September 11th terrorist attacks in the US, as well as the collapse of Enron later the same year. These two events clearly had a negative effect on the interest in new LNG projects in the US and resulted in some companies deferring their investment plans. However, in Europe and other parts of the world this did not cause any significant delay in new projects.

The trend in the development of the order book for new build LNG carriers from the previous year continued in the first part of 2001. However, clearly the events mentioned above, in particular the lower gas prices in the US and the general slow down in economic growth, caused the placement of new orders to stop in the second half of the year. This resulted in 47 new ships on order at the end of 2001.

Most charter agreements concluded during 2001 were in the classical LNG form, with time periods of 20 to 25 years and with time charter rates in the range of $65,000-$70,000 per day.

# 2.3 Competitive Strengths

Golar, through its predecessor companies, has a long history in the LNG shipping industry and has developed over the past year into a dedicated LNG enterprise. The following characteristics distinguish Golar from other participants in the LNG transportation industry.




### Market Position and LNG Shipping Experience

Golar is currently the only shipping company exclusively dedicated to LNG transportation and has established a position as a leading independent owner and operator of LNG carriers. Golar plans to build on this position with its four commissioned newbuildings. The loading, carriage and delivery of LNG require special expertise. Golar has accumulated this expertise through more than 25 years of operating LNG carriers. The Company's vessels and crews have loaded cargoes from virtually all of the world's LNG export terminals and have delivered cargoes to most of the major LNG import facilities. This experience and the quality of the Company's vessels make it an attractive service provider to both current and potential customers.

### Fleet and Newbuildings

Golar operates a high-quality and well-maintained fleet and has been successful at keeping unscheduled offhire to a minimum. The Company is in the process of completing a six-year, $29.5 million refurbishment and modernisation program for four of its existing vessels. Upon the completion of this program it is expected that Golar's existing vessels will be able to serve through their 40th anniversaries. The Company's newbuilding program will give it more available vessels over the next three years than any other independent LNG ship owner. Two of these vessels are scheduled for delivery in 2003 and two in 2004. This may provide a competitive advantage by allowing the Company to deploy new LNG carriers sooner than its' competitors.

### Customer and Industry Relationships

Golar has strong long-term customer relationships with many of the industry's largest customers, including British Gas, Pertamina, the state-owned Oil & Gas Company of Indonesia, and the National Gas Shipping Company of Abu Dhabi. Golar's management team has significant experience of working with major oil and gas producers active in the LNG market. Due to the size of the Company's existing fleet and newbuilding program it enjoys excellent relationships with shipyards and other suppliers.

# 2.4 Business Development and Fleet Operations


Golar LNG 2215

## Newbuildings

Golar has four newbuildings under construction of which one has already been chartered to British Gas as discussed above. The selection of, and investment in, newbuildings is a key strategic decision. Years of experience in the shipping industry have equipped Golar with the experience to determine when to order the construction of newbuildings and the scope of those constructions. Furthermore, Golar has established relationships with several shipyards, which provided access to the currently limited shipyard slots to build LNG carriers.

## New Projects

As part of its business strategy Golar has the objective to develop and participate in projects both upstream and downstream in the LNG chain. Due to certain developments in the US market during 2001 a business opportunity based on the development of a Floating Regasification and Storage Unit (FRSU) was identified. The attractiveness of the FRSU is defined by market needs for additional regasification capacity as well as rising safety and environmental concerns regarding some land-based facilities. As a result a detailed Feasibility Study was commissioned and completed towards the end of the year. The preliminary conclusion of the Feasibility Study was that the project is both technically and economically attractive. Following this initial study the Company signed a Heads of Agreement with the Italian offshore construction company, Saipem, in April 2002, for the joint development of floating regasification terminals for the Italian market. This has developed into discussions with one client in respect of a specific project and has already led to the preparation of a technical pre-engineering study on behalf of the client.

In March 2002 Golar was selected as a shareholder in the Baja LNG import project. Part of the overall arrangement is that Golar will provide shipping capacity and shipping services to the project. The on-shore facilities will consist of a port, a regasification terminal, a desalination plant and a power plant with the regasification terminal throughput being 5.5 million tonnes of LNG per annum. Based on this level of receiving capacity there will be a requirement for up to 10 LNG carriers.

Golar LNG 2215 Engine Control Room

## Operations

Fleet Operations have developed to meet the changing demands of the industry and to ensure that the Company has solid and adequate resources in place for the future. This has meant a review and restructuring of all operational systems and planned movement of personnel. Emphasis has been placed upon safety, vessel security, improved vessel performance and training for both sea staff and shore personnel.

The Safety Management System has been reviewed and effectively upgraded. Improved specific vessel operational manuals have been developed and implemented. The Company will apply for ISO 14001 during year 2002. The Fleet Department has been working closely with clients with regard to Health, Safety and Environmental issues. Safety training and auditing onboard the Company's vessels has been increased and safety trend and statistical analysis has been improved. Risk analysis software coupled with the appropriate office and onboard instruction requirement is presently being evaluated. In addition, various computer based training programs are being evaluated, in particular for sea staff.

Shore support for the vessels with regard to maintenance, performance and operation has been intensified. The technical and marine elements of the fleet management team have been considerably strengthened by the addition of experienced personnel. Major refurbishment projects onboard existing vessels are well underway. Various maintenance agreements for the main technical components of the fleet are under review and will be adjusted to ensure vessel reliability and cost effectiveness.

With the completion of all the measures mentioned above as well as projects for continuous improvement in operations, Golar expects to meet its objective of remaining a world-class supplier of LNG transportation services in a changing and highly competitive industry.

# 2.5 Financing and Corporate Affairs

## Financing

In May 2001, the Company entered into purchase agreements with Osprey and Seatankers to purchase their LNG shipping interests. To finance the purchase of the LNG operations, the Company raised $280 million through the placement in Norway of 56 million shares at a price of $5.00 per share. Osprey subscribed for 28 million shares with the remaining 28 million shares being subscribed by private investors. In addition, a wholly owned subsidiary of the Company raised $325 million through a credit facility secured by the five wholly owned underlying vessels. In 1997, Osprey had entered into a $214.5 million secured loan facility in connection with, and secured by, the part-owned vessel, Golar Mazo. This facility remained in place and was acquired as a part of the purchase transaction.

During 2001 and 2002, Golar has obtained loan facilities from Greenwich Holdings Limited ("Greenwich"), a company indirectly controlled by Golar's Chairman, John Fredriksen. At December 31, 2001 these totalled $85.3 million and during 2002 have decreased to $49.0 million. These loans from Greenwich have been used to assist in the payment of newbuilding instalment obligations and it is intended that they will be repaid upon the arrangement of long-term financing for the newbuildings.

As a result of the newbuilding program, the Company has a significant long term financing requirement as discussed in the notes to the financial statements. In December 2001 the Company signed a loan agreement with Lloyds TSB Bank Plc for the purpose of financing the building of newbuilding hull number 2215 for an amount up to $180 million to include ship yard costs, capitalised interest and building supervision charges.

In October 2002, the Company signed a loan agreement with certain of its existing Lenders in respect of a facility in the amount of up to $60 million to be secured on the Company's existing five wholly-owned vessels as second priority charges. The agreement allows Golar to draw down a maximum of $60 million to assist in the financing of its newbuilding installment payments.

The Company intends to enter into longer term financing arrangements for the liabilities outstanding on its newbuildings at times that will allow it to minimise the cost of financing. It is intended that that these facilities will come from a combination of debt finance, lease arrangements and cash flow from operations.

## Corporate Affairs

In the middle of 2001, the Company started a process to prepare for a listing and a public offering in the United States. During the 4th quarter the Board of Golar reconsidered the need for new equity, and concluded that the Company currently had a sufficient


Golar 2215 Inspection of Aft Mooring

equity base. In addition, attention was paid to the fact that an equity issue at the then current pricing levels would lead to a substantial dilution for the existing shareholders. The Board therefore decided to cancel the intended equity offering but will continue with its plans for a listing in the US in order to increase the presence of Golar in the American Capital Markets as well as in the American Gas Market. The Company has filed a confidential registration statement with the US Securities and the Exchange Commission and expects that a listing can be achieved within the 4th quarter of 2002. Due to the cancellation of the offering, the costs incurred in the process, including preparation of historical financial statements and the preparation of SEC documents, were expensed in 2001.

# 2.6 Outlook

The general outlook for the LNG industry for the coming years is very positive, with major projects coming on-stream in the Atlantic Basin, the Middle East and in the Far East. The demand for natural gas is continuing to grow in all major markets, fuelled by very strong demand for gas for power production. Given the committed and planned increase in LNG production capacity, the overall supply/demand position for LNG transportation capacity should be in balance for the coming years.

Currently the Company has six ships in operation, all on long-term charter, and four under construction of which one has a long-term charter with British Gas. The Company is pursuing several opportunities with respect to the three unfixed newbuildings. These include the employment of these ships on a spot trading basis, conversion to a floating regasification terminal and normal long-term and medium-term charters.
The Company is pursuing the development of the Baja LNG terminal in Mexico together with operator Marathon Oil Company with the objective of reaching an investment decision by the end of 2002. The Company also expects to reach a final investment decision in respect of the floating regasification project with Saipem by the end of 2002.

Discharging of Golar Freeze

# 2.7 Shareholder Information

Golar Mazo

**SHAREHOLDERS AS AT SEPTEMBER 30, 2002**

| Vessel | Value | Percentage |
|---|---|---|
| Osprey Maritime Ltd* | 28,012,000 | 50.01% |
| Morgan Stanley & Co. Inc. | 6,162,770 | 11.00% |
| State Street Bank & Trust Co. | 2,819,900 | 5.03% |
| Odin Norge | 2,375,800 | 4.24% |
| Odin Norden | 2,328,100 | 4.16% |
| Goldman Sachs International Finance. | 1,645,700 | 2.94% |
| JPMorgan Chase Bank | 1,255,000 | 2.24% |
| UBS AG, London Branch | 907,200 | 1.62% |
| Bank Of New York, Brussels Branch | 817,700 | 1.46% |
| JPMorgan Chase Bank | 678,200 | 1.21% |
| Morgan Stanley And Co.Intl.Limited | 665,100 | 1.19% |
| Salomon Smith Barney Inc | 569,600 | 1.02% |
| Remaining Shareholders | 7,774,930 | 13.88% |

* Osprey Maritime Limited is indirectly controlled by John Fredriksen, a Director and Chairman of Golar.

## Shareholder Policy

Golar's long-term policy is to maximise shareholders' value and return on capital by investing in its core business of LNG transportation and integrated LNG services.

Golar's overriding policy is to return cash to shareholders by way of dividend if it does not believe it will have opportunities to increase value through further investment arising in the foreseeable future.

## Shareholder Structure

Golar's shares were listed on the Oslo Stock Exchange in July 2001. During 2001 and 2002 the Company has been preparing for a listing on the NASDAQ National Market in the United States and this is expected to occur during the 4th quarter of 2002 as noted above.

**SHAREPRICE HISTORY**

| Monthly | Price Per Share | | | Average Daily Trading Volume (thousands) |
|---|---|---|---|---|
| | High (in NOK) | Low (in NOK) | Period End (in NOK) | |
| **2002** | | | | |
| September | 44.00 | 37.00 | 42.00 | 22.30 |
| August | 48.00 | 39.00 | 45.00 | 16.70 |
| July | 47.00 | 40.00 | 46.00 | 30.40 |
| June | 53.00 | 43.50 | 46.00 | 91.20 |
| May | 55.00 | 50.00 | 51.00 | 68.60 |
| April | 58.50 | 52.00 | 55.00 | 117.27 |
| March | 62.00 | 52.50 | 58.50 | 208.84 |
| February | 53.00 | 47.00 | 51.00 | 112.96 |
| January | 52.00 | 43.00 | 49.00 | 146.74 |
| **2001** | | | | |
| December | 47.00 | 44.50 | 47.00 | 91.18 |
| November | 50.00 | 43.50 | 47.00 | 222.04 |
| October | 45.00 | 37.00 | 42.00 | 106.60 |
| September | 60.00 | 42.00 | 44.50 | 80.01 |
| August | 63.00 | 54.00 | 57.00 | 117.94 |
| July (since July 12) | 65.00 | 56.00 | 60.00 | 141.47 |

On September 30, 2002, the exchange rate between the Norwegian Kroner and the U.S. dollar was 7.468NOK to one U.S.$

HAMILTON, BERMUDA NOVEMBER 26 2002

**John Fredriksen**
Director, Chairman
and President

**Tor Olav Trøim**
Director, Chief Executive Officer
and Vice President

**A. Shaun Morris**
Director

**Timothy Counsell**
Director

# Golar LNG Limited
# 3.0 Financial Statements

# Report of Independent Accountants

## To the Board of Directors and Stockholders of Golar LNG Limited

In our opinion, the accompanying consolidated and combined balance sheets and the related consolidated and combined statements of operations, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Golar LNG Limited and its subsidiaries (the "Company") at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001, 2000 and 1999 in conformity with accounting principles generally accepted in the United States of America, on the basis described in Note 2. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Company is considering various funding strategies for its capital commitments, including payments due in 2003, under long-term shipbuilding contracts for which it has not yet obtained full financing.

PricewaterhouseCoopers
London, United Kingdom

April 2, 2002, except as to the third paragraph in Note 1, the final three paragraphs in Note 14 and Note 28 (B) which are as of October 15, 2002

# Consolidated and Combined Statements of Operations for the years ended December 31, 2001, 2000 & 1999

| (in thousands of $, except per share data) | Note | 2001 | 2000 | 1999 |
|---|---|---|---|---|
| Operating revenues | | | | |
| Time charter revenues | | 112,324 | 110,705 | 79,007 |
| Vessel management fees | | 1,899 | 2,304 | 2,785 |
| Total operating revenues | | 114,223 | 113,009 | 81,792 |
| Operating expenses | | | | |
| Vessel operating expenses | | 24,537 | 20,973 | 18,249 |
| Administrative expenses | | 8,232 | 7,715 | 7,935 |
| Restructuring expenses | 6 | 1,894 | – | – |
| Depreciation and amortization | | 31,614 | 36,488 | 29,464 |
| Total operating expenses | | 66,277 | 65,176 | 55,648 |
| Operating income | | 47,946 | 47,833 | 26,144 |
| Financial income (expenses) | | | | |
| Interest income | | 3,254 | 2,124 | 3,553 |
| Interest expense | | (32,508) | (44,539) | (26,414) |
| Other financial items | 7 | (12,363) | (2,405) | (4,903) |
| Net financial expenses | | (41,617) | (44,820) | (27,764) |
| Income (loss) before income taxes and minority interest | | 6,329 | 3,013 | (1,620) |
| Minority interest in net income of subsidiaries | | 1,607 | 3,439 | – |
| Income taxes | 8 | 356 | 78 | 237 |
| **Net income (loss)** | | **4,366** | **(504)** | **(1,857)** |
| Earnings (loss) per share | | | | |
| Basic and diluted | 9 | $0.08 | $(0.01) | $(0.03) |

The accompanying notes are an integral part of these financial statements.

# Consolidated and Combined Statements of Comprehensive Income for the years ended December 31, 2001, 2000 and 1999

| (in thousands of $) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Net income (loss) | 4,366 | (504) | (1,857) |
| Other Comprehensive income (loss), net of tax: | | | |
| Recognition of minimum pension liability | (1,472) | (3,598) | – |
| Recognition of transition obligation under FAS 133 | (2,850) | – | – |
| Reversal of transition obligation under FAS 133 | 64 | – | – |
| **Other comprehensive income (loss)** | **(4,258)** | **(3,598)** | **–** |
| **Comprehensive income (loss)** | **108** | **(4,102)** | **(1,857)** |

The accompanying notes are an integral part of these financial statements.

# Consolidated and Combined Balance Sheets as of December 31, 2001 and 2000

| (in thousands of $) | Note | 2001 | 2000 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 57,569 | 5,741 |
| Restricted cash and short-term investments | | 14,163 | 13,091 |
| Short term investments | | – | 14,231 |
| Trade accounts receivable | 11 | 188 | 111 |
| Other receivables, prepaid expenses and accrued income | 12 | 2,602 | 3,303 |
| Amounts due from related parties | 13 | 261 | – |
| Inventories | | 2,650 | 2,059 |
| Total current assets | | 77,433 | 38,536 |
| Newbuildings | 14 | 132,856 | – |
| Vessels and equipment, net | 15 | 641,371 | 765,559 |
| Deferred charges | 16 | 4,177 | 2,856 |
| Goodwill | 17 | – | 9,439 |
| Other long term assets | | 154 | 1,600 |
| **Total assets** | | **855,991** | **817,990** |
| **Liabilities and stockholders' equity** | | | |
| Current liabilities | | | |
| Current portion of long-term debt | 21 | 41,053 | 10,171 |
| Current indebtedness due to related parties | 21 | 85,278 | 12,000 |
| Trade accounts payable | | 1,995 | 1,799 |
| Accrued expenses | 18 | 7,684 | 7,281 |
| Amounts due to related parties | | 1,049 | – |
| Other current liabilities | 19 | 18,887 | 2,403 |
| Total current liabilities | | 155,946 | 33,654 |
| Long-term liabilities | | | |
| Long-term debt | 21 | 483,276 | 204,329 |
| Long-term debt due to related parties | 21 | – | 287,400 |
| Other long-term liabilities | 22 | 16,552 | 9,562 |
| Total liabilities | | 655,774 | 534,945 |
| Commitments and contingencies (See Note 27) | | | |
| Minority interest | | 25,820 | 26,011 |
| Stockholders' equity | | 174,397 | 257,034 |
| **Total liabilities and stockholders' equity** | | **855,991** | **817,990** |

The accompanying notes are an integral part of these financial statements

# Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2001, 2000 & 1999

| (in thousands of $) | Note | 2001 | 2000 | 1999 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income (loss) | | 4,366 | (504) | (1,857) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | 31,680 | 36,488 | 29,464 |
| Amortization of deferred charges | | 2,097 | 1,359 | 1,742 |
| Income attributable to minority interests | | 1,607 | 3,439 | – |
| Drydocking expenditure | | (10,222) | (6,694) | – |
| Trade accounts receivable | | (77) | (4) | 167 |
| Inventories | | (591) | 257 | (351) |
| Prepaid expenses and accrued income | | 725 | 188 | 200 |
| Amount due from/to related companies | | (238) | (5,217) | (5,829) |
| Trade accounts payable | | 196 | 274 | (3,461) |
| Accrued expenses | | 267 | (1,116) | (2,668) |
| Other current liabilities | | 12,233 | 1,039 | 1,442 |
| Net cash provided by operating activities | | 42,043 | 29,509 | 18,849 |
| **Investing activities** | | | | |
| Cash paid for Osprey's LNG interests, net of cash acquired | | (530,945) | – | – |
| Investment in associated company and subsidiary | 17 | – | – | (14,176) |
| Additions to newbuildings | 14 | (132,856) | (93,960) | (10,245) |
| Additions to vessels and equipment | | (7,258) | (2,900) | (3,030) |
| Restricted cash and short term investments | | (1,072) | (13,091) | – |
| Purchase of short term investments | | – | (14,231) | – |
| Proceeds from maturity of short term investments | | 14,231 | – | – |
| Proceeds from sales of other assets | | – | 1,334 | – |
| Net cash used in investing activities | | (657,900) | (122,848) | (27,451) |
| **Financing activities** | | | | |
| Proceeds from long-term debt | 21 | 325,000 | 88,191 | 8,879 |
| Proceeds from short term debt due to related parties | 21 | 85,278 | – | – |
| Repayments of long-term debt | | (15,170) | – | – |
| Financing costs paid | | (3,231) | – | (286) |
| Contribution from minority shareholders | | – | 8,322 | 770 |
| Proceeds from issuance of equity | | 275,808 | – | – |
| Net cash provided by financing activities | | 667,685 | 96,513 | 9,363 |
| **Net increase in cash and cash equivalents** | | **51,828** | **3,174** | **761** |
| **Cash and cash equivalents at beginning of period** | | **5,741** | **2,567** | **1,806** |
| **Cash and cash equivalents at end of period** | | **57,569** | **5,741** | **2,567** |
| **Supplemental disclosure of cash flow information:** | | | | |
| Cash paid during the year for: | | | | |
| Interest paid, net of capitalized interest | | 37,811 | 42,662 | 23,080 |
| Income taxes paid | | 411 | 268 | 45 |
| Non-cash investing and financing activities: | | | | |
| Forgiveness of intercompany payables, dividend out and return of capital | 13 | 455,890 | – | – |
| Liabilities assumed in business combination | | 214,500 | – | 117,430 |

The accompanying notes are an integral part of these financial statements.

# Consolidated and Combined Statements of Changes in Stockholders' Equity for the years ended December 31, 2001 and 2000

| (in thousands of $, except number of shares) | Note | Invested Equity | Amounts due from Related Parties | Share Capital | Additional Paid in Capital | Accumulated Other Comprehensive Income | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| Combined balance at December 31, 1999 | | 1,016,792 | (791,736) | – | – | – | – | 225,056 |
| Net income (loss) | | (504) | – | – | – | – | – | (504) |
| Change in amounts due from parent and affiliates | | – | 36,080 | – | – | – | | 36,080 |
| Other comprehensive loss | | – | – | – | – | (3,598) | – | (3,598) |
| Combined balance at December 31, 2000 | | 1,016,288 | (755,656) | – | – | (3,598) | – | 257,034 |
| Push down of World Shipholding Ltd. basis | 23 | (133,758) | – | – | – | 6,384 | – | (127,374) |
| Net loss | | (3,210) | – | – | – | – | – | (3,210) |
| Change in amounts due from parent and affiliates | 13 | – | 299,766 | – | – | – | – | 299,766 |
| Other comprehensive loss | | – | | – | – | (2,786) | – | (2,786) |
| Combined balance at May 31, 2001 | | 879,320 | (455,890) | – | – | – | – | 423,430 |
| Issue of ordinary shares, net of issuance costs | 24 | – | – | 56,012 | 219,796 | – | – | 275,808 |
| Forgiveness of inter-company balances, dividend out and return of capital | 13 | (455,890) | 455,890 | – | – | | – | – |
| Purchase of the Golar LNG businesses from Osprey Maritime and Seatankers, Ltd, entities under common control | | (423,430) | – | – | (107,515) | – | – | (530,945) |
| Net income | | – | – | – | – | – | 7,576 | 7,576 |
| Other comprehensive loss | | – | – | – | – | (1,472) | – | (1,472) |
| **Consolidated balance at December 31, 2001** | | **–** | **–** | **56,012** | **112,281** | **(1,472)** | **7,576** | **174,397** |

The accompanying notes are an integral part of these financial statements.

# Notes to Consolidated and Combined Financial Statements

## 1. General

Golar LNG Limited (the "Company" or "Golar") was incorporated in Hamilton, Bermuda on May 10, 2001 for the purpose of acquiring the liquefied natural gas ("LNG") shipping interests of Osprey Maritime Limited ("Osprey") and of Seatankers Management Co. Ltd. ("Seatankers"). Osprey, through its parent World Shipholding Ltd. ("World Shipholding"), and Seatankers, are both indirectly controlled by Mr. John Fredriksen. Mr. Fredriksen is a Director, the Chairman and President of Golar. Osprey acquired its LNG interests in 1997 through the acquisition of Gotaas Larsen Shipping Corporation ("Gotaas Larsen").

The Company owns and operates a fleet of six liquefied natural gas ("LNG") carriers, five of which are currently under long term charter contracts and one of which is under a medium-term charter. The Company owns five of its vessels through wholly owned subsidiaries and has a 60 per cent interest in the sixth vessel. Additionally, the Company is building four new LNG carriers at a cost of $658.9 million excluding financing costs.

The Company has sufficient facilities to meet its anticipated funding needs until August 2003. These facilities include $15 million from a related party which can be drawn down as needed in 2003 until such time as permanent financing has been secured. As at October 2002 additional facilities of $316 million will be needed to meet commitments under the newbuilding construction program in August 2003 and thereafter. It is intended that these facilities will come from a combination of debt finance, lease arrangements for existing vessels and cash flow from operations. Alternatively, if market and economic conditions favor equity financing, the Company may raise equity to fund a portion of the construction costs. The Company is in advanced negotiations with a number of financial institutions and others to provide sufficient facilities to meet these construction commitments in full as they fall due. Accordingly, the financial statements have been prepared on a going concern basis of accounting.

### Acquisition of Osprey by World Shipholding

In August 2000, World Shipholding commenced the acquisition of Osprey, a publicly listed Singapore company with LNG tankers, oil tankers and product tankers. World Shipholding gained a controlling interest of more than 50 per cent of Osprey in November 2000. In January 2001, World Shipholding's interest increased to over 90 per cent and the acquisition was completed in May 2001. The acquisition of Osprey by World Shipholding was accounted for as a purchase transaction and the purchase price was therefore allocated to the assets and liabilities acquired based on their fair value as of each acquisition date with vessels being valued on the basis of independent appraisals. The fair value of the net assets acquired exceeded the purchase price. As such, the negative goodwill associated with the acquisition has been allocated to reduce the values of the vessels and the new basis reflected in Golar LNG's financial statements through push down accounting (as indicated in Note 23), which occurred on January 31, 2001.

### Acquisition of LNG interests by Golar LNG Limited

On May 21, 2001, the Company entered into purchase agreements with Osprey and Seatankers to purchase its LNG shipping interests. These LNG shipping interests comprised the ownership of LNG carriers, a contract and options to build LNG vessels and a management organization that provides management services for LNG carriers owned by the Company and third parties. To finance the purchase of the LNG operations, the Company raised $280 million through the placement in Norway of 56 million shares at a price of $5.00 per share. Osprey subscribed for 28 million shares with the remaining 28 million shares being subscribed by private investors. In addition, a wholly-owned subsidiary of the Company raised $325 million through a credit facility secured by the underlying vessels. The purchase price for the LNG operations was $530.9 million as indicated below:

**(in millions of $)**

| | |
|---|---|
| Proceeds from share issuance | 280.0 |
| Credit facility | 325.0 |
| | 605.0 |
| Less: transaction fees and expenses | (4.2) |
| Less: surplus cash available | (69.9) |
| Purchase price | 530.9 |
| Less: net assets acquired | (423.4) |
| **Excess of purchase price over net assets acquired** | **107.5** |

The purchase price included amounts paid to Osprey and Seatankers totaling $5.0 million for the assignment of newbuilding contracts and options. The purchase price paid was net of an amount of $128.7 million, being 60 per cent of the loan assumed relating to the financing of the *Golar Mazo* as described in Note 21. Additionally, the Company forgave certain intercompany receivables totaling $455.9 million.

Mr. John Fredriksen indirectly controls 50.01 per cent of the Company through the initial 12,000 shares issued at the Company's formation and the 28 million shares purchased by Osprey. As required under generally accepted accounting principles in the United States, the purchase of the LNG operations has been treated by the Company as a transaction between entities under common control. The Company recorded the LNG assets and liabilities acquired from World Shipholding and Seatankers at the amounts previously reflected in the books of World Shipholding and Seatankers on what is known as a "predecessor basis". The difference between the purchase price as described above and the net assets recorded in the Company's books using the predecessor basis was reflected as a reduction in equity in the amount of $107.5 million.

## 2. Accounting Policies

### Basis of accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States. Investments in companies in which the Company directly or indirectly holds more than 50 per cent of the voting control are consolidated in the financial statements. All inter-company balances and transactions have been eliminated. Investments in companies in which the Company holds between 20 per cent and 50 per cent of an ownership interest, and over which the Company exercises significant influence, are accounted for using the equity method.

For the year ended December 31, 2001, the five months to May 31, 2001, have been carved out of the financial statements of Osprey and are presented on a combined basis. For the seven months from June 1, 2001 to December 31, 2001, the financial statements of Golar as a separate entity are presented on a consolidated basis. For the years ended December 31, 2000 and 1999 the combined financial statements presented herein have been carved out of the financial statements of Osprey. With effect from May 31, 2001 the predecessor basis of accounting has been applied to the acquisition of the LNG interests of Osprey and Seatankers as discussed above. The financial statements for the year ended December 31, 2001, therefore reflect the following:

- the pushdown of purchase accounting adjustments with effect from January 31, 2001 (resulting from the acquisition of Osprey by World Shipholding);
- the application of the predecessor basis of accounting with effect from May 31, 2001 resulting from the Company's acquisition of the LNG interest of Osprey and Seatankers; and
- the establishment of a new equity and debt structure with effect from May 31, 2001 in connection with the common control acquisition by Golar of the LNG business of Osprey and the carry over of the historic basis from this date;

These events are explained further elsewhere in these Notes.

The accompanying financial statements include the financial statements of the corporations listed in Note 3.

Osprey is a shipping company with activities that include oil tankers and product carriers as well as LNG carriers. Where Osprey's assets, liabilities, revenues and expenses relate to the LNG business, these have been identified and carved out for inclusion in these financial statements. Where Osprey's assets, liabilities, revenues and expenses relate to one specific line of business but not the LNG business, these have been identified and not included in these financial statements. The preparation of the carved out financial statements requires allocation of certain assets and liabilities and expenses where these items are not identifiable as related to one specific activity. Administrative overheads of Osprey that cannot be related to a specific vessel type of operations have been allocated based on the number of vessels in Ospreys' fleet including its tanker operations. The Osprey group operated a centralized treasury system and did not have separate banks accounts for each of its subsidiaries. For the LNG operations there were separate bank accounts for Golar Mazo and for the remaining LNG activities interest income has been allocated in the carved out combined financial statements based on operating cash flows, net of debt servicing. Management has deemed the related allocations are reasonable to present the financial position, results of operations, and cash flows of the Company. Management believes the various allocated amounts would not materially differ from those that would have been achieved had Golar operated on a stand-alone basis for all periods presented. The financial position, results of operations and cash flows of the Company are not necessarily indicative of those that would have been achieved had the Company operated autonomously for all years presented as the Company may have made different operational and investment decisions as a Company independent of Osprey.

During the period of Osprey's ownership of the LNG business, overhead costs allocated, as described above, are derived from costs associated with the corporate headquarters in Singapore and from the London office which managed and still does manage the operations of the business. The amount of costs, presented as part of administrative expenses, that was allocated from the Singapore headquarters was $743,000, $3,000,000 and $1,353,000 for the years ended December 31, 2001, 2000 and 1999 respectively. In addition, of the $1,894,000 restructuring expenses incurred during 2001, $1,598,000 was allocated from the Singapore headquarters.

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The financial statements do not purport to be indicative of either our future financial position or results of operations had Golar been a stand-alone entity for the periods presented.

### Revenue and expense recognition

Revenues and expenses are recognized on the accrual basis. Revenues generated from time charter hire are recorded over the term of the charter as service is provided. Revenues generated from management fees are also recorded ratably over the term of the contract as service is provided. Revenues include minimum lease payments under time charters as well as the reimbursement of certain vessel operating costs.

Vessel operating costs include an allocation of administrative overheads that relate to vessel operating activity which includes certain technical and operational support staff for the vessels, information technology, legal, accounting, and corporate costs. These costs are allocated based on internal cost studies, which management believes are reasonable estimates. For the years ended December 31, 2001, 2000 and 1999, $2,033,000, $1,909,000 and $1,591,000 have been allocated to vessel operating costs, respectively.

### Cash and cash equivalents

The Company considers all demand and time deposits and highly liquid investments with original maturities of three months or less to be equivalent to cash.

### Short term investments

The Company considers all short-term investments as held to maturity in accordance with Statement of Financial Accounting Standards No. 115 “Accounting for Certain Investments in Debt and Equity Securities”. These investments are carried at amortized cost. The Company places its short-term investments primarily in fixed term deposits with high credit quality financial institutions.

## Inventories

Inventories, which are comprised principally of lubricating oils and ship spares, are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis.

## Newbuildings

The carrying value of newbuildings represents the accumulated costs to the balance sheet date, which the Company has had to pay by way of purchase installments, and other capital expenditures together with capitalized loan interest. No charge for depreciation is made until the vessel is delivered.

## Vessels and equipment

Vessels and equipment are stated at cost less accumulated depreciation. The cost of vessels and equipment less the estimated residual value is depreciated on a straight-line basis over the assets' remaining useful economic lives.

Included in vessels and equipment is drydocking expenditure which is capitalized when incurred and amortized over the period until the next anticipated drydocking, which is generally between two and five years. For vessels which are newly built or acquired and for the amounts reflected as part of the push down of the World Shipholding basis, the consideration paid is allocated between drydocking and other vessels costs to reflect the different useful lives of the component assets.

Useful lives applied in depreciation are as follows:

| | |
|---|---|
| Vessels | 40 years |
| Deferred drydocking expenditure | two to five years |
| Office equipment and fittings | three to six years |

## Impairment of long-lived assets

Long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

## Deferred charges

Costs associated with long term financing, including debt arrangement fees, are deferred and amortized over the term of the relevant loan. Amortization of deferred loan costs is included in Other Financial Items.

## Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired in business acquisitions accounted for under the purchase method. Goodwill is presented net of accumulated amortization and is being amortized on a straight-line basis over a period of approximately 20 years.

## Derivatives

The Company enters into interest rate swap transactions from time to time to hedge a portion of its exposure to floating interest rates. These transactions involve the conversion of floating rates into fixed rates over the life of the transactions without an exchange of underlying principal. Hedge accounting is used to account for these swaps provided certain hedging criteria are met. As of January 1, 2001, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS 133"). Certain hedge relationships met the hedge criteria prior to SFAS 133, but do not meet the criteria for hedge accounting under SFAS 133. Upon initial adoption, the company recognized the fair value of its derivatives as liabilities of $2.8 million and a charge of $2.8 million was made to other comprehensive income.

*Pre-SFAS 133*

Hedge accounting is applied where the derivative reduces the risk of the underlying hedged item and is designated at inception as a hedge with respect to the hedged item. Additionally, the derivative must result in payoffs that are expected to be inversely correlated to those of the hedged item. Derivatives are measured for effectiveness both at inception and on an ongoing basis. When hedge accounting is applied, the differential between the derivative and the underlying hedged item is accrued as interest rates change and recognized as an adjustment to interest expense. The related amount receivable from or payable to counterparties is included in accrued interest income or expense, respectively. Prior to January 1, 2001, the fair values of the interest rate swaps are not recognized in the financial statements.

If a derivative ceases to meet the criteria for hedge accounting, any subsequent gains and losses are currently recognized in income. If a hedging instrument is sold or terminated prior to maturity, gains and losses continue to be deferred until the hedged instrument is recognized in income. Accordingly, should a swap be terminated while the underlying debt remains outstanding, the gain or loss is adjusted to the basis of the underlying debt and amortized over its remaining useful life.

*Post-SFAS 133*

SFAS 133, as amended by SFAS 137 “Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No.133” and SFAS 138 “Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133”, requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and measure these instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In order to qualify for hedge accounting under SFAS 133, certain criteria and detailed documentation requirements must be met.

The Company does not enter into derivative contracts for speculative or trading purposes.

## Foreign currencies

The Company’s functional currency is the U.S. dollar as all revenues are received in U.S. dollars and a majority of the Company’s expenditures are made in U.S. dollars. The Company reports in U.S. dollars.

Transactions in foreign currencies during the year are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

## Stock-based compensation

Under Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation”, disclosures of stock-based compensation arrangements with employees are required and companies are encouraged, but not required, to record compensation costs associated with employee stock option awards, based on estimated fair values at the grant dates. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (“APB 25”) “Accounting for Stock Issued to Employees” and has disclosed the required pro forma effect on net income and earning per share as if the fair value method of accounting as prescribed in SFAS 123 had been applied (see Note 24).

## Earnings (loss) per share

Basic earnings per share (“EPS”) is computed based on the income (loss) available to common stockholders and the weighted average number of shares outstanding for basic EPS. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments (see Note 9).

## 3. Subsidiaries & Investments

| Name | Country of Incorporation | Principal Activities | Percentage held as of December 31, 2001 |
|---|---|---|---|
| Golar Gas Holding Company Inc. | Liberia | Holding | 100 |
| Golar Maritime (Asia) Inc. | Liberia | Holding | 100 |
| Gotaas-Larsen Shipping Corporation | Liberia | Holding | 100 |
| Oxbow Holdings Inc. | British Virgin Islands | Holding | 100 |
| Golar Gas Cryogenics Inc. | Liberia | Vessel ownership | 100 |
| Golar Gimi Inc. | Liberia | Vessel ownership | 100 |
| Golar Hilli Inc. | Liberia | Vessel ownership | 100 |
| Golar Khannur Inc. | Liberia | Vessel ownership | 100 |
| Golar Freeze Inc. | Liberia | Vessel ownership | 100 |
| Faraway Maritime Shipping Inc. | Liberia | Vessel ownership | 60 |
| Golar LNG 2215 Corporation | Liberia | Vessel ownership | 100 |
| Golar LNG 1444 Corporation | Liberia | Vessel ownership | 100 |
| Golar LNG 1460 Corporation | Liberia | Vessel ownership | 100 |
| Golar LNG 2220 Corporation | Liberia | Vessel ownership | 100 |
| Golar International Ltd. | Liberia | Vessel management | 100 |
| Golar Maritime Services Inc. | Philippines | Vessel management | 100 |
| Golar Maritime Services, S.A. | Spain | Vessel management | 100 |
| Gotaas-Larsen International Ltd. | Liberia | Vessel management | 100 |
| Golar Management Limited | Bermuda | Management | 100 |
| Golar Maritime Limited | Bermuda | Management | 100 |
| Aurora Management Inc. | Liberia | Management | 90 |

## 4. Adoption of new accounting standards

In June 2001, the FASB approved SFAS No. 141, “Accounting for Business Combinations” (“SFAS 141”), which requires the application of the purchase method including the identification of the acquiring enterprise for each transaction. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and all business combinations accounted for by the purchase method that are completed after June 30, 2001. The adoption of SFAS No. 141 by the Company did not have any impact on the Company’s consolidated results of operations, financial position, or liquidity.

In June 2001, the FASB approved SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). SFAS No. 142 applies to all acquired intangible assets whether acquired singly, as part of a group, or in a business combination. SFAS No. 142 will supersede APB Opinion No. 17, “Intangible Assets”. This statement is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 142 by the Company did not have any impact on the Company’s consolidated results of operations, financial position, or liquidity.

In August 2001, the FASB approved SFAS No. 143, “Accounting for Asset Retirement Obligations” (“SFAS 143”). SFAS No. 143 requires the fair value of a legal liability related to an asset retirement be recognized in the period in which it is incurred. The associated asset retirement costs must be capitalized as part of the carrying amount of the related long-lived asset and subsequently amortized to expense. Subsequent changes in the liability will result from the passage of time (interest cost) and revision to cash flow estimates. This statement is effective for fiscal years beginning after June 15, 2002. The effect on the Company of adopting FAS 143 is under evaluation.

In October 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”). The objectives of SFAS 144 are to address significant issues relating to the implementation of FASB Statement No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of”, and to develop a single accounting model based on the framework established in SFAS 121, for long-lived assets to be disposed of by sale. The standard requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, the standard expands the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. This statement is effective for fiscal years beginning after December 15, 2001, and generally, its provisions are to be applied prospectively. The Company is currently evaluating the impact of this statement on its results of operations, financial position, and liquidity. However, management does not expect that the adoption of the SFAS No. 144 will have a material effect on the Company's results of operations, financial position or liquidity.

## 5. Segmental information

The Company has not presented segmental information as it considers it operates in one reportable segment, the LNG carrier market. The Company's fleet is all operating under time charters, five of which are long-term, and these charters are with two charterers, British Gas and Pertamina. In time charters, the charterer, not the Company, controls the choice of which routes the Company's vessel will serve. These routes can be worldwide. Accordingly, the Company's management, including the chief operating decision makers, does not evaluate the Company's performance either according to customer or geographical region.

## 6. Restucturing Expenses

Restructuring expenses of $1.9 million in the year ended December 31, 2001 consist of employment severance costs for management and administrative employees in London and Singapore incurred in connection with the restructuring of Osprey's operations following the acquisition by World Shipholding which was completed prior to May 31, 2001. These have been allocated to the Company based on the number of vessels in Ospreys' fleet including its tanker operations. The total number of employees terminated, from which the cost has been allocated, was 17. The cost of $1.9 million represents the actual cost and employee numbers are actual numbers terminated, there being no provision brought forward or carried forward.

## 7. Other financial items

| (in thousands of $) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Amortization of deferred financing costs | 2,097 | 1,359 | 1,742 |
| Financing arrangement fees and other costs | 1,857 | 983 | 3,042 |
| Market valuation adjustment for interest rate derivatives | 8,221 | – | – |
| Foreign exchange loss | 188 | 63 | 119 |
| | **12,363** | **2,405** | **4,903** |

## 8. Taxation

### Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2016.

### United States

Pursuant to the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S. tax if the Company operating the ships meets certain requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country which grants an equivalent exemption from income taxes to U.S. citizens and U.S. corporations and must be more than 50 per cent owned by individuals who are residents, as defined, in such country or another foreign country that grants an equivalent exemption to U.S. citizens and U.S. corporations. The management of the Company believes that by virtue of the above provisions, it was not subject to tax on its U.S. source income.

A reconciliation between the income tax expense resulting from applying the U.S. Federal statutory income tax rate and the reported income tax expense has not been presented herein as it would not provide additional useful information to users of the financial statements as the Company's net income is subject to neither Bermuda nor U.S. tax.

### Other Jurisdictions

Current taxation relates to the taxation of a United Kingdom branch of a subsidiary and tax on interest income received by certain other subsidiaries of the Company. The Company records deferred income taxes to reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recorded deferred tax assets (liabilities) of $154,000 and $163,000 at December 31, 2001 and 2000, respectively. These assets and liabilities relate to differences for depreciation and pension liabilities.

## 9. Earnings (loss) per share

The Company's capital structure was determined with the capital reorganization that took place on May 31, 2001. For the periods prior to May 31, 2001, the preparation of the carved out combined financial statements did not result in the recording of any specific share capital. To provide a measurement of EPS, the computation of basic EPS is based on the shares issued in connection with the formation of the Company and the subsequent placement of 56 million shares as described in Note 1. The computation of diluted EPS assumes the foregoing and the conversion of potentially dilutive instruments. There were no dilutive securities outstanding during the years ended December 31, 2000 and 1999.

The components of the numerator for the calculation of basic and diluted EPS are as follows:

| (in thousands of $) | 2001 | 2000 | 1999 |
|---|---|---|---|
| **Net income (loss) available to stockholders** | **4,366** | **(504)** | **(1,857)** |

The components of the denominator for the calculation of basic EPS and diluted EPS are as follows:

| (in thousands) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Basic earnings per share: | | | |
| Weighted average number of common shares outstanding | 56,012 | 56,012 | 56,012 |
| Diluted earnings per share: | | | |
| Weighted average number of common shares outstanding | 56,012 | 56,012 | 56,012 |
| Dilutive share options | 7 | – | – |
| | **56,019** | **56,012** | **56,012** |

## 10. Leases

### Rental income

The minimum future revenues to be received on time charters as of December 31, 2001 were as follows:

| Year ending December 31 (in thousands of $) | Total |
|---|---|
| 2002 | 122,177 |
| 2003 | 121,098 |
| 2004 | 122,339 |
| 2005 | 123,307 |
| 2006 | 120,344 |
| 2007 and later | 950,590 |
| **Total** | **1,559,855** |

The long-term contracts for two of the Company's vessels are time charters but the economic terms are analogous to bareboat contracts, under which the vessels are paid a fixed rate of hire and the vessel operating costs are borne by the charterer on a costs pass through basis. The pass through of operating costs is not reflected in the minimum lease revenues set out above.

The cost and accumulated depreciation of the vessels leased to a third party at December 31, 2001 were approximately $735.5 million and $29.3 million respectively and at December 31, 2000 were approximately $867.6 million and $104.4 million respectively.

### Rental expense

The Company is committed to make rental payments under operating leases for office premises. The future minimum rental payments under the Company's non-cancelable operating leases are as follows:

| Year ending December 31 (in thousands of $) | Total |
|---|---|
| 2002 | 946 |
| 2003 | 798 |
| 2004 | 658 |
| 2005 | – |
| 2006 | – |
| 2007 and later | – |
| **Total minimum lease payments** | **2,402** |

Total minimum lease payments have been reduced by minimum sublease rentals under non-cancelable leases of approximately $1,425,000 for each of the years ended December 31, 2002 and 2003, and $1,306,000 for the year ended December 31, 2004.This relates to former office space that the Company no longer occupies. At the time the Company entered into this sublease arrangement, a provision was recognized for the difference between the Company's future obligation under the lease agreement and its anticipated sublease income over the remaining term of the lease. This provision is recognized as a reduction to rental expense over the life of the lease agreement and eliminates the Company's ongoing rental expense for these facilities. The provision is recorded in other current liabilities and other long-term liabilities. The provision balance at December 31, 2001 and 2000 was $2,194,000 and $2,644,000, respectively, of which $885,000 and $626,000 is shown in other current liabilities at December 31, 2001 and 2000, respectively. Total rental expense for operating leases was $2,101,000, $1,642,000 and $1,791,000 for the years ended December 31, 2001, 2000 and 1999, respectively and total sublease income was approximately $1,158,000, $839,000 and $852,000 for the years ended December 31, 2001, 2000 and 1999, respectively. The amortization of the provision described above was $450,000, $344,500 and $367,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

## 11. Trade accounts receivable

Trade accounts receivable are presented net of allowances for doubtful accounts amounting to $nil and $211,000, as of December 31, 2001 and December 31, 2000, respectively.

## 12. Other receivables, prepaid expenses and accured income

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Other receivables | 2,023 | 2,314 |
| Prepaid expenses | 312 | 116 |
| Accrued interest income | 267 | 873 |
| | **2,602** | **3,303** |

## 13. Due from related companies

Amounts due from related companies as at December 31, 2001 of $261,000 represents fees due from Osprey for management of two VLCCs and seconded staff costs (Note 26).

Amounts due from related companies as at December 31, 2000 represent inter-company balances with Osprey and the effect of the carve-out of the LNG operations from the Osprey group. Included in this balance is an amount of $299.4 million relating to the Gotaas Larsen loan facility in the Osprey group as discussed in Note 21. The balance of $755.6 million at December 31, 2000 was reduced to $676.5 million in May 2001 primarily by the repayment of $78.8 million of the Gotaas Larsen loan facility. As part of the acquisition of the LNG interests by the Company in May 2001, the balance was eliminated as follows:

**(in thousands of $)**

| | |
|---|---|
| Forgiveness of intercompany balances, dividend out and return of capital | 450,298 |
| Elimination of carve out adjustments | 5,592 |
| | 455,890 |
| Repayment of GL facility (Note 21) | 220,635 |
| | **676,525** |

## 14. Newbuildings

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Purchase price installments at end of period | 129,864 | – |
| Interest and other costs capitalized at end of period | 2,992 | – |
| | **132,856** | **–** |

In January 2000, the newbuilding *Golar Mazo* was delivered to the company and was transferred from Newbuildings to Vessels and equipment.

The amount of interest capitalized in relation to newbuildings was $2,637,000 and $196,000 for the years ended December 31, 2001 and 2000, respectively.

The Company has contracts to build four new LNG carriers at a total cost of $658.9 million, excluding financing costs. As at December 31, 2001, the installments for these vessels were due to be paid as follows:

**(in millions of $)**

| | |
|---|---|
| Paid in 12 months to 31 December 2001 | 129.7 |
| Payable in 12 months to 31 December 2002 | 170.8 |
| Payable in 12 months to 31 December 2003 | 230.8 |
| Payable in 12 months to 31 December 2004 | 127.6 |
| | **658.9** |

At December 31, 2001, the Company did not have facilities in place to finance its entire newbuilding program. As of October 2002 the Company had total loan facilities of $304 million, to finance its newbuilding program. These consist of a $180 million facility from Lloyds TSB Bank Plc ($162 million is in respect of the contract cost and the balance is for associated finance costs and other sundry items) of which $129.6 million has been drawn down to finance newbuilding installments, $64.0 million from a related party, Greenwich, of which $49.0 million has been drawn down as discussed in Note 28 and a $60 million facility from certain of the Golar LNG facility Lenders. The Company will then require additional financing of approximately $316 million to fund all of its newbuilding construction commitments.

In August 2002 the Company negotiated revised payment terms for newbuilding installments. This has resulted in the installments due in the years ended December 31, 2002, 2003 and 2004 being changed to $154.6 million, $198.4 million and $176.1 million respectively.

The commitments up to August 2003 will be funded from existing facilities and cash generated from operations. Additional facilities are required to meet progress payments from August 2003 and further installments arising periodically thereafter until completion of the program in 2004.

## 15. Vessels and equipment, net

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Cost | 671,697 | 871,597 |
| Accumulated depreciation | (30,326) | (106,038) |
| **Net book value** | **641,371** | **765,559** |

Included in the above amounts as at December 31, 2001 and 2000 is equipment with a net book value of $1,337,000 and $2,404,000, respectively.

Depreciation expense for the years ended December 31, 2001, 2000 and 1999 was $31,614,000, $35,991,000 and $29,464,000 respectively. Depreciation expense is shown net of amounts allocated to other Osprey entities totaling $367,000, $702,000 and $603,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

## 16. Deferred charges

Deferred charges represent financing costs, principally bank fees that are capitalized and amortized to other financial items over the life of the debt instrument. The deferred charges are comprised of the following amounts:

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Debt arrangement fees | 4,647 | 4,783 |
| Accumulated amortization | (470) | (1,927) |
| | **4,177** | **2,856** |

## 17. Goodwill

Goodwill is stated net of related accumulated amortization as follows:

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Goodwill | – | 9,936 |
| Accumulated amortization | – | (497) |
| | **–** | **9,439** |

On March 24, 1999, the Company increased its ownership in Faraway Maritime Shipping, Inc ("Faraway") from 40 per cent to 60 per cent for cash consideration of $14.2 million, net of cash acquired of $0.4 million. At that time, Faraway had a newbuilding contract for the construction of the Golar Mazo, a LNG carrier. The acquisition has been accounted for by the purchase method of accounting. Accordingly, goodwill has been recognized for the amount of the excess of the purchase price over the fair value of the net assets acquired and is amortized on a straight-line basis over 20 years. The amortization of goodwill commenced in January 2000 following the delivery of the Golar Mazo. At the date of acquisition Faraway had no other business other than this newbuilding contract. Accordingly in 1999 and earlier years, Faraway reported no revenue, costs or net income in its financial statements.

The goodwill was assigned no value from January 31, 2001 following the acquisition of Osprey by World Shipholding and this has also been recorded in the application of predecessor basis in the books of the Company.

## 18. Accured expenses

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Vessel operating and drydocking expenses | 3,160 | 3,343 |
| Administrative expenses | 2,787 | 892 |
| Interest expense | 1,426 | 173 |
| Provision for financing arrangement fees and other costs | 115 | 2,622 |
| Provision for tax | 196 | 251 |
| | **7,684** | **7,281** |

Accrued administrative expenses as at December 31, 2001 include $2.4 million costs associated with the indefinite postponement of a public offering of the company's shares in the United States of America.

## 19. Other current liabilities

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Deferred drydocking and operating cost revenue | 1,200 | 1,777 |
| Revenue received in advance | 5,964 | – |
| Marked to market interest rate swaps valuation | 10,838 | – |
| Other provisions | 885 | 626 |
| | **18,887** | **2,403** |

## 20. Pensions

The Company has two pension plans covering substantially all of the employees of the Company and Osprey. Benefits are based on the employee's years of service and compensation. Net periodic pension plan costs are determined using the Projected Unit Credit Cost method. The Company's plans are funded by the Company in conformity with the funding requirements of the applicable government regulations and actuarial recommendations. Plan assets consist of both fixed income and equity funds managed by professional fund managers.

The components of net periodic benefit costs are as follows:

| (in thousands of $) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Service cost | 1,407 | 1,161 | 1,398 |
| Interest cost | 3,346 | 3,066 | 2,695 |
| Expected return on plan assets | (2,620) | (3,021) | (2,899) |
| Amortization of prior service cost | – | – | – |
| Recognized actuarial loss | 615 | (18) | 67 |
| **Net periodic benefit cost** | **2,748** | **1,188** | **1,261** |

The net periodic benefit costs include amounts relating to the employees of Osprey, a related party. The Company continues to administer the plans on behalf of Osprey and has charged a management fee to Osprey that includes a proportionate cost of plan contributions as well as certain administration costs. As such, in the preparation of historical financial statements, the Company has reduced administration expenses by $473,000, for the year ended December 31, 2001, $951,000 for the year ended December 31, 2000 and $520,000 for the year ended December 31, 1999, to reflect administration expenses as if this management agreement had existed for all periods presented.

The change in benefit obligation and plan assets and reconciliation of funded status as of December 31 are as follows:

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Reconciliation of benefit obligation: | | |
| Benefit obligation at January 1 | 45,836 | 41,423 |
| Service cost | 1,407 | 1,161 |
| Interest cost | 3,346 | 3,066 |
| Participant contributions | – | – |
| Actuarial (gain)/loss | 1,514 | 2,833 |
| Foreign currency exchange rate changes | (66) | – |
| Benefit payments | (2,461) | (2,647) |
| **Benefit obligation at December 31** | **49,576** | **45,836** |
| Reconciliation of fair value of plan assets: | | |
| Fair value of plan assets at January 1 | 33,309 | 38,921 |
| Actual return on plan assets | (3,903) | (4,515) |
| Employer contributions | 1,453 | 1,550 |
| Participant contributions | – | – |
| Foreign currency exchange rate changes | (72) | – |
| Benefit payments | (2,461) | (2,647) |
| **Fair value of plan assets at December 31** | **28,326** | **33,309** |
| Excess (deficit) of plan assets over projected benefit obligation (1) | (21,250) | (12,527) |
| Unrecognized prior service cost | – | – |
| Unrecognized actuarial loss (gain) | 7,479 | 10,019 |
| **Net amount recognized** | **(13,771)** | **(2,508)** |

(1) The Company's plans are composed of two plans that are both underfunded at December 31, 2001 and one plan that is overfunded and one plan that is underfunded at December 31, 2000.

The details of these plans are as follows:

| (in thousands of $) | December 31, 2001 | | December 31, 2000 | |
|---|---|---|---|---|
| | UK Scheme | Marine scheme | UK scheme | Marine scheme |
| Accumulated benefit obligation | (6,318) | (37,255) | (5,489) | (34,152) |
| Projected benefit obligation | (6,539) | (43,037) | (6,060) | (39,776) |
| Fair value of plan assets | 5,569 | 22,757 | 6,701 | 26,608 |
| **Funded status** | **(970)** | **(20,280)** | **641** | **(13,168)** |

The amounts recognized in the Company's balance sheet as of December 31 were as follows:

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Prepaid benefit cost | – | 1,438 |
| Accrued benefit liability | (15,243) | (7,544) |
| Minimum pension liability | 1,472 | 3,598 |
| **Net amount recognized** | **(13,771)** | **(2,508)** |

The weighted average assumptions used in accounting for the Company's plans at December 31 are as follows:

| | 2001 | 2000 |
|---|---|---|
| Discount rate | 7.1% | 7.3% |
| Expected return on plan assets | 8.0% | 8.0% |
| Rate of compensation increase | 4.0% | 4.0% |

## 21. Debt

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Total long-term debt due to third parties | 524,329 | 214,500 |
| Total long-term debt due to related parties | – | 299,400 |
| Total short-term debt due to related parties | 85,278 | – |
| Total debt | 609,607 | 513,900 |
| Less: current portion of long-term debt due to third parties | (41,053) | (10,171) |
| Less: current portion long-term debt and short-term debt due to related parties | (85,278) | (12,000) |
| | **483,276** | **491,729** |

The outstanding debt as of December 31, 2001 is repayable as follows:

| Year ending December 31 (in thousands of $) | |
|---|---|
| 2002 | 126,332 |
| 2003 | 42,014 |
| 2004 | 43,056 |
| 2005 | 46,689 |
| 2006 | 55,421 |
| 2007 and later | 296,095 |
| **Total** | **609,607** |

The weighted average interest rate for debt, which is denominated in US dollars, as of December 31, 2001 and 2000 was 6.3 per cent and 8.6 per cent, respectively. All of the Company's debt is US Dollar denominated floating rate debt.

The Company refinanced its debt facility covering five of its vessels in May 2001 as discussed further below and thereby extended its loan repayment profile and eliminated the balloon payment that would have been due in 2002.

At December 31, 2001, the debt of the Company comprised the following, details of which are set out below:

**(in thousands of $)**

| | |
|---|---|
| Greenwich loans | 85,278 |
| Mazo facility | 204,329 |
| Golar LNG facility | 320,000 |
| | **609,607** |

For the purposes of the carved out combined financial statements for the years ended December 31, 2000 and 1999, two tranches of debt have been included.

1. In connection with the acquisition of the LNG operations of Gotaas Larsen by Osprey in 1997, Osprey entered into a secured loan facility (the "GL Facility") for an amount of $352.4 million. The GL Facility provided for floating rate interest of LIBOR plus 2.5 per cent to 4.0 per cent. The loan was initially for 22 months, repayable in quarterly installments. The balance of this loan was extended for a three years period until the third quarter of 2002. This loan has been carved out and is reflected in the balance sheet as short-term and long-term debt due to related parties and offset within equity by an amount due from related parties. This loan was retired by Osprey in May 2001, as discussed below.

2. On November 26, 1997 Osprey entered into a secured loan facility (the "Mazo facility") with a banking consortium for an amount of $214.5 million. This facility bears floating rate interest of LIBOR plus 0.865 per cent. The repayment terms are six monthly commencing on June 28, 2001. The long-term debt is secured by a mortgage on the vessel *Golar Mazo*.

In connection with the Mazo facility, Osprey also entered into a collateral agreement with the same banking consortium and a bank Trust Company. This agreement requires that certain cash balances, representing interest and principal repayments for defined future periods, be held by the Trust Company during the period of the loan. These balances are referred to in these financial statements as restricted cash.

In May 2001 the GL Facility was retired by Osprey and related party balances were cancelled and the Golar group entered into a secured loan facility (the "Golar LNG Facility") with a banking consortium for an amount of US$325 million. This six year facility bears floating rate interest of LIBOR plus 1.5 per cent. The loan is repayable in 22 quarterly installments and a final balloon payment of $147.5 million. The long-term debt is secured by a mortgage on the vessels Golar Spirit, Khannur, Gimi, Hilli and Golar Freeze. In November 2001, an amendment to the Golar LNG Facility was signed which accelerates the repayment terms such that the final balloon payment reduces to $147.5 million. The repayments are increased by $10 million in 2002 and $7.5 million in 2003; in 2004 and 2005 they are unchanged and they decrease by $2.5 million in 2006 and 2007. In 2007 the final repayment is reduced by $12.5 million to $147.5 million.

In August 2001, Golar obtained a loan of $32.6 million from Greenwich, in order to finance the first installment due on newbuilding hull number 2215. The loan is for a period of 360 days and bears floating rate interest of LIBOR plus 2.5 per cent. A subsidiary of Golar guaranteed a loan of $32.6 million made to Greenwich by Nordea and Den norske Bank and entered into an assignment and security agreement in respect of its' shipbuilding contract with Den norske Bank as security agent. No consideration has been paid or will be paid by Greenwich for the provision of the guarantee.

In August 2001, Golar obtained a loan of $32.7 million from Greenwich, in order to finance the first installments due on newbuilding hull numbers 1460 and 2220. The loan is for a period of one year and bears floating rate interest of LIBOR plus 2.5 per cent. In connection with this, two subsidiaries of Golar have guaranteed a loan of $32.7 million made to Greenwich by Nordea and Den norske Bank and they have both entered into an assignment and security agreement in respect of their shipbuilding contracts with Den norske Bank as security agent. No consideration has been paid by Greenwich for the provision of the guarantee.

In September 2001, Golar obtained an additional $20 million in loan finance from Greenwich, by way of an addendum to the loan of $32.6 million in relation to hull 2215, in order to finance the second instalment on this vessel. The loan is for a period of six months and bears floating rate interest of LIBOR plus 2.5 per cent.

The rate of interest that Greenwich pays to the banks providing the above facilities is LIBOR plus 1.5 per cent.

In December 2001 the Company signed a loan agreement with Lloyds TSB bank Plc for the purpose of financing part of the building of newbuilding hull number 2215 for an amount up to $180 million to include ship yard costs, capitalized interest and building supervision charges.

Certain of the Company's debt is collateralized by ship mortgages and, in the case of some debt, pledges of shares by each guarantor subsidiary. The existing financing agreements impose operation and financing restrictions which may significantly limit or prohibit, among other things, the Company's ability to incur additional indebtedness, create liens, sell capital shares of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, enter into time or consecutive voyage charters or pay dividends without the consent of our lenders. In addition, lenders may accelerate the maturity of indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including a failure to comply with any of the covenants contained in the financing agreements. Various debt agreements of the Company contain certain covenants, which require compliance with certain financial ratios. Such ratios include equity ratio covenants and minimum free cash restrictions. As of December 31, 2001 and 2000 the Company complied with the debt covenants of its various debt agreements.

## 22. Other long-term liabilities

| (in thousands of $) | 2001 | 2000 |
|---|---|---|
| Pension obligations | 15,243 | 7,544 |
| Other provisions | 1,309 | 2,018 |
| | **16,552** | **9,562** |

## 23. Push down accounting

The effect of push down accounting in January 2001 was to reduce the value of assets and liabilities recorded by Golar to reflect the change in basis realized as a result of World Shipholding's acquisition of Osprey as follows:

| (in thousands of $) | |
|---|---|
| Vessels and equipment, net | 109,832 |
| Deferred charges | 1,702 |
| Goodwill | 9,439 |
| Pension obligations | 9,999 |
| FAS 133 transition obligation | 2,786 |
| | **133,758** |

## 24. Share capital and share options

The Company was incorporated on May 10, 2001 and 12,000 common shares of $1.00 par value each were issued to the initial shareholder. In May 2001, the Company issued 56,000,000 common shares at a price of $5.00 per share in a placement in Norway subscribed to by approximately 130 financial investors. These shares were issued to finance the acquisition of the LNG interest of Osprey as described in Note 1.

At December 31, 2001, authorized and issued share capital is as follows:

### Authorized share capital:

**(in thousands of $, except share numbers)**

| | |
|---|---|
| 100,000,000 common shares of $1.00 each | 100,000 |

### Issued share capital:

**(in thousands of $, except share numbers)**

| | |
|---|---|
| 56,012,000 common shares of $1.00 each | 56,012 |

In July 2001, the Board of the Company approved the grant of options to eligible employees to acquire an aggregate amount of up to 2,000,000 shares in the company. In July 2001, the Board of Golar approved the grant of options to acquire 400,000 shares at a subscription price of $5.75 to certain directors and officers of the Company. These options vest on July 18, 2002 and are exercisable for a maximum period of nine years following the first anniversary date of the grant. The weighted average fair value of the options granted in the year ended December 31, 2001 was $1.785. The fair value of the option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for the grant in the year ended December 31, 2001: risk free interest rate of 4.39 per cent; expected life of five years, expected volatility of 20 per cent, expected dividend yield of zero per cent.

Compensation cost of $47,300 has been recognized in the year ended December 31, 2001 in connection with the grant of the 400,000 options. This amount represents the difference between the subscription price of $5.75 and the market price of $6.01 (the equivalent to NOK56 at the exchange rate of NOK9.3153 to $1.00) on the date of grant, recognized over the vesting period of the options.

Had the compensation costs for the plan been determined consistent with the fair value method recommended in SFAS 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

| (in thousands of $, except per share data) | 2001 |
|---|---|
| **Net income** | |
| As reported | 4,366 |
| Pro-forma | 4,089 |
| **Basic and diluted earnings per share** | |
| As reported | $0.08 |
| Pro-forma | $0.07 |

In February 2002, the Board of Golar approved an employee share option scheme. Under the terms of the scheme, options may be granted to any director or eligible employee of the Company or its subsidiaries. Options are exercisable for a maximum period of nine years following the first anniversary date of the grant. The exercise price for the options may not be less than the average of the fair market value of the underlying shares for the three trading days before the date of grant. The number of shares granted under the plans may not in any ten year period exceed sevenˇper cent of the issued share capital of the Company. No consideration is payable for the grant of an option.

## 25. Financial instruments

### Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has a portfolio of swaps that convert floating rate interest obligations to fixed rates, which from an economic perspective hedge the interest rate exposure. The Company does not hold or issue instruments for speculative or trading purposes. The counterparties to such contracts are Credit Lyonnais, Bank of Taiwan, Credit Agricole Indosuez, The Fuji Bank, Limited, and the Industrial Bank of Japan, Limited. Credit risk exists to the extent that the counterparties are unable to perform under the contracts.

Prior to the adoption of SFAS 133, all interest rate derivatives were designated and effective as hedges of the Company's exposure to interest rate fluctuations. After the adoption of SFAS 133 on January 1, 2001, hedge accounting has not been applied. As a result of the adoption of SFAS 133, the Company recorded a transition adjustment of $2.8 million on January 1, 2001. For the purpose of the carved-out combined financial statements for the years ended December 31, 2000 and 1999, the portfolio of swaps has been allocated based on the proportion of hedged loans that have been carved out and pushed down from Osprey.

The Company manages its debt portfolio with interest rate swap agreements in U.S. dollars to achieve an overall desired position of fixed and floating interest rates. The Company has entered into the following interest rate swap transactions involving the payment of fixed rates in exchange for LIBOR:

| Instrument (in thousands of $) | Notional Amount December 31, 2001 | Notional Amount December 31, 2000 | Maturity Dates | Fixed Interest Rates |
|---|---|---|---|---|
| Interest rate swaps: | | | | |
| Receiving floating, pay fixed | 194,829 | 350,793 | 2001-2009 | 5.47%-6.52% |
| Interest rate options: | | | | |
| Caps | – | 29,159 | 2001 | 8.00% |

At December 31, 2001, the notional principal amount of the debt outstanding subject to such swap agreements was $195.0 million (2000 - $380.0 million).

### Foreign currency risk

The majority of the vessels' gross earnings are receivable in U.S. dollars. The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cash-flows. The Company has not entered into derivative contracts to reduce its exposure to transaction risk. Accordingly, such risk may have an adverse effect on the Company's financial condition and results of operations.

## Fair values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2001 and 2000 are as follows:

| | 2001 | | 2000 | |
|---|---|---|---|---|
| (in thousands of $) | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Non-Derivatives: | | | | |
| Cash and cash equivalents | 57,569 | 57,569 | 5,741 | 5,741 |
| Restricted cash and short-term investments | 14,163 | 14,163 | 13,091 | 13,091 |
| Short-term investments | – | – | 14,231 | 14,231 |
| Long-term debt | 524,329 | 524,329 | 513,900 | 513,900 |
| Short-term debt | 85,278 | 85,278 | – | – |
| Derivatives: | | | | |
| Interest rate swap | | | | |
| Asset | – | – | – | 162 |
| Liability | (10,838) | (10,838) | – | (4,810) |

The carrying value of cash and cash equivalents, which are highly liquid, is a reasonable estimate of fair value.

The estimated fair value for restricted cash and short-term investments is considered to be equal to the carrying value since they are placed for periods of less than six months.

The estimated fair value for long-term debt is considered to be equal to the carrying value since it bears variable interest rates which are reset on a quarterly or six monthly basis.

The fair value of interest rate swaps is estimated by obtaining quotes from the related banking institution.

## Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents, restricted cash and short-term investments to the extent that substantially all of the amounts are carried with the Nordea Bank of Finland PLC, The Industrial Bank of Japan and The Bank of New York. However, the Company believes this risk is remote as these banks are high credit quality financial institutions.

During the year ended December 31, 2001, two customers accounted for substantial amount of the total revenues of the company. The Company's revenues and associated accounts receivable are derived from its four time charters with British Gas, two time charters with Pertamina and, to a much more limited extent, from its four management contracts with National Gas Shipping Company Limited (Abu Dhabi) ("NGSCO"). Pertamina is a state enterprise of the Republic of Indonesia. Credit risk is mitigated by the long-term contracts with Pertamina being on a ship-or-pay basis. Also, under the various contracts the Company's vessel hire charges are paid by the Trustee and Paying Agent from the immediate sale proceeds of the delivered gas. The Trustee must pay the shipowner before Pertamina and the gas sales contracts are with the Chinese Petroleum Corporation and KOGAS. The Company considers the credit risk of British Gas and NGSCO to be low.

During the years ended December 31, 2001, 2000 and 1999, British Gas, Pertamina and two other companies, Ras Laffan Liquified Natural Gas Co Ltd and SK Shipping Co Ltd, each accounted for more than 10 per cent of gross revenue in one or more years.

During 1999, SK Shipping, Pertamina and Ras Laffan accounted for $32.5 million, $26.1 million and $8.2 million respectively. During 2000, Pertamina and Ras Laffan accounted for $59.5 million and $16.3 million respectively. During 2001, Pertamina and British Gas accounted for $62.8 million and $45.8 million respectively.

## 26. Related party transactions

Golar was incorporated for the purpose of acquiring the LNG shipping interests of Osprey and Seatankers. Osprey, through its parent World Shipholding, and Seatankers are indirectly controlled by Mr. John Fredriksen. The purchase price paid for the LNG operations of Osprey was $525.9 million based on an agreed gross value of the LNG carriers of $635.0 million, plus the amount of net book value of all other non-shipping assets of the companies acquired. The purchase price paid was net of an amount of $128.7 million, being 60 per cent of the loan assumed relating to the financing of the *Golar Mazo* as described in Note 21 and cash of $27.2 million. Furthermore, the Company paid $2.5 million to Osprey for the assignment of a newbuilding contract and options. Additionally, immediately prior to the sale, certain inter-company balances due to the companies forming the LNG shipping interests of Osprey from other Osprey Companies totaling $450.3 million were forgiven. On May 28, 2001, the Company entered into a purchase agreement with Seatankers to purchase its one newbuilding contract for a LNG carrier and options to build three new LNG carriers. The Company paid $2.5 million to Seatankers for the assignment of the newbuilding contract and options.

In August 2001, Golar obtained a loan of $32.6 million from Greenwich Holdings Limited ("Greenwich"), a company affiliated with John Fredriksen, who indirectly controls the Company's largest shareholder, Osprey, in order to finance the first installment due on newbuilding hull number 2215. The loan is for a period of 360 days and bears floating rate interest of LIBOR plus 2.5 per cent. A subsidiary of Golar guaranteed a loan of $32.6 million made to Greenwich by Nordea and Den norske Bank and entered into an assignment and security agreement, in respect of its' shipbuilding contract, with Den norske Bank as security agent. No consideration has been paid or will be paid by Greenwich for the provision of the guarantee.

In August 2001, Golar obtained a loan of $32.7 million from Greenwich, in order to finance the first installments due on newbuilding hull numbers 1460 and 2220. The loan is for a period of one year and bears floating rate interest of LIBOR plus 2.5 per cent. In connection with this, two subsidiaries of Golar have guaranteed a loan of $32.7 million made to Greenwich by Nordea and Den norske Bank and they have both entered into an assignment and security agreement, in respect of their shipbuilding contracts, with Den norske Bank as security agent. No consideration has been paid by Greenwich for the provision of the guarantee.

In September 2001, Golar obtained an additional $20 million in loan finance from Greenwich, by way of an addendum to the loan of $32.6 million in relation to hull 2215, in order to finance the second installment on this vessel. The loan is for a period of six months and bears floating rate interest of LIBOR plus 2.5 per cent. No consideration has been paid by Greenwich for the provision of the guarantee.

For each of the loans from Greenwich noted above the Company has paid loan arrangement fees directly to the lending banks. These fees amounted to $415,700 in total.

During the year ended December 31, 2001 the rate of interest that Greenwich paid to the banks providing the above facilities was LIBOR plus 1.5 per cent. As at December 31, 2001, $291,000 of the interest due to Greenwich was outstanding.

Historically the Company has been an integrated part of Osprey Maritime. As such, the Singapore and London office locations of Osprey have provided general and corporate management services for both the Company as well as other Osprey entities and operations. As described in Note 2, management has allocated costs related to these operations based on the number of vessels managed. Amounts allocated to the Company and included within vessel operating expenses, administrative expenses and depreciation expense were $3,227,000, $9,662,000 and $9,449,000, for the years ended December 31, 2001, 2000 and 1999, respectively.

In the year ended December 31, 2001 Frontline Management (Bermuda) Limited, a subsidiary of Frontline Ltd. ("Frontline") has provided services to the company. These services include management support, corporate services and administrative services. In the year ended December 31, 2001 management fees to Frontline of $258,962 have been incurred by Golar. As at December 31, 2001 an amount of $547,966 was due to Frontline in respect of these fees and costs incurred. Frontline is a publicly listed company. Its principal shareholder is Hemen Holding Limited, a company indirectly controlled by John Fredriksen.

The Company agreed to provide services to Osprey for the management of two of Osprey's VLCC's until November 2001. In the seven months ended December 2001, management fees of $106,667 were charged to Osprey in relation to such services of which $nil was outstanding at December 31, 2001. In addition as at December 31, 2001 an amount of $261,000 was due from Osprey in respect of costs recharged in relation to the above services.

In the year ended December 31, 2001 Seatankers has provided insurance administration services to the Company. In the year ended December 31, 2001 management fees to Seatankers of $10,000 have been incurred by Golar. As at December 31, 2001 an amount of $10,000 was due to Seatankers in respect of these fees incurred.

Golar Management holds a promissory note executed by Mr. McDonald, Chairman of Golar Management and Technical Director, on April 21, 1998, under which Mr. McDonald promises to pay to Golar Management the principal sum of £20,900 in monthly installments of £317.55. The note carries an interest rate of three per cent and an acceleration clause in the event Mr. McDonald's employment with us is terminated for any reason or in the event of a default on payment by Mr. McDonald. Payments under the note commenced in May 1998 and the principal balance as of December 31, 2001 was £8,577 or approximately $12,400

Management believes transactions with related parties are under terms similar to those that would be arranged with other parties.

## 27. Commitments and contingencies

### Assets Pledged

| (in thousands of $) | December 31, 2001 | December 31, 2000 |
|---|---|---|
| Vessels pledged under long-term loans | 609,607 | 513,900 |

### Other Contractual Commitments and contingencies

The Company currently insures the legal liability risks for its shipping activities with the United Kingdom Mutual Steamship Assurance Association (Bermuda), a mutual protection and indemnity association. Prior to February 2001 the Company insured such risks with The Britannia Steam Ship Insurance Association Ltd. As a member of a mutual association, the Company is subject to calls payable to the association based on the Company's claims record in addition to the claims records of all other members of the association. A contingent liability exists to the extent that the claims records of the members of the association in the aggregate show significant deterioration, which results in additional calls on the members.

## 28. Subsequent events

### a) January 1, 2002 to March 31, 2002

In March 2002 the Company drew down $66.8 million on the loan facility signed with Lloyds TSB Bank Plc. for the purpose of financing the newbuilding number 2215. $52.6 million was used to re-pay loans from Greenwich in respect of the same vessel (see Note 26). In addition in March 2002 the third installment of $32.4 million in relation to newbuilding number 2215 was paid and was financed by drawing down on the loan facility.

In March 2002 the second installment of $16.2 million in relation to newbuilding number 2220 was paid and was financed from cash reserves.

### b) April 1, 2002 onwards

Since April 1, 2002 the Company has rescheduled certain of its installment payments for its newbuildings. This rescheduling is in consideration of interest payable to the relevant shipyards on the outstanding amount at rates between six and eight per cent per annum.

The following table summarizes installment payments made since April 1, 2002 and future rescheduled installments:

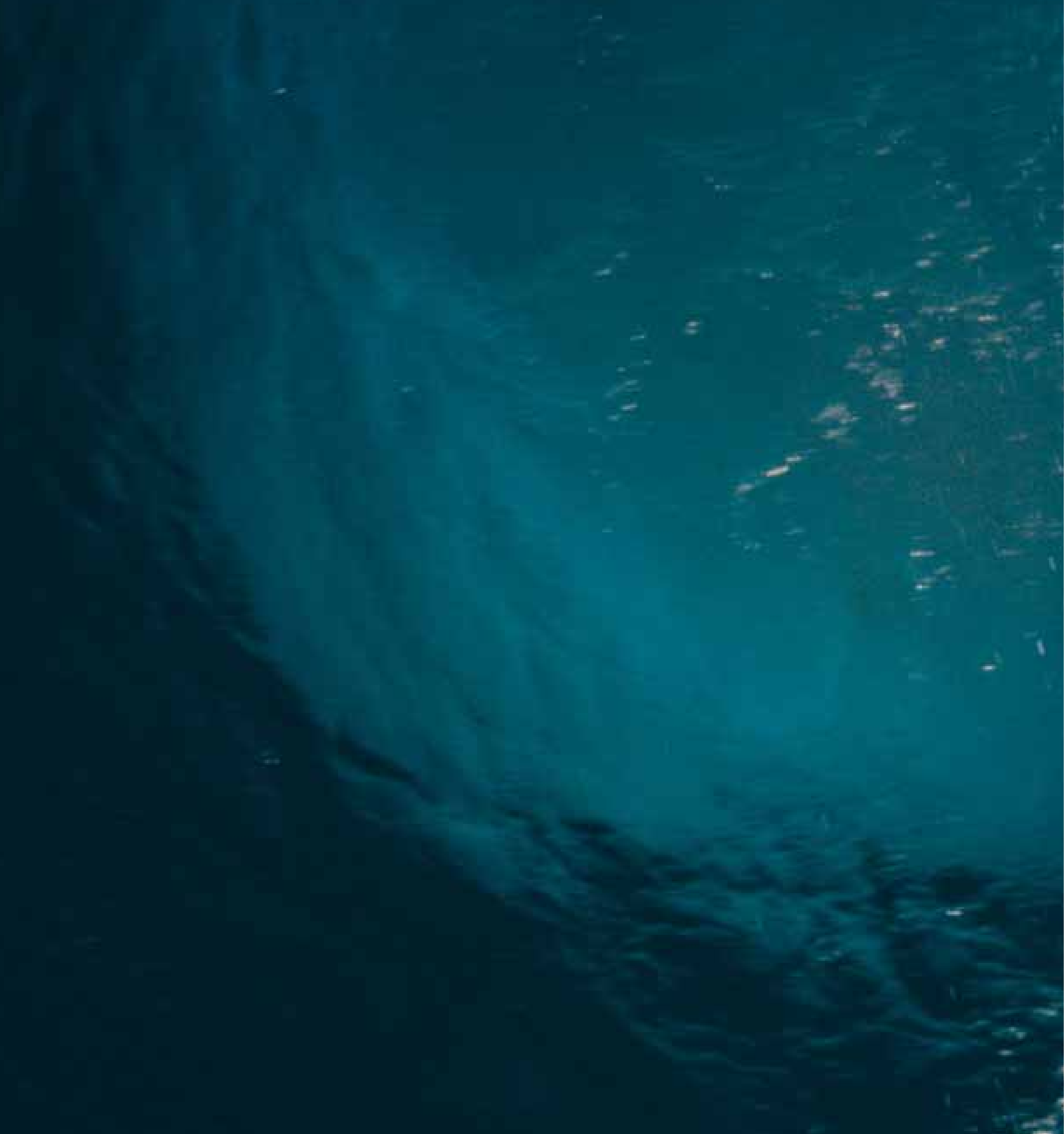
| (in millions of $) | Hull No. 1444 | Hull No. 2215 | Hull No. 2220 | Hull No. 1460 | Total |
|---|---|---|---|---|---|
| Payments from April 1, 2002 to September 30, 2002 | 16.3 | 32.4 | | 8.4 | 57.1 |
| Future Payments | | | | | |
| 2002 (three months) | 16.3 | | 16.2 | 16.5 | 49.0 |
| 2003 | 100.6 | 32.4 | 32.4 | 33.0 | 198.4 |
| 2004 | | | 84.0 | 92.1 | 176.1 |
| 2005 | | | | | |
| 2006 and later | | | | | |
| **Total** | **116.9** | **32.4** | **132.6** | **141.6** | **423.5** |

In June 2002, Golar obtained $16.3 million in loan finance from Greenwich, a related party, by way of an addendum to an existing loan agreement in respect of newbuilding hull numbers 1460 and 2220 in order to finance the second installment due on newbuilding hull number 1444. In connection with this, a subsidiary of Golar has guaranteed a loan of $16.3 million made to Greenwich by Nordea and Den norske Bank ASA and has entered into an assignment and security agreement in respect of its shipbuilding contract with Den norske Bank as security agent. No consideration has been paid by Greenwich for the provision of the guarantee. This addendum also extended the repayment date of the original loan, $32.7 million, from August 2002 until August 2003. The additional loan of $16.3 million is available for a period of four months and bears interest at a rate of LIBOR plus 2.625 per cent. This rate also applies to the original $32.7 million from June 2002. The rate increases to LIBOR plus three per cent on any amounts still outstanding as at February 20, 2003. The Company paid directly to the lenders a non-refundable arrangement fee of $323,000 in respect of this loan amendment. The rate of interest that Greenwich pays to the banks providing the above facilities is LIBOR plus 1.625 per cent.

In July 2002, the Company announced that it had reached agreement with British Gas to extend the charter of the Golar Freeze for a period of five years upon the expiration of the current charter in March 2003.

In September 2002, Greenwich confirmed the availability of an extension to the loan facility in respect of hull numbers 1460, 2220 and 1444. The total amount drawn down under this facility of $49.0 million can remain outstanding, if required, until December 2003. Greenwich also confirmed the availability of an additional $15 million facility for the payment of newbuilding installments should it be required.

In October 2002, the Company signed a loan agreement with certain of the Golar LNG facility lenders in respect of a facility in the amount of up to $60 million to be secured on the Company's existing five wholly-owned vessels as second priority charges. The agreement allows us to draw down a maximum of $60 million to assist in the financing of our newbuilding installment payments.



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