GOLAR LNG LTD
Form 20-F
June 30, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

[_] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ----------

Commission file number 000-50113

Golar LNG Limited
(Exact name of Registrant as specified in its charter)

Golar LNG Limited
(Translation of Registrant's name into English)

Bermuda
(Jurisdiction of incorporation or organization)

Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda
(Address of principal executive offices)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
None	

Securities registered or to be registered pursuant to section 12(g) of the Act.

Common Shares, par value $1.00
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d)

of the Act.

None

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

65,612,000 Common Shares, par value $1.00

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [_] Item 18 [X]

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This document contains assumptions, expectations, projections, intentions and beliefs about future events, in particular under Item 4, "Information on the Company - Our Business Strategy" and Item 5, "Operating and Financial Review and Prospects". These statements are intended as "forward-looking statements." We may also from time to time make forward-looking statements in our periodic reports to the United States Securities and Exchange Commission, other information sent to our stockholders, and other written materials. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material.

All statements in this document that are not statements of historical fact are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

- future operating or financial results;
- statements about future, pending or recent acquisitions, business strategy, areas of possible expansion, and expected capital spending or operating expenses;
- statements about LNG market trends, including charter rates, development of a spot market, factors affecting supply and demand, and opportunities for the profitable trading of LNG;
- expectations about the availability of vessels to purchase, the time which it may take to construct new vessels, or vessels' useful lives; and
- our ability to obtain additional financing.

When used in this document, words such as "believe," "intend," "anticipate," "estimate," "project," "forecast," "plan," "potential," "will," "may," "should," and "expect" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

We undertake no obligation to publicly update or revise any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur, and our actual results could differ materially from those anticipated in these forward-looking statements.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected consolidated and combined financial and other data summarize our historical consolidated and combined financial information. We derived the information as at December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 from our audited Consolidated Financial Statements included in Item 18 of this annual report on Form 20-F, prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The selected income statement data with respect to the years ended December 31, 2001 and 2000 and the selected balance sheet data as at December 31, 2002, 2001 and 2000, has been derived from audited combined and consolidated financial statements prepared in accordance with U.S. GAAP not included herein. We are a holding company that was formed on May 10, 2001. We acquired our liquefied natural gas, or LNG, operations from Osprey Maritime Limited, or Osprey, a company indirectly controlled by our Chairman and President and major shareholder, John Fredriksen. The LNG operations were a fully integrated business of Osprey prior to our acquisition of them. Accordingly, the following financial information for the year ended December 31, 2000 and for the period that includes the five months to May 31, 2001 has been derived from the financial statements and accounting records of Osprey and reflects significant assumptions and allocations. Our financial position, results of operations and cash flows could have differed from those that would have resulted if we had operated autonomously or as an entity independent of Osprey in the period for which historical financial data is presented for the year ended December 31, 2000 and for period that includes the five months to May 31, 2001 below and, similarly may not be indicative of our future operating results or financial performance.

The amount previously reported in our annual report on Form 20-F for the year ended December 31, 2003 as stockholders' equity as of December 31, 2003 differs from the amount shown below. In addition, the balance previously reflected as marketable securities is now restated and described as "equity in net assets of non-consolidated investee" below. These amounts have been restated to reflect a change to the equity method of accounting for an investment previously accounted for as "available for sale". The change to the equity method of accounting is a result of an increase in the Company's level of

ownership that has given it the ability to exercise significant influence over the investee subsequent to December 31, 2003. This restatement had no effect on net income for periods prior to and including the year ended December 31, 2003.

The following table should also be read in conjunction with Item 5. "Operating and Financial Review and Prospects" and the Company's Consolidated Financial Statements and Notes thereto included herein.

	At or for the Fiscal Year E		
	December 31		
	2004	2003	2002
(in thousands of $, except per common share data and fleet data)		(restated)	
Income Statement Data:			
Total operating revenues	163,410	132,765	130,611
Vessel operating expenses (1)	35,759	30,156	28,061
Voyage expenses (5)	2,561	2,187	-
Administrative expenses	8,471	7,138	6,127
Restructuring costs	-	-	-
Depreciation and amortization	40,502	31,147	31,300
Operating income	76,117	62,137	65,123
Net financial expenses	(25,304)	(15,140)	(40,367)
Income before equity in net earnings of investee, income taxes and minority interests	50,813	46,997	24,756
Income taxes and minority interests	(7,995)	(7,427)	(2,381)
Equity in net earnings of investee	13,015	-	-
Net income (loss)	55,833	39,570	27,137
Earnings (loss) per common share			
- basic (2)	0.85	0.68	0.48
- diluted (2)	0.84	0.68	0.48
Cash dividends per common share	-	-	-
Weighted average number of shares - basic	65,612	58,533	56,012
Weighted average number of shares - diluted (2)	65,690	58,569	56,021
Balance Sheet Data (at end of year):			
Cash and cash equivalents	51,598	117,883	52,741
Restricted cash and short-term investments	41,953	32,095	12,760
Short-term investments	-	-	-
Amounts due from related parties	294	180	281
Long-term restricted cash	714,802	623,179	-
Equity in net assets of non-consolidated investee (7)	48,869	12,176	-
Newbuildings	145,233	207,797	291,671
Vessels and equipment, net	371,866	211,098	617,583
Vessels under capital lease, net	706,516	553,385	-
Total assets (7)	2,110,329	1,783,968	987,935
Current portion of long-term debt	66,457	61,331	48,437
Current indebtedness due to related parties	-	-	32,703
Current portion of obligations under capital leases	2,662	-	-
Long-term debt	636,497	593,904	629,173
Long-term debt due to related parties	-	-	-
Long-term obligations under capital leases	842,853	616,210	-
Minority interest	26,282	18,706	13,349
Stockholders' equity (7)	402,770	338,801	196,136

Common shares outstanding (2)	65,612	65,612	56,012
Fleet Data (unaudited)			
Number of vessels at end of year (3)	9	7	6
Average number of vessels during year (3)	8.33	6.34	6
Average age of vessels (years)	15.9	19.3	21.4
Total calendar days for fleet	2,919	2,315	2,190
Total operating days for fleet (4)	2,660	2,140	2,166
Average daily time charter equivalent earnings (5)	$54,900	$57,300	$59,000
Average daily vessel operating costs (6)	$11,800	$13,000	$12,800

Footnotes

(1) Vessel operating expenses are the direct costs associated with running a vessel including crew wages, vessel supplies, routine repairs, maintenance and insurance. In addition, they include an allocation of overheads allocable to vessel operating expenses.

(2) Since our financial results for the year ended December 31, 2000 and for the period that includes the five months to May 31, 2001, were "carved out" of those of Osprey, we did not record any specific share capital for the period before we acquired Osprey's LNG assets and operations. To provide a measurement of earnings per share for those periods, we use for basic earnings per share the 12,000 shares issued in connection with the formation of Golar on May 10, 2001 and the subsequent issuance of 56 million shares in our Norwegian placement as described in Note 1 to our Consolidated Financial Statements. Basic earnings (loss) per share is computed based on the income (loss) available to common shareholders and the weighted average number of shares outstanding. The computation of diluted earnings per share assumes the conversion of potentially dilutive instruments.

(3) In each of the periods presented above, we had a 60 per cent interest in one of our vessels and a 100 per cent interest in our remaining vessels.

(4) The operating days for our fleet is the total number of days in a given period that the vessels were in our possession less the total number of days offhire. We define days offhire as days spent on repairs, drydockings, special surveys and vessel upgrades or awaiting employment during which we do not earn charter hire.

(5) The majority of our vessels are operated under time charters. However some of our newer vessels operated under voyage charters during 2003 and 2004. Under a time charter, the charterer pays substantially all of the vessel voyage costs whereas under a voyage charter, the vessel owner pays such costs. Vessel voyage costs are primarily fuel and port charges. Accordingly, charter income from a voyage charter would be greater than that from an equally profitable time charter to take account of the owner's payment of vessel voyage costs. In order to compare vessels trading under different types of charters, it is standard industry practice to measure the revenue performance of a vessel in terms of average daily time charter equivalent earnings, or "TCEs". For time charters, this is calculated by dividing time charter revenues by the number of calendar days minus days for scheduled offhire. We perform this calculation on a vessel by vessel basis. For voyage charters, this is calculated by dividing voyage revenues, net of vessel voyage costs, by the number of calendar days minus days for scheduled off-hire. Net voyage revenues, a non-GAAP measure, provides more meaningful information to us about the operating revenues generated from our voyage charters than gross voyage revenues, the most directly comparable GAAP measure. Net voyage revenues are also widely used by investors and analysts in the tanker shipping industry for comparing financial performance between companies and to industry averages. The following table reconciles our net voyage revenues to voyage revenues for the year ended December 31, 2004 and 2003. For each of the years ended

December 31, 2002, 2001 and 2000 we did not earn any voyage revenues.

(in thousands of $)	2004	2003
Voyage revenues	2,412	9,062
Voyage expenses	(2,561)	(2,187)
Net voyage revenues	(149)	6,875

(6) We calculate average daily vessel operating costs by dividing vessel operating costs by the number of calendar days. We do this calculation on a vessel by vessel basis.

(7) Amounts in 2003 have been restated to reflect retroactive application of equity method of accounting related to our 21.09% interest in Korea Line Corporation (`KLC'), a shipping company listed on the Korean Stock Exchange, which was previously accounted for as an "available for sale" marketable security. See Note 2 to our consolidated financial statements beginning on page F-1 of this annual report.

B. Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

Some of the following risks relate principally to our business or to the industry in which we operate. Other risks relate principally to the securities market and ownership of our shares. Any of these risks, or any additional risks not presently known to us or that we currently deem immaterial, could significantly and adversely affect our business, our financial condition, our operating results and the trading price of our common shares.

Risks Related to our Business

We generate a substantial majority of our revenue under seven long-term agreements with two customers, and the unanticipated loss of one or more of these agreements or either of these customers would likely interrupt our related cash flow.

We receive a substantial majority of our revenue from seven long-term charters with two large and established customers. In the year ended December 31, 2004, BG Group plc, or BG, accounted for 50.3 per cent and Pertamina (the state owned oil and gas company of Indonesia) accounted for 40.1 per cent of our total operating revenues, respectively. Pertamina chartered two of our vessels during 2004 and BG chartered five of our vessels during 2004. All of our charters have fixed terms, but might nevertheless be lost in the event of unanticipated developments such as a customer's breach. Our customers may terminate their charters with us if, among other events, the relevant vessel is lost or damaged beyond repair. The unanticipated loss of any of these charters or either customer would likely interrupt our related cash flow because we cannot be sure that we would be able to enter into attractive replacement charters on short notice. A persistent and continued interruption of our cash flow could, in turn, substantially and adversely affect our financial condition.

Completion of our newbuilding program is dependent on our obtaining additional financing.

We have installment payments to make relating to the construction cost of our three newbuildings still under construction, which are due in 2006 and 2007. We currently do not have financing in place to meet all of the payments for two of these newbuildings due in May 2006 and thereafter. In order to meet these financial commitments, we will need to obtain further loans or other financing in the amount of approximately $242 million. We have taken delivery of two vessels in 2004 and one vessel in 2005 and have obtained financing for all three. Additionally we have obtained financing for our newbuild due to be delivered in January 2006. It is standard in the shipping industry to finance between 50 and 80 per cent of the purchase price of vessels, or construction cost in the case of newbuildings, through bank financing. In the case of vessels that have charter coverage, the debt finance percentage may increase significantly. If we were to obtain 50 per cent debt financing to cover the instalments due on our two remaining unfinanced newbuildings, this would equate to additional finance of approximately $151 million of the $242 million required. For further information concerning our future financing plans, see Item 5 "Operating and Financial Review and Prospects, Liquidity and Capital Resources - Newbuilding Contracts and Capital Commitments". While we believe we will be able to arrange financing for the full amount of newbuilding payments due, to the extent we do not timely obtain necessary financing for a newbuilding, the completion of that newbuilding could be delayed or we could suffer financial loss, including the loss of all or a portion of the progress payments we had made to the shipyard and any deficiency if the shipyard is not able to recover its costs from the sale of the newbuilding.

We are considering various alternatives for the employment of our newbuildings, failure to find profitable employment for them could adversely affect our operations.

The Golar Winter (our newbuilding delivered in April 2004) started a ten month charter on May 31, 2004. In February 2005 the Golar Winter was substituted by the Golar Viking, our newbuilding delivered in January 2005 for the remaining 1.5 months of this charter but has been re-employed on a five month charter from April 2005. The Golar Frost (our newbuilding delivered in June 2004) and the Golar Viking have both performed short term charters but have also incurred substantial commercial waiting time (i.e. awaiting a charter). We are considering various employment opportunities for our newbuildings, the Golar Winter, Golar Frost and Golar Viking and our three newbuildings that are currently under construction. These employment opportunities may include short-term (less than one year), medium-term or long-term charter contracts and entering LNG trading as a principal and, in the case of the Golar Frost, use as a floating LNG terminal. If we cannot obtain profitable employment for these vessels, our earnings will suffer. If we are unable to secure term charter coverage for a newbuilding, we may be unable to obtain the financing necessary to complete that newbuilding. In addition, whether or not we employ our newbuildings profitably, we must service the debt that we incur to finance them as well as pay for operating costs.

If we do not accomplish our strategic objective of profitably entering into other areas of the LNG industry, we may incur losses and our strategy to continue growing and increasing operating margins may not be realized.

A part of our strategy reflects our assessment that we should be able to expand profitably into areas of the LNG industry other than the carriage of LNG. We have not previously been involved in other LNG industry businesses and our expansion into these areas may not be profitable and we may incur losses including losses in respect of expenses incurred in relation to project development. Our plan to consider opportunities to integrate vertically into upstream and downstream LNG activities depends materially on our ability to identify attractive partners and projects and obtain project financing at a reasonable cost.

Our loan and lease agreements impose restrictions that may adversely affect our earnings or may prevent us from taking actions that could be in our shareholders' best interest.

Covenants in our loan and lease agreements limit our ability to:

- merge into or consolidate with any other entity or sell or otherwise dispose of all or substantially all of their assets;
- make or pay equity distributions;
- incur additional indebtedness;
- incur or make any capital expenditure; or
- materially amend, or terminate, any of our current charter contracts or management agreements.

If the ownership interest in us of John Fredriksen, our chairman, and his affiliated entities falls below 25 per cent of our share capital, a default of some of our loan agreements and lease agreements to which we are a party would occur.

Covenants in our loan and lease agreements may effectively prevent us from paying dividends should our board of directors wish to do so and may require us to obtain permission from our lenders and lessors to engage in some other corporate actions. Our lenders' and lessors' interests may be different from those of our shareholders and we cannot guarantee investors that we will be able to obtain our lenders' and lessors' permission when needed. This may adversely affect our earnings and prevent us from taking actions that could be in our shareholders' best interests.

If we do not maintain the financial ratios contained in our loan and lease agreements, we could face acceleration of the due date of our debt and the loss of our vessels.

Our loan and lease agreements require us to maintain specific financial levels and ratios, including minimum available cash, ratios of current assets to current liabilities (excluding current long-term debt), ratios of net debt to earnings before interest, tax, depreciation and amortization and the level of stockholders' equity. Although we currently comply with these requirements, if we were to fall below these levels we would be in default of our loans and lease agreements and the due date of our debt could be accelerated and our lease agreements terminated, which could result in the loss of our vessels.

Provisions in our loan and lease agreements may limit our flexibility.

In addition to the general restrictions, our loan agreements and UK vessel lease agreements place certain restrictions on our ability to charter our vessels without the consent of the relevant lender or lessor. In addition the lease agreements in respect of six of our vessels limit our ability to enter into time charters other than with BG and Pertamina, who do not have credit ratings of at least BBB+, unless we post additional security over and above the letters of credit already provided as security for our lease obligations. This will impact us when these vessels finish their long-term charters. These restrictions could limit our operational flexibility and negatively impact our financial position or cash flows in the future.

We no longer have legal title to our seven currently operating vessels and one newbuilding under construction that are subject to UK vessel leases and in the

event of any adverse tax rate changes or rulings we may be required to make additional payments to the UK vessel lessor, which could adversely affect our results and financial position.

While we have complete operational control and responsibility for our seven currently operating vessels and one newbuilding under construction that are subject to UK vessel leases, we do not have legal title to them. In the event that we were in default under a lease agreement, the lessor could terminate those leases potentially resulting in the sale of the vessels. While we would realize 99.9 per cent of the net proceeds of the sale of the vessels, it may not be in our best interests to sell the vessels at that time. In addition, our ability to realize our portion of the net proceeds will depend on the cooperation of our lessors, who are recognized UK financial institutions that have secured their obligations to us, and in relation to the seven currently operating vessels the willingness of buyers to take the vessels subject to our time charters with BG and Pertamina, to whom our lessors and we have given the right of quiet enjoyment in respect of some of our leases. This means that any sale in relation to the seven currently operating vessels would be subject to the buyer's continuing to perform the BG and Pertamina time charters of the vessels. Any funds that we receive on the sale of the vessels following a lease termination will also be subordinate to lien claimants, and claims of our lenders and our lessors for unpaid amounts. In the event of any adverse tax rate changes or rulings, we may be required to return all or a portion of, or in certain circumstances more than, the cash inflow (approximately $51 million) that we received in connection with the lease financing transactions, post additional security or make additional payments to our lessors.

Servicing our debt and lease agreements substantially limits our funds available for other purposes.

A large part of our cash flow from operations must go to paying principal and interest on our debt and lease agreements. As of December 31, 2004, our net total indebtedness (including capital lease obligations) was $740 million and our ratio of net indebtedness to total capital was 0.63. As of May 31, 2005 our net indebtedness was approximately $829 million. In addition we have committed financing of approximately $105 million in respect of one of our newbuildings yet to be delivered and we may incur additional debt of at least as much as $151 million to fund completion of our two unfinanced newbuildings. We may also incur additional indebtedness to fund our possible expansion into other areas of the LNG industry. Debt payments reduce our funds available for expansion into other parts of the LNG industry, working capital, capital expenditures and other purposes. In addition, our business is capital intensive and requires significant capital outlays that result in high fixed costs. We cannot assure investors that our existing and future contracts will provide revenues adequate to cover all of our fixed and variable costs.

It may be difficult to serve process on or enforce a United States judgment against us, our officers, our directors or some of our experts or to initiate an action based on United States federal or state securities laws outside of the United States.

We are a Bermuda corporation and our executive offices are located outside of the United States. Our officers and directors reside outside of the United States. In addition, substantially all of our assets and the assets of our officers, directors and some of our experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons or enforcing a judgment obtained in a U.S. court to the extent assets located in the United States are insufficient to satisfy the judgment. In addition, there is uncertainty as to whether the courts outside of the United States would enforce judgments of United States courts obtained against us or our officers and directors or

entertain original actions predicated on the civil liability provisions of the United States federal or state securities laws. As a result, it may be difficult for you to enforce judgments obtained in United States courts against our directors, officers and non-U.S. experts or to bring an action against our directors, officers or non-U.S. experts outside of the United States that is based on United States federal or state securities law.

We may not be exempt from U.S. taxation on our U.S. source shipping income, which would reduce our net income and cash flow by the amount of the applicable tax.

We currently believe we are exempt from tax under either Section 883 of the U.S Internal Revenue Code("Code"), or the U.S.-U.K. Income Tax Treaty ("U.K Treaty") in effect throughout 2004. However, as a result of new requirements imposed by the new Section 883 regulations and a new U.K Treaty, which replaces the current treaty, there are factual circumstances beyond our control that could cause us to loose the benefit of exemption from 2005 onward.

If we, for whatever reason, were not eligible for exemption from tax under Code Section 883 and the U.K. Treaty, we would be subject to a four percent tax on our U.S. source shipping income, which is comprised of 50 percent of our shipping income attributable to the transport of cargoes to or from United States ports. In the absence of such exemption, our potential tax liability for the calendar years 2002, 2003 and 2004 would have been $337,400, $571,000 and $880,000 respectively.

We may be unable to attract and retain key management personnel in the LNG industry, which may negatively impact the effectiveness of our management and our results of operation.

Our success depends to a significant extent upon the abilities and the efforts of our senior executives, and particularly John Fredriksen, our Chairman and Tor Olav Tr0im, our Chief Executive Officer, for the management of our activities and strategic guidance. While we believe that we have an experienced management team, the loss or unavailability of one or more of our senior executives, and particularly Mr. Fredriksen or Mr. Tr0im, for any extended period of time could have an adverse effect on our business and results of operations.

If construction of any of the three LNG carriers we have ordered and which are yet to be delivered were to be substantially delayed or left incomplete, our earnings and financial condition could suffer.

We have binding contracts for the construction of three new LNG carriers, or newbuildings, by an established Korean shipyard, which have yet to be delivered. While each shipbuilding contract contains a liquidated damages clause requiring the shipyard to refund a portion of the purchase price if delivery of a vessel is delayed more than 30 days, any such delay could adversely affect our earnings and our financial condition. In addition, if these shipyards were unable to deliver a particular vessel on time, we might be unable to perform related short or long-term charters and our earnings and financial condition could suffer.

If we are treated as a passive foreign investment company, a U.S. investor in our common shares would be subject to disadvantageous rules under U.S. tax laws.

If we are treated as a passive foreign investment company in any year, U.S. holders of our shares would be subject to unfavorable U.S. federal income tax treatment. We do not believe that we were a passive foreign investment company in 2004 or will be in any future year. However, passive foreign investment company classification is a factual determination made annually and thus may be subject to change if the portion of our income derived from other

passive sources, including the spot trading of LNG for our own account, were to develop or to increase substantially. Moreover, the Internal Revenue Services may disagree with our position that time charters do not give rise to passive income for purposes of the passive foreign investment company rules. Accordingly, there is a possibility that we could be treated as a passive foreign investment company for 2004 or for any future year. The passive foreign investment company rules are discussed in more detail in Item 10 of this annual report under the heading "Additional Information; Taxation - U.S. Taxation of U.S. Holders".

Terrorist attacks, such as the attacks on the United States on September 11, 2001, and other acts of violence or war may affect the financial markets and our business, results of operations and financial condition.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the United States' continuing response to these attacks, as well as the threat of future terrorist attacks, continues to cause uncertainty in the world financial markets. The conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets, including the energy markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

Future terrorist attacks, may also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility of the financial markets in the United States and globally and could result in an economic recession in the United States or the world. Any of these occurrences could have a material adverse impact on our operating results, revenue, and costs.

An increase in costs could materially and adversely affect our financial performance.

Our vessel operating expenses depend on a variety of factors including crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, many of which are beyond our control and affect the entire shipping industry. These may increase vessel operating expenses further. If costs continue to rise, that could materially and adversely affect our results of operations.

An increase in interest rates could materially and adversely affect our financial performance

At December 31, 2004 we had a total long-term debt and net capital lease obligations outstanding of $805 million. As at March 31, 2005 we had a total long-term debt and net capital lease obligations of $965 million of which currently $830 million is floating rate debt. We also use interest rate swaps to manage interest rate risk. As at December 31, 2004 our interest rate swap arrangements effectively fix the interest rate exposure on $293.7 million of floating rate bank debt and capital lease obligation and since December 31, 2004 we have entered into interest rate swaps in respect of a further $110 million of debt. If interest rates rise significantly, that could materially and adversely affect our results of operations. Additionally, to the extent that our lease obligations are secured by restricted cash deposits, our exposure to interest rate movements are hedged to a large extent. However, movements in interest rates may require us to place more cash into our restricted deposits and this could also materially and adversely affect our results of operations.

During 2003 and 2004 we acquired 21 percent of the share capital of Korea Line Corporation, a Korean shipping company listed on the Korean Stock Exchange, at a cost of $34 million. The value of these shares could decline and we may lose all or a portion of our investment.

The value of our investment in Korea Line Corporation could be impacted by, amongst other things, the future results of Korea Line as well as general Korean stock market movement and other events over which we have no control.

Risks Related to the LNG Shipping Industry

Risks involved with operating ocean-going vessels could affect our business and reputation, which could adversely affect our revenues.

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- Marine disaster;
- Piracy
- Environmental accidents; and
- Business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labour strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable LNG carrier operator.

Over time, charter rates for LNG carriers may fluctuate substantially. If rates happen to be lower at a time when we are seeking a charter for a vessel, our earnings will suffer.

Charter rates for LNG carriers fluctuate over time as a result of changes in the supply-demand balance relating to current and future LNG carrier capacity. This supply-demand relationship largely depends on a number of factors outside our control. The LNG market is closely connected to world natural gas prices and energy markets, which we cannot predict. A substantial or extended decline in natural gas prices could adversely affect our charter business as well as our business opportunities. Our ability from time to time to charter or re-charter any vessel at attractive rates will depend on, among other things, then prevailing economic conditions in the LNG industry.

Maritime claimants could arrest our vessels, which could interrupt our cash flow.

If we are in default on some kinds of obligations, such as those to our crew members, suppliers of goods and services to our vessels or shippers of cargo, these parties may be entitled to a maritime lien against one or more of our vessels. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. In a few jurisdictions, claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay to have the arrest lifted. Under some of our present charters, if the vessel is arrested or detained for as little as 14 days as a result of a claim against us, we may be in default of our charter and the charterer may terminate the charter.

The LNG transportation industry is competitive and if we do not continue to compete successfully, our earnings could be adversely affected.

Although we currently generate a majority of our revenue under long-term contracts, the LNG transportation industry is competitive, especially

with respect to the negotiation of long-term charters. Furthermore, new competitors have entered the market and further new competitors with greater resources could enter the industry and operate larger fleets through consolidations, acquisitions, or the purchase of new vessels, and may be able to offer lower charter rates and more modern fleets. If we do not continue to compete successfully, our earnings could be adversely affected. Competition may also prevent us from achieving our goal of profitably expanding into other areas of the LNG industry.

Shipping companies generally must conduct operations in many parts of the world, and accordingly their vessels are exposed to international risks, which could reduce revenue or increase expenses.

Shipping companies, including those that own LNG carriers, conduct global operations. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism and other efforts to disrupt shipping. The terrorist attacks against targets in the United States on September 11, 2001, the military response by the United States and the conflict in Iraq may increase the likelihood of acts of terrorism worldwide. Acts of terrorism, regional hostilities or other political instability could affect LNG trade patterns and reduce our revenue or increase our expenses. Further, we could be forced to incur additional and unexpected costs in order to comply with changes in the laws or regulations of the nations in which our vessels operate. These additional costs could have a material adverse impact on our operating results, revenue, and costs.

Our insurance coverage may not suffice in the case of an accident or incident.

The operation of any ocean-going vessel carries an inherent risk of catastrophic marine disaster and property loss caused by adverse weather conditions, mechanical failures, human error, hostilities and other circumstances or events. The transportation of LNG is subject to the risk of LNG leakage and business interruptions due to political circumstances in foreign countries, hostilities and labor strikes. The occurrence of one or more of these events may result in lost revenues and increased costs for us.

We carry insurance to protect against the accident-related risks involved in the conduct of our business and environmental damage and pollution insurance. However, we cannot assure investors that we have adequately insured ourselves against all risks, that any particular claim will be paid out of such insurance or that we will be able to procure adequate insurance coverage at commercially reasonable rates or at all in the future. More stringent environmental regulations that are currently being considered or that may be implemented in the future may result in increased costs for insurance against the risks of environmental damage or pollution. Our insurance policies contain deductibles for which we will be responsible. They also contain limitations and exclusions that, although we believe them to be standard in the shipping industry, may increase our costs or lower our profits. Moreover, if the mutual insurance protection and indemnity association that provides our tort insurance coverage were to suffer large unanticipated claims related to the vessel owners, including us, that it covers, we could face additional insurance costs.

If any of our LNG carriers discharged fuel oil into the environment, we might incur significant liability that would increase our expenses.

As with all vessels using fuel oil for their engines, international environmental conventions, laws and regulations, including United States' federal laws, apply to our LNG carriers. If any of the vessels that we own or operate were to discharge fuel oil into the environment, we could face claims under these conventions, laws and regulations. We must also carry evidence of financial responsibility for our vessels under these regulations. United States

law also permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and a number of states have enacted legislation providing for unlimited liability for oil spills.

Any future changes to the laws and regulations governing LNG carrier vessels could increase our expenses to remain in compliance.

The laws of the nations where our vessels operate as well as international treaties and conventions regulate the production, storage, and transportation of LNG. While we believe that we comply with current regulations of the International Maritime Organization, or IMO, any future non-compliance could subject us to increased liability, lead to decreases in available insurance coverage for affected vessels and result in the denial of access to, or detention in, some ports. Furthermore, in order to continue complying in the future with United States federal and state laws and regulations as then in force, or with then current regulations adopted by the IMO, and with any other future regulations, we may be forced to incur additional costs relating to such matters as LNG carrier construction, maintenance and inspection requirements, development of contingency plans for potential leakages and insurance coverage.

Risks Related to our Common Shares

Our Chairman may have the ability to effectively control the outcome of significant corporate actions.

John Fredriksen, our chairman, and his affiliated entities beneficially own 43.2 per cent of our outstanding common shares. As a result, Mr. Fredriksen and his affiliated entities have the potential ability to effectively control the outcome of matters on which our shareholders are entitled to vote, including the election of all directors and other significant corporate actions.

Because we are a Bermuda corporation, you may have less recourse against us or our directors than shareholders of a U.S. company have against the directors of that U.S. Company.

Because we are a Bermuda company the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders in other jurisdictions. Among these differences is a Bermuda law provision that permits a company to exempt a director from liability for any negligence, default, or breach of a fiduciary duty except for liability resulting directly from that director's fraud or dishonesty. Our bye-laws provide that no director or officer shall be liable to us or our shareholders unless the director's or officer's liability results from that person's fraud or dishonesty. Our bye-laws also require us to indemnify a director or officer against any losses incurred by that director or officer resulting from their negligence or breach of duty except where such losses are the result of fraud or dishonesty. In addition, under Bermuda law the directors of a Bermuda company owe their duties to that company, not to the shareholders. Bermuda law does not generally permit shareholders of a Bermuda company to bring an action for a wrongdoing against the company, but rather the company itself is generally the proper plaintiff in an action against the directors for a breach of their fiduciary duties. These provisions of Bermuda law and our bye-laws, as well as other provisions not discussed here, may differ from the law of jurisdictions with which investors may be more familiar and may substantially limit or prohibit shareholders ability to bring suit against our directors.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a LNG Shipping company formed on May 10, 2001. We currently own and/or operate a fleet of ten liquefied natural gas, or LNG, carriers (or vessels), of which one was delivered in January 2005. We are engaged in the acquisition, ownership, operation and chartering of LNG carriers through our subsidiaries. We operate nine of our vessels through wholly-owned subsidiaries and we have a 60 per cent interest in the owning company of our tenth vessel, the Golar Mazo. We have also entered into contracts for the construction of three additional LNG carriers, which we expect to take delivery of in 2006 and 2007. Seven of our LNG carriers are all currently employed under long-term charter contracts. One of our LNG carriers is employed on a short term charter and two are currently waiting for employment in the spot market.

We are incorporated under the laws of the Islands of Bermuda and maintain our principal executive headquarters at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda. Our telephone number at that address is (+1) 441-295-4705. Our principal ship-management offices are located at 30 Marsh Wall, London, United Kingdom.

Our business was originally founded in 1946 as Gotaas-Larsen Shipping Corporation. Gotaas-Larsen entered the LNG shipping business in 1970 and was acquired by Osprey Maritime Limited, then a Singapore listed publicly traded company, in 1997. In August 2000, World Shipholding Ltd., a company indirectly controlled by John Fredriksen, our chairman and president, commenced an acquisition of Osprey. World Shipholding gained a controlling interest of more than 50 per cent of Osprey in November 2000 and increased this interest to over 90 per cent in January 2001. World Shipholding completed its acquisition in May 2001, at which time Osprey was delisted from the Singapore Stock Exchange.

On May 21, 2001, we acquired the LNG shipping interests of Osprey, which included one newbuilding contract and an option for a further newbuilding contract. We also entered into a purchase agreement with Seatankers Management Company Ltd., a company indirectly controlled by our chairman and president, John Fredriksen, to purchase its one newbuilding contract for an LNG carrier and its options to build three new LNG carriers. Two of the newbuilding options have since been exercised and two have expired.

We listed on the Oslo Stock Exchange in July 2001 and on Nasdaq in December 2002.

On 18 June 2003, Osprey transferred its assets and liabilities, and consequently its holding of our shares, to World Shipholding. As of that date World Shipholding held 50.01 per cent of our issued and outstanding share capital. World Shipholding currently owns 43.2 per cent of our issued and outstanding common shares following issuance of further shares by us during 2003 and World Shipholding's acquisition of 300,000 shares in December 2004 and April 2005.

In July 2003 we issued 5.6 million shares via a direct offering raising $55.2 million and in December 2003 we issued a further 4.0 million shares via a direct offering raising $51.0 million.

In August 2003 we took delivery of our first newbuilding, the Methane Princess. In September 2003 we signed a contract for the construction of a fifth newbuilding together with the option for two further newbuildings. In February 2004 we exercised one of the options and signed a sixth newbuilding contract. In August 2004 we exercised the remaining option for our seventh newbuilding. In April 2004 we took delivery of our second newbuilding, the Golar Winter, and in June 2004 we took delivery of our third newbuilding, the Golar Frost. In January 2005 we took delivery of our fourth newbuilding, the Golar Viking.

As at December 31, 2003 we had invested $12.2 million in Korea Line

Corporation, a Korean shipping company listed on the Korean stock exchange. During the first six months of 2004 we purchased additional shares at a cost of $21.9 million. As at December 31, 2004 we owned 21.09% of Korea Line.

B. Business Overview

We are a leading independent owner and operator of liquid natural gas (or "LNG") vessels. We have a fleet of ten LNG vessels (including one delivered in January 2005) and a further three that are under construction, two of which we expect to take delivery of in the first half of 2006 and the third in the latter half of 2007. We are also seeking to develop our business in other areas of the LNG supply chain, in particular innovative marine based solutions such as floating LNG regasification terminals.

The Natural Gas Industry

Natural gas is one of the world's fastest growing energy sources and is likely to continue to be so for at least the next 20 years. Already responsible for approximately 22 per cent of the world's energy supply, the International Energy Outlook, or IEO, projects that demand for natural gas will rise by approximately 2.2 per cent per annum over the next two decades. According to the IEO, unprecedented growth in new gas fired power plants are expected to provide a substantial part of this incremental demand.

The rate of growth of natural gas consumption has been almost twice that of oil consumption during the last decade. The primary factors contributing to the growth of natural gas demand include:

- Costs: Technological advances and economies of scale have lowered capital expenditure requirements.

- Environmental: Natural gas is a clean-burning fuel. It produces less carbon dioxide and other pollutants and particles per unit of energy production than coal, fuel oil and other common hydrocarbon fuel sources.

- Demand from Power Generation: According to the IEO, natural gas is the fastest growing fuel source for electricity generation worldwide.

- Market Deregulation: Deregulation of the gas and electric power industry in the United States, Europe and Japan, has resulted in new entrants and an increased market for natural gas

- Significant Natural Gas Reserves: Approximately half of the world's remaining hydrocarbon reserves are natural gas.

The LNG Industry

Overview

LNG is liquefied natural gas, produced by cooling natural gas to -163(degree)C (-256(Degree) Fahrenheit), or just below the boiling point of LNG's main constituent, methane. LNG is produced in liquefaction plants situated around the globe near gas deposits. In its liquefied state, LNG occupies approximately 1/600th the volume of its gaseous state. Liquefaction makes it possible to transport natural gas efficiently and safely by sea in specialized vessels known as LNG carriers. LNG is stored at atmospheric pressure in cryogenic tanks. LNG is converted back to natural gas in regasification plants by raising its temperature.

The first LNG project was developed in the mid-1960s and by the

mid-1970s LNG had begun to play a larger role as energy companies developed remote gas reserves that could not be served by pipelines in a cost-efficient manner. The LNG industry is highly capital intensive and has historically been characterised by long-term contracts. The long-term charter of LNG carriers to carry the LNG is, and remains, an integral part of almost every project.

Over the last 10 years, LNG consumption has shown sustained annual growth of approximately 6.75 per cent per year. The Energy Information Administration of the United States Department of Energy forecasts annual growth of LNG imports into the United States through 2025 amounting to approximately 9 per cent per year.

Production

There are three major regional areas that supply LNG. These are (i) Southeast Asia, including Australia, Malaysia, Brunei and Indonesia, (ii) the Middle East, including Qatar, Oman and United Arab Emirates (with facilities planned in Iran and Yemen), and (iii) the Atlantic Basin countries, including Algeria, Libya, Nigeria and Trinidad with facilities under construction in Egypt and Norway and planned in Equitorial New Guinea, Angola and Venezuela. Qatar, Oman, Trinidad and Nigeria have all begun large scale LNG production in recent years. The expansion of existing LNG production facilities is one of the major sources of growth in LNG production and most projects with gas reserves available are considering growth of production.

Consumption

The two major geographic areas that dominate worldwide consumption of LNG are East Asia; including Japan, which remains by far the biggest importer in the world, South Korea and Taiwan; and Europe, specifically Spain, France, Italy, Belgium and Turkey. East Asia currently accounts for approximately 66 per cent of the global LNG market while Europe accounts for approximately 22 per cent. The United States presently accounts for approximately 10 per cent of the global LNG market, but is by far the fastest growing market with an increase of more than 28.4 per cent in 2004 alone.

There are currently 14 LNG importing countries with 47 importing terminals. Japan and South Korea are currently the two largest importers of LNG, accounting for approximately 60 per cent of the world total LNG imports in 2004. Almost all natural gas consumption in Japan and South Korea is based on LNG imports.

The cost of constructing LNG import facilities has decreased in real terms. This has helped small or low volume markets such as Puerto Rico, Turkey and Greece to receive imports on a cost-effective basis.

Four LNG import terminals operate in the United States, namely; Lake Charles, Louisiana, Boston, Massachusetts, Elba Island, Georgia and Cove Point, Maryland. Cove Point re-opened during the second half of 2003. Expansion plans exist for the Lake Charles, Elba Island and Cove Point facilities and in addition as many as 20 companies are currently pursuing more than 30 possible onshore regasification plants aimed at significantly increasing domestic import capacity, notably Excelerate Energy commissioned its energy bridge technology at Gulf gateway in early 2005. However, it is likely that the majority of these plants will not be constructed, due to cost and environmental restrictions.

The LNG Fleet

As of end of May 2005, the world LNG carrier fleet consisted of 180 LNG carriers with a total capacity of approximately 19.5 million cubic meters (cbm). The average age of the fleet was approximately 14 years. Currently there are orders for around 114 new LNG carriers with expected delivery dates from the

second quarter of 2005 through 2008.

The current `standard' size for LNG carriers is approximately 155,000 cubic meters (`cbm'), up from 125,000 cbm during the 1970's. To assist with transportation unit cost reduction the average size of vessels is rising steadily and there are fairly advanced plans for vessels of up to 250,000 cbm. There are also some smaller LNG carriers, mainly built for dedicated short distance trades. Apart from one, all the newbuildings to be delivered from 2005 through 2008 are 137,000 cbm or more. The cost of LNG carriers has fluctuated from $280 million in the early 1990s to approximately $200 million currently for the current standard size.

LNG carriers are designed for an economic life of approximately 40 years. Therefore all but a very few of the LNG carriers built in the 1970s still actively trade. In recent contract renewals, LNG vessels have been placed under time charters with terms surpassing those vessels' 40th anniversaries, which demonstrates the economic life for such older vessels. As a result, limited scrapping of LNG carriers has occurred or is likely to occur in the near future. In view of the fact that LNG is much less of a pollutant than other products such as oil and given that much more is spent on maintenance of LNG vessels than oil tankers, the pressure to phase out older vessels has been much less than for crude oil tankers. We cannot, however, say that such pressure will not begin to build in the future.

The current worldwide maximum production capacity of shipyards for LNG carriers is close to 40 ships a year after rapid expansion of production facilities over the past 5 years, particularly in Korea. The actual output depends upon the relative cost of LNG ships to other vessels and the relative demand for both. The construction period for an LNG carrier is approximately 30-34 months. However, based on current yard availability, the earliest delivery date for a new LNG vessel ordered today is likely to be in 2008. Any new project/trade with LNG vessel demand before then will have to rely on third party vessels until potential new orders can be delivered.

Our Business Strategy

We are a leading independent owner and operator of LNG vessels and, we believe, the only shipping company dedicated exclusively to LNG transportation. Our objective is to provide safe, reliable and efficient LNG transportation services to our customers and to use this as the foundation to fulfil our vision of becoming an industry leader in LNG transportation services and of expansion into other profitable areas of the LNG chain. Our strategy is therefore to expand and diversify our LNG shipping operations, concentrating on our existing customers whilst offering the same level of service to selected new customers, and in this way to capitalise on our shipping assets and thirty years of industry experience by investing upstream and downstream in the LNG chain.

In respect of our shipping operations we intend to build on our relationships with existing customers and continue to develop relationships with those who require a shipping partner for whom LNG transportation is the core business. We will primarily concentrate on customers and partners who are relatively close to their markets geographically, in the same way that our existing customers are. For example BG, are mainly based around the Atlantic, and Pertamina and CPC are based in the Far East based. We thereby hope to achieve higher margins while maintaining strong service-based relationships because our customers will have the confidence to place their `shipping risk' with us on the basis that our core business is safe and reliable ship operation, while theirs is the profitable sale of gas.

We have three vessels currently trading in the spot or short-term market for which we are seeking longer-term employment. However, in the meantime in order to improve the service available to customers in the short-term LNG

market by having a larger available fleet and to hedge the risk of operating in this market we have entered into an agreement with Exmar Marine NV ("Exmar") to participate in a new joint arrangement in respect of which we will time charter selected vessels to the venture for trade on the spot market.

In furtherance of our strategy to enhance our core margins we are actively seeking opportunities to invest upstream and downstream in the LNG supply chain, where our shipping experience can add value. We believe we can achieve this aim while at the same time diversifying our sources of income from LNG and thereby strengthen the Company.

We are considering investing in both established LNG operations and technologies as well as newly developing technologies, such as offshore liquefaction and regasification operations. We are continuing our participation the Italian (Livorno) Floating Regasification Terminal project, which is now reaching a significant state of development with the permit process nearing completion. It is anticipated that the project will use the Golar Frost as a floating terminal by installing regasification equipment on board the vessel and permanently mooring her off the coast of Italy. We have invested $3 million in TORP Technology AS, which holds the rights to the "Hiload LNG Re-gasification Technology" developed by Remora Technology AS. TORP is planning to apply for a permit to build an offshore LNG regasification terminal in the Gulf of Mexico. We are also actively looking at other projects, which include the provision of technical marine and LNG expertise for floating terminal projects such as Livorno, and for other technically innovative projects such as the generation of electricity on board a floating terminal as well as the provision of shipping requirements for these projects.

Additionally, there is the potential to use our industry experience in other areas including 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, where it compliments the provision of services to our customers.

During the latter part of 2003 and first half of 2004 we acquired, through market purchases, 21.09 % of the shares in the Korean shipping company Korea Line Corporation ("Korea Line"), which is listed on the Seoul Stock Exchange. Korea Line owns two modern LNG carriers on long-term charter to KOGAS and also has a smaller ownership (less than 15 per cent) in four other large LNG carriers as well as a number of drybulk vessels. We see the investment in Korea Line as an opportunity to develop a positive relationship with a leading Korean shipping company, which could lead to further LNG business development.

Our Strategic position and competitive strengths.

We believe we have established ourselves as a leading independent owner and operator of LNG ships. Listed below are what we believe to be our key competitive strengths:

- Customer relationships. Our customers and partners include some of the biggest participants in the LNG market: BG Group, Pertamina, Malaysia International Shipping Corporation and Chinese Petroleum Corporation.

- High level of committed revenue. Seven of our existing ten ships are on long-term charter, which provides us with a relatively secure and stable cash flow for the majority of our fleet.

- LNG shipping experience: We have 30 years of experience of operating LNG ships and we have access to a large pool of experienced LNG crew through contracts with our third party managers and through our own pool of officers.

- Our newbuildings. We currently have three new vessels uncommitted on a long-term basis and three newbuildings, also not committed to charter contracts; two are due to be delivered in the first half of 2006 and one in 2007. These vessels and newbuilding contracts may provide us with a unique strategic advantage in terms of early delivery and multi-ship solutions. The early delivery of our vessels may mean that a customer can avoid costly time delays due to the prevailing lack of early availability at the world's LNG shipyards.

- Our experience and our management. With our LNG assets, extensive experience and our management's skill we believe we are able to take advantage of market opportunities as they arise such as the offshore terminal projects we are involved in.

Customers

We currently have long-term customer relationships with two large participants in the LNG industry, and most of our revenues are derived from these two customers, namely BG Group and its subsidiaries, and Pertamina, the state-owned oil and gas company of Indonesia.

We and our predecessors have had charters with Pertamina since 1989. Our revenues from Pertamina were $65.6 million in 2004, $61.9 million in 2003 and $61.0 million in 2002. This constitutes 40.1 per cent, 47 per cent and 47 per cent of our revenues for those years, respectively. BG has chartered LNG carriers from us and our predecessors since 2000. Our revenue from BG was $82.2 million in 2004, $64.8 million in 2003 and $68.1 million in 2002, constituting 50.3 per cent, 49 per cent and 52 per cent of our revenues for those years respectively. BG currently charters five vessels from us.

We have a commercial relationship with Malaysia International Shipping Corporation (MISC) for whom we have provided vessels for several short-term charters during 2004. Additionally, until January 2005 we provided ship management services to the state-owned oil and gas company, the National Gas Shipping Company (NGSCO) of Abu Dhabi.

Competition

While virtually all of the existing world LNG carrier fleet is still committed to long-term charters, there is competition for employment of vessels whose charters are expiring and vessels that are under construction. Competition for long-term LNG charters is based primarily on price, vessel availability, size, age and condition of the vessel, relationships with LNG carrier users and the quality, LNG experience and reputation of the operator. In addition, vessels coming off charter and newly constructed vessels may operate in the emerging LNG carrier spot market that covers short-term charters of one year or less as well as voyage charters.

While we believe that we are the only independent LNG carrier owner and operator that focuses solely on LNG, other independent shipping companies also own and operate LNG carriers and have new vessels under construction. These companies include Bergesen DY ASA (Norway), Exmar S.A. (Belgium) and Teekay LNG Partners, L.P. Three Japanese ship owning groups, Mitsui O.S.K. Lines, Nippon Yusen Kaisha and K Line, all of whom used to provide LNG shipping services exclusively to Japanese LNG companies, are now aggressively moving into the western markets. New competitors have also recently entered the market and include Maran Navigation of Greece, A P Moller of Denmark, Teekay Shipping of Canada, Overseas Shipholding Group of USA and Pronav ship management, and all have shown significant intent to compete in the LNG shipping market. There are other owners who may also attempt to participate in the LNG market if possible.

In addition to independent LNG operators, some of the major oil and gas producers, including Royal Dutch/Shell, BP Amoco, and BG who own LNG carriers and are reported to have contracted for the construction of new LNG carriers.

As discussed above we are considering strategic opportunities in other areas of the LNG industry. To the extent we do expand into new businesses, there can be no assurance that we will be able to compete successfully in those areas. Our new businesses may involve competitive factors that differ from those in the carriage of LNG and may include participants that have greater financial strength and capital resources than us.

Our Fleet

Current Fleet

We currently lease seven LNG carriers under long-term leases (between 20 and 30 years), we own two vessels and we have a 60 per cent interest in another LNG carrier through a joint arrangement with the Chinese Petroleum Corporation, the Taiwanese state oil and gas company. Two of our vessels serve routes between Indonesia and Taiwan and South Korea, while five are involved in the transportation of LNG from facilities in the Middle East, North Africa and Trinidad to ports principally in the United States and Europe but also Japan. Three or our vessels are currently operating within a spot market revenue pooling arrangement we have with Exmar S.A. One of these vessels is on a short-term charter to Sonatrach and two of the vessels are currently awaiting employment.

The following table lists the LNG carriers in our current fleet:

Vessel Name	Year of Delivery	Capacity, cbm.	Current Charterer	Current Charter Expiration
Hilli	1975	125,000	BG	2011
Gimi	1976	125,000	BG	2010
Golar Freeze	1977	125,000	BG	2008
Khannur	1977	125,000	BG	2009
Golar Spirit	1981	128,000	Pertamina	2006
Golar Mazo(1)	2000	135,000	Pertamina	2017
Methane Princess	2003	138,000	BG	2024
Golar Winter	2004	138,000	Sonatrach	2005
Golar Frost	2004	137,000	-	-
Golar Viking	2005	140,000	-	-

1 We own a 60 per cent interest in the Golar Mazo with the remaining 40 per cent owned by Chinese Petroleum Corporation.

Our currently trading fleet represents approximately 6 per cent of the worldwide fleet by number of vessels.

Newbuildings

We have entered into newbuilding contracts for the delivery of seven LNG carriers since the beginning of 2001 four of which have already been delivered. The following table summarizes our newbuildings currently under construction, all of which have capacities of 145,700 cbm:

Hull number	Shipbuilder	Expected Delivery Date
2226	Daewoo	January 2006

2234	Daewoo	May 2006
2244	Daewoo	June 2007

The contract prices for the above vessels totals $472 million.

Two newbuildings were delivered during 2004; the Golar Winter in March 2004 and after substantial delays the Golar Frost in June 2004. The delivery of Golar Frost was delayed due to a technical problem. The shipyard satisfactorily modified this, without additional cost to us. We also received compensation from the shipyard for late delivery. A further newbuilding, the Golar Viking was delivered in January 2005.

The selection of and investment in newbuildings is a key strategic decision for us. We believe that our experience in the shipping industry have equipped our senior management with the experience to determine when to acquire options for newbuildings and when to order the construction of newbuildings and the scope of those constructions. Our senior management has established relationships with several shipyards, and this has enabled us to access the currently limited shipyard slots to build LNG carriers.

Our Charters

Seven of our current LNG carriers are on long-term time charters to LNG producers and importers. These charters generally provide us with stable income and cash flows. In addition to their potential for earning revenues over the course of their useful lives, we believe that our LNG carriers may also have significant residual value when they are released from service.

Pertamina Charters. Two of our vessels, the Golar Mazo and the Golar Spirit, are chartered by Pertamina, the state-owned oil and gas company of Indonesia. The Golar Mazo, which we jointly own with the Chinese Petroleum Corporation, transports LNG from Indonesia to Taiwan under an 18 year time charter that expires at the end of 2017. The Golar Spirit is employed on a 20-year time charter that expires at the end of 2006. Pertamina has options to extend the Golar Mazo charter for two additional periods of five years each, and to extend the Golar Spirit charter for up to two years.

Under the Pertamina charters, the operating and drydocking costs of the vessel are borne by Pertamina on a cost pass-through basis. Pertamina also pay for hire of the vessels during scheduled drydockings up to a specified number of days for every two to three year period.

BG Charters. BG, through its subsidiaries, charters five of our vessels on long-term time charters. These vessels, the Golar Freeze, Khannur, Gimi, Hilli and since February of 2004, the Methane Princess each transport LNG from export facilities in the Middle East and Atlantic Basin nations to ports on the east coast of the United States, Europe and Japan. The trading routes of these vessels are determined by BG. The Golar Freeze commenced a five-year charter with BG on March 31, 2003. The charter for the Khannur expires in the third quarter of 2009, the charter for the Gimi expires in the fourth quarter of 2010 and the charter for the Hilli expires in the first quarter of 2011. The charter for the Methane Princess is for 20 years and therefore expires in 2024.

Our charterers may suspend their payment obligations under the charter agreements for periods when the vessels are not able to transport cargo for various reasons. These periods, which are also called offhire periods, may result from, among other causes, mechanical breakdown or other accident, the inability of the crew to operate the vessel, the arrest or other detention of the vessel as the result of a claim against us, or the cancellation of the vessel's class certification. The charters automatically terminate in the event of the loss of a vessel.

Charter Renewal Options

Pertamina Charters. Pertamina has the option to extend the charter of the Golar Mazo and the Golar Spirit. Pertamina may extend the charter of Golar Mazo that expires in 2017, for up to 10 years by exercising the right to extend for one or two additional five-year periods. Pertamina must give two years notice of any decision to extend. The revenue during the period of charter extension will be subject to adjustments based on our actual operating costs during the period of the extension. For the Golar Spirit, Pertamina may extend the charter beyond its current expiration in 2006 for up to two years. As with the Golar Mazo, the hire rate during any extension is subject to adjustment to reflect actual operating expenses during the term.

BG Charters. With the exception of the Golar Freeze charter, each of the BG charters, including the charter for the Methane Princess, is subject to outstanding options on the part of BG to extend those charters for two five-year periods. The hire rates for Khannur, Gimi and Hilli will be increased from January 1, 2010 onwards and thereafter subject to adjustments based on escalation of three per cent per annum of the operating costs of the vessel.

The following chart summarizes the current charters and renewal options for each of our vessels with charter coverage:

[OBJECT OMITTED]

Golar Management (UK) Limited

Golar Management (UK) Limited, or Golar Management, a wholly owned subsidiary of ours, operates seven of our vessels under long-term leases. Golar Management, which has offices in London, also provides commercial, operational and technical support and supervision and accounting and treasury services to us.

Prior to February 2005, Golar Management provided all services related to the management of our vessels other than some of our crewing activities. Since February 2005, Golar Management has subcontracted to two third party ship management companies day-to-day vessel management activities including routine maintenance and repairs; arranging supply of stores and equipment; ensuring compliance with applicable regulations, including licensing and certification requirements and engagement and provision of qualified crews.

Ultimate responsibility for the management of our vessels, however, remains with Golar Management.

Ship Management and Maintenance

We are focused on operating our LNG carriers at the highest safety and industry standards and at the same time maximizing revenue from each vessel. It is our policy to have our crews perform planned maintenance on our vessels while underway, to reduced time required for repairs during dry-docking. This will reduce the overall off-hire period required for dockings and repairs. Since we generally do not earn hire from a vessel while it is in dry-dock we believe that the additional revenue that we receive from reduced off-hire periods outweighs the expense of the additional crewmembers.

To further minimize technical failure, off-hire and ensure compliance with the latest safety and industry standards, we are near completion of a $34 million program to refurbish and modernize our four LNG/C built in the 1970s.

The Hilli underwent extensive refurbishment during its drydocking in 2003; the Golar Freeze and Gimi similarly in 2004 and the Khannur in early 2005. In addition these vessels have been undergoing a ballast tank re-coating programme whilst in service. We expect completion of this programme early in 2006.

We anticipate that the upgrading program will allow us to operate each of these vessels to their 40th anniversary. We believe that the capital expenditure of this program will result in lower maintenance costs and improved performance in the future. We also believe this program will help us maintain our proven safety record and ability to meet customer expectations.

Third Party Ship Management

In addition to managing our own fleet, we have provided management services to LNG carriers owned by third party ship owners. During 2004 we managed four vessels for the National Gas Shipping Company (NGSCO), a subsidiary of the Abu Dhabi National Oil Company. It has been the intention from the start of the project in 1996 that NGSCO should take over management when they had developed their own in-house ship management department. Two ships were delivered back to NGSCO in July 2004, and the remaining two in January 2005.

Insurance

The operation of any vessel, including LNG carriers, has inherent risks. These risks include mechanical failure, personal injury, collision, property loss, vessel or cargo loss or damage and business interruption due to political circumstances in foreign countries or hostilities. In addition, there is always an inherent possibility of marine disaster, including explosion, spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

We believe that our present insurance coverage is adequate to protect us against the accident related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage consistent with standard industry practice. However, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

We have obtained hull and machinery insurance on all our vessels against marine and war risks, which include the risks of damage to our vessels, salvage or towing costs, and also insure against actual or constructive total loss of any of our vessels. However, our insurance policies contain deductible amounts for which we will be responsible. We have also arranged additional total loss coverage for each vessel. This coverage, which is called hull interest and freight interest coverage, provides us additional coverage in the event of the total loss of a vessel.

We have also obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurer will pay us the daily rate agreed in respect of each vessel for each day, in excess of a certain number of deductible days, for the time that the vessel is out of service as a result of damage, for a maximum of 240 days. The number of deductible days varies from 14 days for the new ships to 30 days for the older ships, depending on the type of damage; machinery or hull damage.

Protection and indemnity insurance, which covers our third-party legal liabilities in connection with our shipping activities, is provided by a mutual protection and indemnity association, or P&I club. This includes third-party liability and other expenses related to the injury or death of crew members,

passengers and other third-party persons, loss or damage to cargo, claims arising from collisions with other vessels or from contact with jetties or wharves and other damage to other third-party property, including pollution arising from oil or other substances, and other related costs, including wreck removal. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The thirteen P&I clubs that comprise the International Group of Protection and Indemnity Clubs insure approximately 90 per cent of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each P&I club has capped its exposure in this pooling agreement so that the maximum claim covered by the pool and its reinsurance would be approximately $4.25 billion per accident or occurrence. We are a member of the "UK Club" which is the largest P&I club in the International Group. As a member of the P&I club, we are subject to a call for additional premiums based on the club's claims record, as well as the claims record of all other members of the P&I clubs comprising the International Group. However, our P&I club has reinsured the risk of additional premium calls to limit our additional exposure. This reinsurance is subject to a cap, and there is the risk that the full amount of the additional call would not be covered by this reinsurance.

Environmental and other Regulations

Governmental and international agencies extensively regulate the handling and carriage of LNG. These regulations include international conventions and national, state and local laws and regulations in the countries where our vessels operate or where our vessels are registered. We cannot predict the ultimate cost of complying with these regulations, or the impact that these regulations will have on the resale value or useful lives of our vessels. Various governmental and quasi-governmental agencies require us to obtain permits, licenses and certificates for the operation of our vessels. Although we believe that we are substantially in compliance with applicable environmental laws and regulations and have all permits, licenses and certificates required for our operations, future non- compliance or failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

A variety of governmental and private entities inspect our vessels on both a scheduled and unscheduled basis. These entities, each of which may have unique requirements and each of which conducts frequent vessel inspections, include local port authorities, such as the U.S. Coast Guard, harbor master or equivalent, classification societies, flag state, or the administration of the country of registry, charterers, terminal operators and LNG producers.

Golar Management is certified to the International Standards Organization (ISO) Environmental Standard for the management of the significant environmental aspects associated with the ownership and operation of a fleet of liquefied natural gas carriers. This certification requires that the Company commit managerial resources to act on its environmental policy through an effective management system.

Regulation by the International Maritime Organization

The International Maritime Organization (IMO) is a United Nations agency that provides international regulations affecting the practices of those in shipping and international maritime trade. The requirements contained in the International Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the IMO, govern our operations. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the

adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to emergencies. Golar Management is certified as an approved ship manager under the ISM Code.

The ISM Code requires that vessel operators obtain a safety management certificate, issued by each flag state, for each vessel they operate. This certificate evidences onboard compliance with code requirements. No vessel can obtain a certificate unless its shore-based manager has also been awarded and maintains a Document of Compliance, issued under the ISM Code. Each of the vessels in our fleet has received a safety management certificate.

Vessels that transport gas, including LNG carriers, are also subject to regulation under the International Gas Carrier Code, or IGC, published by the IMO. The IGC provides a standard for the safe carriage of LNG and certain other liquid gases by proscribing the design and construction standards of vessels involved in such carriage. Compliance with the IGC must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases of Bulk. Each of our vessels is in compliance with the IGC and each of our newbuilding contracts requires that the vessel receive certification that it is in compliance with applicable regulations before it is delivered. Non-compliance with the IGC or other applicable IMO regulations, may subject a shipowner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

The IMO also promulgates ongoing amendments to the international convention for the Safety of Life at Sea 1974 and its protocol of 1988, otherwise known as SOLAS. This provides rules for the construction of ships and regulations for their operation with respect to safety issues. It requires the provision of lifeboats and other life-saving appliances, requires the use of the Global Maritime Distress and Safety System which is an international radio equipment and watchkeeping standard, afloat and at shore stations, and relates to the Treaty on the Standards of Training and Certification of Watchkeeping Officers, or STCW, also promulgated by IMO. Flag states, which have ratified the convention and the treaty generally, employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

The most recent directive from the IMO, issued in the wake of increased worldwide security concerns, is the International Security Code for Ports and Ships (ISPS). The objective of the ISPS, which came into effect on July 1, 2004, is to detect security threats and take preventive measures against security incidents affecting ships or port facilities. We have developed Security Plans, appointed and trained Ship and Office Security Officers and all ships have been certified to meet the new ISPS Code well in advance of the date the code comes into force.

Environmental Regulation--OPA/CERCLA

The U.S. Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for environmental protection and clean up of oil spills. OPA affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial waters and the two hundred nautical mile exclusive economic zone of the United States. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, applies to the discharge of hazardous substances whether on land or at sea. While OPA and CERCLA would not apply to the discharge of LNG, they may affect us because we carry oil as fuel and lubricants for our engines, and the discharge of these could cause an environmental hazard. Under OPA, vessel operators, including vessel owners, managers and bareboat or "demise"

charterers, are "responsible parties" who are all liable regardless of fault, individually and as a group, for all containment and clean-up costs and other damages arising from oil spills from their vessels. These "responsible parties" would not be liable if the spill results solely from the act or omission of a third party, an act of God or an act of war. The other damages aside from clean-up and containment costs are defined broadly to include:

- natural resource damages and related assessment costs;
- real and personal property damages;
- net loss of taxes, royalties, rents, profits or earnings capacity;
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and
- loss of subsistence use of natural resources.

OPA limits the liability of responsible parties for vessels other than crude oil tankers to the greater of $600 per gross ton or $500,000 per vessel. These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or wilful misconduct. These limits likewise do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. This limit is subject to possible adjustment for inflation. OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states, which have enacted their own legislation, have not yet issued implementing regulations defining shipowners' responsibilities under these laws.

CERCLA, which also applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of $300 per gross ton or $5 million. As with OPA, these limits of liability do not apply where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or wilful misconduct or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We anticipate that we will be in compliance with OPA, CERCLA and all applicable state regulations in the ports where our vessels will call.

OPA requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under OPA. The U.S. Coast Guard has enacted regulations requiring evidence of financial responsibility in the amount of $900 per gross ton for vessels other than oil tankers, coupling the OPA limitation on liability of $600 per gross ton with the CERCLA liability limit of $300 per gross ton. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA regulations, an owner or operator of more than one vessel is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the vessel having the greatest maximum liability under OPA/CERCLA. Each of our shipowning subsidiaries that has vessels trading in U.S. waters has applied for, and obtained from the U.S. Coast Guard National Pollution Funds Center, three-year certificates of financial responsibility, supported by guarantees

which we purchased from an insurance-based provider. We believe that we will be able to continue to obtain the requisite guarantees and that we will continue to be granted certificates of financial responsibility from the U.S. Coast Guard for each of our vessels that is required to have one.

International Ship and Port Security Act.

The International Ship and Port Security Act came into force on July 1, 2004. The Company obtained approval and certification of its security manuals well prior to the deadline and has trained shipboard and office security officers to comply with the new regulation. There have been no security threats to our ships during 2004 and we have not received any adverse comments from any enforcement agency auditing our ship security systems.

Environmental Regulation--Other

Most U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. The European Union has proposed regulations, which, if adopted, may regulate the transmission, distribution, supply and storage of natural gas and LNG at land based facilities. It is not clear what form these regulations, if adopted, would take.

Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of that particular class of vessel as laid down by that society.

For maintenance of the class certificate, regular and extraordinary surveys of hull, machinery, including the electrical plant and any special equipment classed, are required to be performed by the classification society, to ensure continuing compliance. Most vessels are drydocked twice during a 5-year class cycle for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the shipowner within prescribed time limits. The classification society also undertakes on request of the flag state other surveys and checks that are required by the regulations and requirements of that flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society, which is a member of the International Association of Classification Societies. All of our vessels have been certified as being "in class". The Golar Mazo is certified by Lloyds Register, and our other vessels are each certified by Det norske Veritas, both members of the International Association of Classification Societies.

In-House Inspections

We inspect all of our vessels on a regular basis; both at sea and while the vessels are in port. Each vessel in our fleet is inspected on an annual basis by our fleet safety officer, annually by an independent third party safety auditor and at four-month intervals by one of our technical superintendents. The results of these inspections, which are conducted both in port and underway, result in a report containing recommendations for improvements to the overall condition of the vessel, maintenance, safety and crew welfare. Based in part on these evaluations, we create and implement a

program of continual maintenance for our vessels and their systems. These programs are subject to a computer based tracking system in order to assure compliance.

C. Organizational Structure

As is customary in the shipping industry, we own, lease and operate our vessels, and our newbuildings while under construction, through separate subsidiaries. With the exception of the Golar Mazo, the Golar Frost and the Golar Viking, we lease our vessels from lessors, who are all subsidiaries of UK Banks. We own a 100 per cent interest in the owning subsidiaries of two of our newbuildings yet to be delivered and we will lease the third vessel upon delivery. We own the Golar Mazo in a joint arrangement with the Chinese Petroleum Corporation in which we own 60 per cent and Chinese Petroleum owns the remaining 40 per cent of the vessel owning company.

The table below lists each of our significant subsidiaries, the subsidiaries' purpose, or the vessel it owns, leases or operates, and its country of incorporation as at June 30, 2005. Unless otherwise indicated, we own 100 per cent of each subsidiary.

Subsidiary	Jurisdiction of Incorporation	Purpose
Golar Gas Holding Company Inc.	Republic of Liberia	Holding Company and le vessels
Golar Maritime (Asia) Inc.	Republic of Liberia	Holding Company
Gotaas-Larsen Shipping Corporation	Republic of Liberia	Holding Company
Oxbow Holdings Inc.	British Virgin Islands	Holding Company
Faraway Maritime Shipping Inc.	Republic of Liberia	Owns Golar Mazo
(60% ownership)		
Golar LNG 2215 Corporation	Republic of Liberia	Leases Methane Princess
Golar LNG 1444 Corporation	Republic of Liberia	Owns Golar Frost
Golar LNG 1460 Corporation	Republic of Liberia	Owns Golar Viking
Golar LNG 2220 Corporation	Republic of Liberia	Leases Golar Winter
Golar LNG 2234 Corporation	Republic of Liberia	Owns newbuilding Hull 22
Golar LNG 2244 Corporation	Republic of Liberia	Owns newbuilding Hull 22
Golar LNG 2226 Corporation	Marshall Islands	Will lease Hull 2226
Golar International Ltd.	Republic of Liberia	Vessel management
Golar Maritime Services, S.A.	Spain	Vessel management
Gotaas-Larsen International Ltd.	Republic of Liberia	Vessel management
Golar Management Limited	Bermuda	Management
Golar Maritime Limited	Bermuda	Management
Golar Management (UK) Limited	United Kingdom	OperatesiGolarUFreezeite
Golar Khannur (UK) Limited	United Kingdom	Operates Khannur
Golar Gimi (UK) Limited	United Kingdom	Operates Gimi
Golar Hilli (UK) Limited	United Kingdom	Operates Hilli
Golar Spirit (UK) Limited	United Kingdom	Operates Golar Spirit
Golar 2215 (UK) Limited	United Kingdom	Operates Methane Princes
Golar Winter (UK) Limited	United Kingdom	Operates Golar Winter
Golar 2226 (UK) Limited	United Kingdom	Will operate Hull 2226

D. Property, Plant and Equipment

The Company's Vessels

The following tables set forth the fleet that we operate and the newbuildings that we have on order:

Vessel	Delivered	Capacity cbm.	Flag	Current Charterer	Current Charter Expiration
Golar Viking	2005	140,000	MI	-	n/a
Golar Frost	2004	137,000	LIB	-	n/a
Golar Winter	2004	138,000	UK	Sonatrach	2005
Methane Princess	2003	138,000	UK	BG	2024
Golar Mazo	2000	135,000	LIB	Pertamina	2017
Golar Spirit	1981	128,000	MI	Pertamina	2006
Golar Freeze	1977	125,000	UK	BG	2008
Khannur	1977	125,000	UK	BG	2009
Gimi	1976	125,000	UK	BG	2010
Hilli	1975	125,000	UK	BG	2011

Newbuilding	Expected Date of Delivery	Capacity cbm.	Flag	Charterer	Current Charte Expiration
Hull No. 2226	January 2006	145,700	-	n/a	n/a
Hull No. 2234	May 2006	145,700	-	n/a	n/a
Hull No. 2244	June 2007	145,000	-	n/a	n/a

Key to Flags:
LIB - Liberian, UK - United Kingdom, MI - Marshall Islands

We do not own any interest in real property. We sublease approximately 8,000 square feet of office space in London for our ship management operations. We lease approximately 540 square feet of office space in Bilbao, Spain for our crewing operations.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Overview and Background

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and the other financial information included elsewhere in this document. Our financial statements have been prepared in accordance with U.S. GAAP. This discussion includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in the forward-looking statements.

Current Business

Our activities are currently focused on the chartering of our LNG carriers and the development of LNG supply chain projects and potential investments, in particular offshore regasification terminals. Seven of our ten vessels are on long-term charters, which provide us with stable and predictable cash flows for the majority of our business.

Vessels may operate under different charter arrangements including time charters, voyage charters and bareboat charters. A time charter is a contract for the use of a vessel for a specific period of time at a specified daily rate. Under a time charter, the charterer pays substantially all of the

vessel voyage costs, which consist primarily of fuel and port charges. A bareboat charter is also a contract for the use of a vessel for a specific period of time at a specified daily rate but the charterer pays the vessel operating costs as well as voyage costs. Operating costs include crew wages, vessel supplies, routine repairs, maintenance, lubricating oils and insurance. A voyage charter is generally for a specific voyage but the charterer does not pay the voyage costs. We define charters for a period of less than one year as short-term, charters for a period of between one and four years as medium-term and charters for a period of more than four years as long-term.

Seven of our currently trading LNG carriers are employed under long-term time charters, which do not come up for renewal until 2006 and later. The following table sets out our current charters, including future committed charters, and their expirations:

Vessel Name	Approximate Annual Charter Hire	Current Charter Expiration	Charterers Renewal Opt
Golar Mazo (1)	$31 million / year	2017	5 years plus 5
Golar Spirit (2)	$21 million / year	2006	1 year plus 1
Khannur	$15.3 million / year	2009	5 years plus 5
Golar Freeze	$19.6 million / year	2008	None
Gimi	$15.3 million / year	2010	5 years plus 5
Hilli	$15.3 million / year	2011	5 years plus 5
Methane Princess	$24.3 million / year	2024	5 years plus 5

(1) On a wholly owned basis and excluding operating cost recovery from charterer (see below).

(2) Excludes operating cost recovery from charterer (see below).

The long-term contracts for the Golar Spirit and Golar Mazo are time charters but the economic terms are analogous to bareboat contracts, under which the vessels are paid a fixed rate of hire, being the rate in the above table, and the vessel operating costs are borne by the charterer on a cost pass through basis. These contracts contain no escalation clauses.

Employment History

The following table sets out the employment of the LNG carriers now owned and/or operated by us during the period 2000 to 2004.

Vessel Name	2000 to 2004
Golar Mazo	Long-term time charter to Pertamina commenced on delivery in January 2000
Golar Spirit	Long-term time charter to Pertamina
Khannur	Short-term charters until start of long-term time charter with BG in Decem
Golar	Freeze Short-term charters until start of medium-term time charter with BG in November 2000. Long-term time charter with BG from March 2003.
Gimi	Short-term charters until start of long-term time charter with BG in May 2
Hilli	Medium-term charter until start of long-term time charter with BG in Septe
Methane Princess	Delivered in August 2003. Short-term charters until start of long-term tim

	in February 2004
Golar Winter	Delivered in April 2004. Commenced short-term charter with MISC in June 20
Golar Frost	Delivered in June 2004. On the spot market since delivery.

Possible Future LNG Industry Business Activities

We currently have three vessels and three newbuildings not committed to long-term contracts. We intend to find medium or long-term charters for these vessels or alternatively utilise them within some of the LNG infrastructure projects we are developing.

In the meantime, three of our current vessels (one of which was delivered in January 2005) are available for trade in the short-term or "spot" market. The LNG spot market has only recently developed and it is at an early stage. Rates payable in this market may be uncertain and volatile although potentially higher than rates for long-term charters. The supply and demand balance for LNG carriers is also uncertain. During 2004 the excess supply of vessels over demand had negatively impacted our results and is likely to negatively impact them in 2005. These factors could also influence the results of operations from spot market activities beyond 2005.

All future possible LNG activities are also dependant on our management's decisions regarding the utilization of our assets. In the longer term, results of operations may also be affected by strategic decisions by management as opportunities arise to make investments in LNG logistics infrastructure facilities to secure access to markets as well as to take advantage of potential industry consolidation.

In June 2002, we announced that we had signed a heads of agreement (letter of intent) with the Italian offshore and contracting company Saipem SPA for the joint marketing and development of Floating Regasification Terminals, or FRT's, for the Italian gas market. The concept is based on the conversion of a Moss type LNG carrier (`Moss type' is in reference to the type and shape of the cargo tanks), either existing or newly built. The activities will be managed through a dedicated joint venture, where Saipem will handle the engineering and technical aspects of the FRT's. We will contribute to the joint venture by identifying suitable LNG carriers as well as providing maritime expertise. Progress has been made in respect of this project with a potential customer, Cross Energy S.R.L. who is planning to site a FRT off the coast of Livorno in Italy. A final decision on the permit for this FRT is expected to be made by the Italian authorities some time during 2005 but we cannot be certain of this time frame. The ultimate size of our investment has yet to be determined, but the permitting process for this project has been based on the Golar Frost and it is therefore anticipated that this vessel will be utilised in the project if it is successful.

In October 2004, we announced that we had entered into an agreement with Exmar Marine NV ("Exmar") to participate in a new joint arrangement. As part of this arrangement we will timecharter selected vessels to the venture for trade on the spot and short term LNG market. Initially the Golar Frost and one of Exmar's vessels were subject to this arrangement. The vessels are to be jointly marketed for charters of up to two years. Net hire from all vessels (i.e. after deduction of voyage related expenses) is distributed in proportion to the points attributed to the respective vessels; such points being determined on the basis of the vessels capacity, speed and fuel consumption and boil off. The initial two vessels carried equal points. Operating costs and debt service cost are excluded from the calculations of net hire i.e. they remain each company's responsibility. Since December 31, 2004 the Golar Viking and the Golar Winter have been included in this arrangement.

In January 2005, we announced that we had signed a heads of agreement with Remora Technology to invest $3 million in TORP technology and acquire an option to use 33.4% of the capacity of TORP's offshore regasification terminal. TORP Technology holds the rights to the HiLoad LNG Re-gasification and is planning to build an offshore LNG Re-gasification terminal 75 miles offshore in the U.S. Gulf of Mexico, expected to be operational in 2008. The HiLoad LNG Re-gasification unit is a floating L-shaped terminal that docks onto the LNG carrier using the patented friction based attachment system (rubber suction cups) creating no relative motion between the carrier and the terminal. The HiLoad LNG Re-gasification unit is equipped with standard re-gasification equipment (LNG loading arms, pumps and vaporizers) and can accommodate any LNG carrier without the use of any special equipment. The terminal uses seawater for heating the LNG, saving fuel costs. TORP Technology will file a permit for a LNG receiving and regasification terminal in the U.S. Gulf of Mexico. It is envisaged the application will be filed by end of 2005. In February 2005, in accordance with the heads of agreement we invested $3 million into TORP Technology in a share issue. We currently hold a 16.1% interest in TORP Technology.

In conjunction with Saipem SPA we have been developing a floating power generating plant (FPGP). The concept is based on the conversion of an existing LNG carrier by attaching combined cycle gas turbine generators capable of producing around 240 megawatts of power which is carried ashore via sub sea cables. In this regard we have applied to the Cyprus Energy Regulatory Authority for licences to construct and operate an FPGP to supply electricity to the Cypriot market. Although at an early stage of development we wee this as a logical extension of the floating regasification and storage projects as noted above, that we have been working on.

During the latter part of 2003 and first half of 2004 we acquired, through market purchases, 21.09 % of the shares in the Korean shipping company Korea Line Corporation ("Korea Line"), which is listed on the Seoul Stock Exchange. Korea Line owns two modern LNG carriers on long-term charters to KOGAS and also has a smaller ownership (less than 15 per cent) in four other large LNG carriers as well as a number of drybulk vessels. We see the investment in Korea Line as an opportunity to develop a positive relationship with a leading Korean shipping company, which could lead to further LNG business development.

In 2002, we entered into a joint development arrangement headed by Marathon Oil Company to construct and operate a major LNG import facility on Mexico's Baja Peninsula. Other participants in the project include Grupo GGS, S.A. de C.V., a subsidiary of GGS Holdings Limited, or GGS. In May 2005, a settlement agreement was reached between Marathon and ourselves to terminate the Baja LNG import and power project. Under the agreement, we have agreed to pay the sum of $1.2 million to settle our obligations in full.

Factors Affecting Our Results

The principal factors that have affected, and are expected to continue to affect, our business are:

- The employment of our vessels, daily charter rates and the number of unscheduled offhire days
- Non-utilization for vessels not subject to charters
- Vessel operating expenses
- Administrative expenses
- Pension expenses

- Useful lives of our fleet and the related depreciation and amortization expense

- Net financial expenses including mark to market charges for interest rate and foreign currency swaps and interest rates and foreign exchange gains or losses that arise on the translation of our lease obligations and the cash deposits that secure them.

- Equity in net earnings of investee

- The success or failure of the LNG infrastructure projects that we are working on or may work in the future.

Operating revenues are primarily generated by charter rates paid for our short-term, medium-term and long-term charters and are therefore related to both our ability to secure continuous employment for our vessels as well as the rates that we secure for these charters. Seven of our currently trading vessels are fixed on long-term time charters with either fixed or predictable hire rates. Three of our vessels are currently trading in the spot or short-term market where rates can vary dramatically and are difficult to predict from one charter to the next.

The number of days that our vessels earn hire substantially influences our results. Our vessels may be out of service, that is, offhire, for three main reasons: scheduled drydocking or special survey or maintenance, which we refer to as scheduled offhire, days spent waiting for a charter, which we refer to as commercial waiting time and unscheduled repairs or maintenance, which we refer to as unscheduled offhire. Generally, for vessels that are under a time charter, hire is paid for each day that a vessel is available for service. However, two of our long-term charters provide for an allowance of a specified number of days every two to three years that our vessels may be in drydock, for one vessel the allowance is fixed whilst the other vessel will only be placed offhire if the number of days in drydock every two years exceeds that allowance. The shipping industry uses average daily time charter earnings, or TCE, to measure revenues per vessel in dollars per day for vessels on charters. We calculate TCE by taking time charter revenues, or voyage revenues, net of voyage expenses, recognized ratably over the period of the voyage, earned and dividing by the number of days in the period less scheduled offhire.

We attempt to minimize unscheduled offhire by conducting a program of continual maintenance for our vessels. The charter coverage we have for all our vessels has resulted in a minimal number of waiting days in 2002 and 2003. In 2004, we took delivery of two newbuildings (Golar Frost and Golar Winter) neither of which is committed to long or medium term charter contracts. The Golar Winter was fixed on a short-term charter for most of 2004 but the Golar Frost incurred significant commercial waiting time. In January 2005, we took delivery of a third vessel not committed to a charter and we expect all three to incur significant commercial waiting time during 2005.

Voyage expenses are primarily expenses such as fuel and port charges, which are paid by us under voyage charters. Under time charters our customers pay for such voyage expenses. Accordingly voyage expenses will vary depending on the number of vessels we have operating on voyage charters.

Vessel operating expenses include direct vessel operating costs associated with running a vessel and an allocation of shore-based overhead costs directly related to vessel management. Vessel operating costs include crew wages, which are the most significant component, vessel supplies, routine repairs, maintenance, lubricating oils and insurance. Accordingly, the level of this operating cost is directly related to the number of vessels we operate. Overhead allocated to vessels includes certain technical and operational

support, information technology, legal, accounting and corporate costs that are related to vessel operating activity. These costs are allocated based on internal cost studies, which management believes are reasonable estimates. Operating expenses increased during 2002 mainly due to increased crew and related pension costs and insurance costs and in 2003 and 2004 principally because of the addition to the fleet of the Methane Princess in 2003, and the Golar Winter and Golar Frost in 2004. Operating expenses include the costs associated with the pension scheme we maintain for some of our seafarers (the Marine Scheme). Although this scheme is now closed to new entrants the cost of provision of this benefit will vary with the movement of actuarial variables and the value of the pension fund assets.

Administrative expenses are composed of general corporate overhead including primarily personnel costs, legal and professional fees, costs associated with project development, corporate services, public filing fees, property costs and other general administration costs. Personnel costs comprise approximately 60 per cent of our administrative expenses and include salaries, pension costs, fringe benefits, travel costs and social insurance. In January 2005, we announced the outsourcing of our day-to-day fleet management activities to established third party ship managers. We have also opened an office in Oslo. This reorganisation has resulted in some severance costs of approximately $1.1 million as a result of redundancies at our London offices. The restructuring cost is not reflected in the current year's results. We expect ongoing personnel costs to be reduced as a result of this reorganisation. Historically, we have incurred costs associated with the development of various projects and we expect to incur further costs in the future. Administrative expenses include the costs associated with the pension scheme we maintain for some of our office-based employees (the UK Scheme). Although this scheme is now closed to new entrants the cost of provision of this benefit will vary with the movement of actuarial variables and the value of the pension fund assets.

Depreciation and amortization expense, or the periodic cost charged to our income for the reduction in usefulness and long-term value of our ships, is also related to the number of vessels we own or operate under long term capital leases. We depreciate the cost of our owned vessels, less their estimated residual value, and amortize the amount of our capital lease assets, over their estimated useful lives on a straight-line basis. We amortize our deferred drydocking costs over two to five years based on each vessel's next anticipated drydocking. No charge is made for depreciation of newbuildings until they are delivered. We amortize our office equipment and fittings over three to six years based on estimated economic useful life. Income derived from sale and subsequently leased assets is deferred and amortized in proportion to the amortization of the leased assets.

Interest expense depends on the overall levels of borrowing we incur and may significantly increase when we acquire or lease ships or on the delivery of newbuildings. During a newbuilding construction period, interest expense incurred is capitalized in the cost of the newbuilding. Interest expense may also change with prevailing interest rates although interest rate swaps or other derivative instruments may reduce the effect of these changes. Currently $135 million of debt under our Methane Princess facility has a fixed interest rate. Furthermore, $397 million of our floating rate debt and capital lease obligations is currently swapped to fixed rate, and we may enter into further interest rate swap arrangements if this is considered to be advantageous to us. In addition we have swapped $105 million of our future capital lease obligations in respect of hull number 2226 to a fixed rate to commence in January 2006.

Interest income will also depend on prevailing interest rates and the level of our cash deposits and restricted cash deposits.

Other financial items are composed of financing fee arrangement costs, amortization of deferred financing costs, market valuation adjustments for

interest rate and currency derivatives and foreign exchange gains/losses. The market valuation adjustment for our interest rate and currency derivatives may have a significant impact on our results of operations and financial position although it does not impact our liquidity. Foreign exchange gains and losses, which were minimal prior to 2003 as our activities are primarily denominated in US dollars, have since increased principally due to the lease finance transactions that we entered into during 2003 and 2004, which are all denominated in British Pounds. Foreign exchange gains or loss arises due to the retranslation of our capital lease obligations and the cash deposits securing those obligations. Any gain or loss represents an unrealised gain and will arise over time as a result of exchange rate movements. Our liquidity position will only be affected to the extent that we choose or are required to withdraw monies from or pay additional monies into the deposits securing our capital lease obligations. We have also entered into a currency swap of our lease obligation in respect of the Golar Winter. The lease is denominated in British Pounds (GBP) but is not fully hedged by a GBP cash deposit. We have therefore swapped our obligation to pay rentals in GBP for an obligation to pay USD at a fixed rate of exchange.

Equity in net earnings of investee refers to our interest in Korea Line Corporation (Korea Line). Korea Line is a Korean Shipping company listed on the Korean Stock Exchange. As of December 31, 2003 we had an interest of 9.97% in Korea Line and accounted for the investment as an investment "available for sale". From June 2004 we have had an interest of 21.09%. As a result of the increase in our level of ownership, which has given us the ability to exercise significant influence over Korea Line, we changed to the equity method of accounting for the investment. The restatement to retroactively reflect the change to the equity method of accounting had no effect on net income for periods prior to and including the year ended December 31, 2003. Our future equity in net earnings of investee will depend on the results of Korea Line and our level of investment.

Since many of the above key items are directly related to the number of LNG carriers we own or lease and their financing, the acquisition or divestment of additional vessels and entry into additional newbuilding contracts would cause corresponding changes in our results.

Although inflation has had a moderate impact on operating expenses, interest costs, drydocking expenses and corporate overheads, management does not expect inflation to have a significant impact on direct costs in the current and foreseeable economic environment other than potentially in relation to insurance costs and crew costs. It is anticipated that insurance costs, which have risen considerably over the last three years, may well continue to rise over the next few years. Two of our vessels charters are based on operating cost pass through and a third has an insurance cost pass through and so we will be protected from the full impact of such increases. LNG transportation is a specialized area and the number of vessels is increasing rapidly. There will therefore be an increased demand for qualified crew and this may put inflationary pressure on crew costs. Only the two vessels on full cost pass through charters would be protected from any crew cost increases.

A number of factors could substantially affect the results of operations of our core long-term charter LNG shipping business as well as the future expansion of any spot market business or the projects we are developing. These factors include the pricing and level of demand and supply for natural gas and specifically LNG. Other uncertainties that could also substantially affect these results include changes in the number of new LNG importing countries and regions and availability of surplus LNG from projects around the world, as well as structural LNG market changes allowing greater flexibility and enhanced competition with other energy sources.

Critical Accounting Policies

The preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States 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. The following is a discussion of the accounting policies applied by the Company that are considered to involve a higher degree of judgement in their application. See Note 2 to the Company's audited Consolidated Financial Statements and Notes thereto included herein for details of the Company's significant accounting policies.

Vessels and Depreciation and Amortization

The cost of the Company's vessels, less the estimated residual value, is depreciated, (owned vessels) or amortized (leased vessels) on a straight-line basis over the vessels' remaining economic useful lives. Management estimates the useful life of the Company's vessels to be 40 years and this is a common life expectancy applied in the LNG shipping industry. If the estimated economic useful life is incorrect, an impairment loss could result in future periods.

Our vessels are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing the recoverability of our vessels' carrying amounts, we must make assumptions regarding estimated future cash flows and estimates in respect of residual or scrap value. We estimate those future cashflows based on the existing service potential of our vessels, which on average for our fleet extends over a 24 year period. We have assumed that we will be able to renew our time charter contracts at their existing prices rather than at escalated rates, and that the costs of operating those vessels reflects our average operating costs experienced historically. Factors we consider important which could affect recoverability and trigger impairment include significant underperformance relative to expected operating results and significant negative industry or economic trends.

We follow a traditional present value approach, whereby a single set of future cash flows is estimated. If the carrying value of a vessel were to exceed the undiscounted future cash flows, we would write the vessel down to its fair value, which is calculated by using a risk-adjusted rate of interest. We believe that the carrying value of many of our vessels is below their fair value because we allocated negative goodwill to certain of the vessels associated with our acquisition from Osprey. Since inception, our vessels have not been impaired.

Time Charters

We account for time charters of vessels to our customers as operating leases and record the customers' lease payments as time charter revenues. We evaluate each contract to determine whether or not the time charter should be treated as an operating or capital lease, which involves estimates about our vessels' remaining economic useful lives, the fair value of our vessels, the likelihood of a lessee renewal or extension, incremental borrowing rates and other factors.

Our estimate of the remaining economic useful lives of our vessels is based on the common life expectancy applied to similar vessels in the LNG shipping industry. The fair value of our vessels is derived from our estimate of expected present value, and is also benchmarked against open market values considering the point of view of a potential buyer. The likelihood of a lessee renewal or extension is based on current and projected demand and prices for similar vessels which is based on our knowledge of trends in the industry, historic experience with customers in addition to knowledge of our customers'

requirements. The incremental borrowing rate we use to discount expected lease payments and time charter revenues are based on the rates at the time of entering into the agreement.

A change in our estimates might impact the evaluation of our time charters, and require that we classify our time charters as capital leases, which would include recording an asset similar to a loan receivable and removing the vessel from our balance sheet. The lease payments to us would reflect a declining revenue stream to take into account our interest carrying costs, which would impact the timing of our revenue stream.

Capital Leases

We have sold several of our vessels to, and subsequently leased the vessels from UK financial institutions that routinely enter into finance leasing arrangements. We have accounted for these arrangements as capital leases. As identified in our critical accounting policy for time charters, we make estimates and assumptions in determining the classification of our leases. In addition, these estimates, such as incremental borrowing rates and the fair value or remaining economic lives of the vessels, impact the measurement of our vessels and liabilities subject to the capital leases. Changes to our estimates could affect the carrying value of our lease assets and liabilities, which could impact our results of operations. To illustrate, if the incremental borrowing rate had been lower than our initial estimate this would result in a higher lease liability being recorded due to a lower discount rate being applied to its future lease rental payments.

We have also recorded deferred credits in connection with these lease transactions. The deferred credits represent the upfront benefits derived from undertaking financing in the form of UK leases. The deferred credits are amortized over the remaining economic lives of the vessels to which the leases relate on a straight-line basis. The benefits under lease financings are derived primarily from tax depreciation assumed to be available to lessors as a result of their investment in the vessels. If that tax depreciation ultimately proves not to be available to the lessor, or is clawed back from the lessor (e.g. on a change of tax law), the lessor will be entitled to adjust the rentals under the relevant lease so as to maintain its after tax position, except in limited circumstances. Any increase in rentals is likely to affect our ability to amortize the deferred credits, increase our interest cost and consequently could have a negative impact on our results and operations and our liquidity.

Insurance Receivables

We have recognized amounts related to various insurance claims in our results of operations. We recognize such insurance claims when facts and circumstances support the legal recovery and we believe it is virtually certain that the insurance claims will be recovered. If our insurance companies dispute our assessment of the facts and circumstances or refuse to honour all or a portion of our claims, the amounts recognized for our insurance receivables may not be collectible, which would adversely impact our results of operations.

Pension Benefits

The determination of our defined benefit pension obligations and expense for pension benefits is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in note 20 of the notes to our Consolidated Financial Statements included in this annual report and include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation. In accordance with U.S. generally accepted accounting principles, actual results that differ from our assumptions are accumulated and amortized over future periods and therefore, generally affect our recognized expense and

recorded obligation in such future periods. We are guided in selecting our assumptions by our independent actuaries and, while we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligations and our future pensions expense.

Recently Issued Accounting Standards and Securities and Exchange Commission Rules

FAS 151

In November 2004 the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard No. 151, Inventory Costs--an amendment of ARB No. 43, Chapter 4 (revised) (FAS 151). FAS 151 amends the guidance in ARB No. 43, Chapter 4, `Inventory Pricing,' to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). FAS 151 requires that those items be recognized as current-period charges. In addition, FAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. We will adopt FAS 151 on January 1, 2006. The new standard is not expected to have material impact on the Company's results of operations and financial position.

FAS 123R

In December 2004 the FASB issued Financial Accounting Standard No. 123R, Share-Based Payment (FAS 123R). FAS 123R requires that companies expense the value of employee stock options and other awards. FAS 123R allows companies to choose an option pricing model that appropriately reflects their specific circumstances and the economics of their transactions, and allows companies to select from three transition methods for adoption of the provisions of the standard. We will adopt FAS 123R effective January 1, 2006. The Company has determined that this will not have an immediate impact upon Golar's financial statements because as at December 31, 2004 all of Golar's stock options are fully vested.

FAS 153

In December 2004 the FASB issued Financial Accounting Standard No. 153, Exchanges of Nonmonetary Assets (FAS 153). FAS 153 amends APB Opinion No. 29, Accounting for Nonmonetary Transactions, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. We will adopt FAS 153 for nonmonetary exchanges occurring on or after January 1, 2006. The new standard is not expected to have material impact on the Company's results of operations and financial position.

EITF 03-01

In June 2004, the Emerging Issues Task Force finalized Issue No. 03-01, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (EITF 03-01). The issue was intended to address the meaning of "other-than-temporary" impairment and its application to certain investments in debt and equity securities. A consensus was reached regarding disclosure requirements concerning unrealized losses on available-for-sale debt and equity securities accounted for under Financial Accounting Standard No. 115, Accounting for Certain Investments in Debt and Equity Securities (FAS 115) and Financial Accounting Standard No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations (FAS 124). The guidance for evaluating whether an investment is other-than-temporarily impaired should be applied in reporting

periods beginning after June 15, 2004. The disclosures are effective in annual financial statements for fiscal years ending after December 31, 2003, for investments accounted for under SFAS Nos. 115 and 124. For all other investments within the scope of this EITF, the disclosures are effective for fiscal years ending after June 15, 2004. Additional disclosures for cost method investments are effective for fiscal years ending after June 15, 2004. The Company currently does not have investments that fall within the scope of EITF 03-01, and has therefore concluded that the guidance will not have an impact on its consolidated results of operations or financial position.

FAS 154

In May 2005, the FASB issued Financial Accounting Standard No. 154, Accounting Changes and Error Corrections (FAS 154). FAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, the Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, the Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. We will adopt FAS 154 for accounting changes and corrections of errors made beginning January 1, 2006.

Results of operations

Our results for the years ended December 31, 2004, 2003 and 2002 were affected by several key factors:

- the delivery of three newbuildings, the Methane Princess in August 2003, the Golar Winter in April 2004 and the Golar Frost in June 2004;

- lease finance arrangements that we entered into during 2003 and 2004; and

- equity accounting of our acquisition of equity securities in Korea Line Corporation during 2003 and 2004.

The impact of these factors is discussed in more detail below.

Year ended December 31, 2004, compared with the year ended December 31, 2003

Operating Revenues. Total operating revenues of $163.4 million were $30.6 million, or 23%, higher than last year. Although there was an increase in the total number of offhire days incurred in 2004 compared to 2003, this was offset by earnings from the addition of the Golar Winter and the Golar Frost to the fleet in April 2004 and June 2004 respectively, and a full year's earnings from the Methane Princess, delivered in August 2003. The increased number of offhire days in 2004 was mainly due to the commercial waiting time in respect of the two newbuildings Golar Winter and Golar Frost following their delivery during the year, in addition to offhire incurred by the Methane Princess as a result of waiting and positioning time prior to entering its long term charter

with BG in the year. Revenues earned by the Methane Princess during 2003 were derived from voyage charters. Whilst the newbuildings commercial waiting time increased the overall number of offhire days they still made a positive contribution to revenues therefore, although total revenues have increased during 2004, average revenue per vessel has reduced from an average daily time charter equivalent rate of $57,300 in 2003 to $54,900 in 2004.

Vessel Operating Expenses. Vessel operating expenses increased 19 per cent from $30.2 million in 2003 to $35.8 million in 2004. This was mainly because of the addition of the Golar Winter and the Golar Frost to our fleet, which contributed $4.3 million of the increase and the Methane Princess trading for a full year, which contributed a further $1.8 million. This was partly offset by our six other vessels' expenses being approximately $0.5 million lower than 2004. In the years ended December 31, 2004 and 2003, the average daily operating costs of our vessels were $11,137 and $13,000, respectively. Our daily operating costs have declined because it is generally cheaper to operate new ships than it is to operate older ships. Included in these amounts are $1,124 per day and $928 per day, respectively of overheads allocable to vessel operating expenses. These are onshore costs such as technical and operational staff support, information technology and legal, accounting and corporate costs attributable to vessel operations. These costs are allocated based on internal cost studies, which management believes are reasonable estimates.

Voyage expenses. Voyage expenses increased 17 per cent from $2.2 million in 2003 to $2.6 million in 2004 even though voyage revenues decreased by 74 per cent from $9.1 million in 2003 to $2.4 million in 2004. During 2003 our first newbuilding the Methane Princess operated under voyage charters from delivery in August 2003 until the end of the year. In contrast, our vessels were mostly under time charters during 2004 albeit that some of these time charters were for short periods of time. Under a time charter the charterer pays voyage costs, mainly fuel costs, themselves. As soon as the time charter finishes or when the vessel is waiting for employment (commercial waiting time) these costs are payable by us. Therefore, whilst less voyage charters were performed in 2004 voyage expenses were incurred for the periods of commercial waiting in respect of our newbuildings in 2004, which has meant voyage costs have actually increased. The level of voyage expenses we incur will be largely dependent on the number of vessels we have operating on voyage charters.

Administrative Expenses. Administrative expenses increased 19 per cent from $7.1 million in 2003 to $8.5 million in 2004. The increase was mainly due to higher salary and employee benefit costs due to increased head count and salary increases; additional costs incurred as a result of our accounting and auditing requirements in respect of our associate Korea Line and a general increase of expenses arising in particular as a result of a 7.8 per cent appreciation of the British Pound against the US Dollar. A significant proportion of our administrative expenses are incurred in British Pounds (GBP) at our office in London. Movement in the exchange rate of the U.S. dollar against GBP will therefore impact our future administrative expenses. These significant increases have been offset in part by a reduction of $1.8 million in the charge in respect of our share of costs in the Baja project.

As noted above, since February 2005 we have employed two third party ship managers to assist with our day-to-day fleet management activities. This has resulted in the loss of some staff in our London office, which in turn will reduce our salary costs in 2005. However, as a large part of these costs were allocated to vessel operating expenses, as noted above the net impact on overall administrative expenses will not be as great as it otherwise would have been.

Depreciation and Amortization. Depreciation and amortization increased 30 per cent from $31.1 million in 2003 to $40.5 million in 2004. The increase was due to the addition of the Golar Winter and the Golar Frost to the fleet in the year and the full year impact of the Methane Princess, which was delivered

mid 2003.

Net Financial Expenses. Interest income was $31.9 million and $14.8 million for the years ended December 31, 2004 and 2003, respectively. Interest income includes an amount of $30.5 million in 2004 and $14.1 million in 2003 attributable to fixed cash deposits, which secure our capital lease obligations. Interest expense was $62.0 million and $37.2 million for the years ended December 31, 2004 and 2003, respectively. The expense includes an amount of $33.9 million in 2004 and $14.6 million in 2003 attributable to our capital lease obligations. The increase in both income and expense is due to the finance lease transactions that we entered into during 2003 and the Golar Winter lease entered into in 2004, in addition to debt finance for the Golar Frost entered into during 2004 and in respect of the Methane Princess, which was entered into during 2003. Other financial items decreased $2.3 million from net income of $7.2 million for the year ended December 31, 2003 to net income of $4.8 million in the year ended December 31, 2004. The change was primarily due to the decline in the fair value of interest rate swaps, from a gain of $6.4 million in 2003 compared with a gain of $5.6 million in 2004, and a decrease of $1.5 million in net foreign exchange gains from $3.0 million in 2003 compared with $1.5 million in 2004. Foreign exchange gains and losses arise as a result of the retranslation of our capital lease obligations, the cash deposits securing those obligations and the movement in the fair value of the currency swap used to hedge the Golar Winter lease transaction. Of the $1.5 million net foreign exchange gain in 2004, a gain of $6.7 million (2003: $nil) arose in respect of the mark to market valuation of the currency swap representing the movement in the fair value. This swap entered into hedges the currency risk arising from lease rentals due in respect of the Golar Winter GBP lease rental obligation, by translating GBP payments into US dollar payments at a fixed GBP/USD exchange rate (i.e Golar receives GBP and pays US dollars). The gain arose due to the appreciation of the British Pound against the US Dollar during the year. This gain represents an unrealised gain.

Minority Interest and Income Taxes. Minority interest, consisting of the 40 per cent interest in the Golar Mazo, marginally increased from a charge of $7.0 million in 2003 to a charge of $7.6 million in 2004. Income taxes relate to the taxation of our UK management operations and also UK based vessel operating companies we established subsequent to April 2003. Our income tax charge is expected to increase as a function of the number of vessels we operate in the UK and the profitability of the UK companies.

Equity in net earnings of investee. During the first half of the year we increased our interest in Korea Line Corporation from 9.94 per cent at December 31, 2003 to 21.09 per cent by June 2004. In accordance with Accounting Principles Board Opinion No.18 "The Equity Method of Accounting for Investments in Common Stock" we changed our accounting treatment of the investment to the equity method of accounting to reflect our ability to exercise significant influence over the investee subsequent to December 31, 2003. The investment had previously been accounted for as "available for sale". The year ended 31 December, 2004 is the first year in which we have included a share of earnings in Korea Line Corporation. Korea Line operates in the drybulk market, as well as operating some LNG vessels, and charters out its own vessels as well as chartered in vessels on short-term and long-term contracts. Korea Line have capitalized on a good drybulk market during 2004 and their operating profit has more than doubled from 2003.

Net Income. As a result of the foregoing, we earned net income of $58.6 million in 2004, increased from $39.6 million in 2003.

Year ended December 31, 2003, compared with the year ended December 31, 2002

Operating Revenues. Total operating revenues of $132.8 million in 2003

were $2.2 million higher than in 2002 but after deducting voyage expenses of $2.2 million incurred in 2003 in connection with the Methane Princess they were the same for both years. Although there was an increase in the number of offhire days incurred in 2003 compared to 2002, this was offset by earnings from the addition of the Methane Princess to the fleet at the end of August 2003. The increased number of offhire days in 2003 was due to two vessels drydocking and offhire in respect of other maintenance and repairs. In contrast only one vessel drydocked in 2002 but because of an allowance in the charter no offhire time was incurred. Revenues earned by the Methane Princess during 2003 were derived from voyage charters. All revenues earned during 2002 were derived from time charters. The fleet earned an average daily time charter equivalent rate of $57,300 and $59,000 in 2003 and 2002, respectively.

Vessel Operating Expenses. Vessel operating expenses increased 7 per cent from $28.1 million in 2002 to $30.2 million in 2003. This was mainly because of the addition of the Methane Princess to our fleet, which contributed $1.3 million of the increase. Additional costs were also incurred in respect of crew; costs associated with repairs to our vessels, including the cost of repair, associated survey costs and the cost of insurance deductibles; and higher insurance costs mainly due to additional war risk premium levied on two of our ships trading in Indonesian waters on charter to Pertamina. This premium ceased to apply in May 2003. Insurance costs were further affected by increase in market rates. Some of these increased costs were offset by savings elsewhere which resulted in an overall cost increase of $0.8 million in addition to the $1.3 million contributed by the Methane Princess. In the years ended December 31, 2003 and 2002, the average daily operating costs of our vessels were $13,000 and $12,800, respectively. Included in these amounts are $928 per day and $1,027 per day, respectively of overheads allocable to vessel operating expenses. These are onshore costs such as technical and operational staff support, information technology and legal, accounting and corporate costs attributable to vessel operations. These costs are allocated based on internal cost studies, which management believes are reasonable estimates.

Voyage expenses. During 2002 all our vessels were on time charters and therefore did not incur any voyage expenses because under a time charter our customers pay for such expenses. During 2003 our first newbuilding, the Methane Princess operated under voyage charters from delivery until the end of the year. The level of voyage expenses we incur will be largely dependent on the number of vessels we have operating on voyage charters.

Administrative Expenses. Administrative expenses increased 17 per cent from $6.1 million in 2002 to $7.1 million in 2003. The increase was mainly due to an increase of $1.0 million in our share of development costs in respect of the Baja project during 2003. In preparation for increased ship operation activities, our headcount increased from 2002 by seven in our London office and as a result wages and other staff related costs also increased, but this was largely off set by reduced costs elsewhere, principally the lack of costs associated with the listing of our shares in the U.S. in 2002. A significant proportion of our administrative expenses are incurred in British Pounds (GBP) at our office in London. Movement in the exchange rate of the U.S. Dollar against GBP will therefore impact our future administrative expenses.

Depreciation and Amortization. Depreciation and amortization decreased marginally from $31.3 million in 2002 to $31.1 million in 2003. An increase due to the addition of the Methane Princess to the fleet and higher drydock cost amortization was off set by the amortization of the deferred gain credit from our lease finance arrangements.

Net Financial Expenses. Interest income was $14.8 million and $1.1 million for the years ended December 31, 2003 and 2002, respectively. Interest income in 2003 includes an amount of $14.1 million attributable to fixed cash deposits, which secure our capital lease obligations. Interest expense was $37.2

million and $23.6 million for the years ended December 31, 2003 and 2002, respectively. The expense for 2003 includes an amount of $14.6 million attributable to our capital lease obligations. The increase in both income and expense is due to the finance lease transactions that we entered into during 2003, the aim of which were to restructure our financing arrangements. Net financial expenses were further affected by prevailing lower interest rates in 2003 compared to 2002. Other financial items changed from an expense of $17.9 million for the year ended December 31, 2002 to net income of $7.2 million in the year ended December 31, 2003. The change was primarily due to the movement in the fair value of interest rate swaps, which resulted in a charge of $16.5 million in 2002 compared with a gain of $6.4 million in 2003. Additionally a foreign exchange gain of $3.0 million arose during 2003 as a result of the retranslation of our capital lease obligations and the cash deposits securing those obligations. The gain arose due to the appreciation of the British Pound against the US Dollar during the year. This gain represents an unrealised gain.

Minority Interest and Income Taxes. Minority interest, consisting of the 40 per cent interest in the Golar Mazo, increased from a credit of $2.5 million in 2002 to a charge of $7.0 million in 2003. The credit in 2002 was due to the impact of the minority interests share of mark-to-market charge for interest rate swaps amounting to $6.6 million. Income taxes relate to the taxation of our UK vessel management operations and also to vessel operating companies in 2003. As a result of transferring the operations of six of our vessels to UK incorporated companies during the year our income tax charge in 2003 increased to $0.4 million. These UK companies did not exist in our group in 2002. Our income tax charge is expected to increase as a function of the number of vessels we operate in the UK and the profitability of the UK companies.

Net Income. As a result of the foregoing, we earned net income of $39.6 million in 2003, increased from $27.1 million in 2002.

B. Liquidity and Capital Resources

We operate in a capital intensive industry and we have historically financed our purchase of LNG carriers and other capital expenditures through a combination of borrowings from commercial banks, cash generated from operations and equity capital. Our liquidity requirements relate to servicing our debt, funding our newbuilding program, funding investments, including the equity portion of investments in vessels, funding working capital and maintaining cash reserves against fluctuations in operating cash flows.

Revenues from our time charters are received monthly in advance. Inventory requirements, consisting primarily of fuel, lubricating oil and spare parts, are low due to the major cost, fuel, of these items being paid for by the charterer under time charters. We believe our current resources are sufficient to meet our working capital requirements for our employed vessels; however, our newbuilding program, currently consisting of three committed contracts for vessels currently under construction, and to a lesser extent the three ships we currently operate in the spot market depending on their employment, will result in increased financing and working capital requirements. Payments for our newbuildings are made as construction progresses in accordance with our contracts with shipyards. The financing of our newbuilding program is discussed further below.

We have sufficient facilities to meet our anticipated funding needs until May 2006. As of June 30, 2005, additional facilities of $242 million will be needed to meet commitments under the newbuilding construction program in May 2006 and thereafter. It is standard in the shipping industry to finance between 50 and 80 per cent of the purchase price of vessels, or construction cost in the case of newbuildings, through traditional bank or lease financing. In the case of vessels that have term charter coverage, the debt finance percentage may increase significantly. We received 100 per cent financing for the cost of one

of our newbuildings that is on a long-term charter with BG. If we were to obtain 50 per cent debt financing to cover the instalments due on our two remaining unfinanced newbuildings, this would result in additional financing of approximately $151 million of the $242 million required.

It is intended that the funding for our commitments under the newbuilding construction program will come from a combination of cash, debt finance, lease arrangements and cash flow from operations. Alternatively, if market and economic conditions favour equity financing, we may raise additional equity. In 2003, we raised $106 million from equity offerings for newbuilding commitments and other investments. Within the past eighteen months we have raised bank and lease finance in respect of four vessels without time charter contract commitments for between 60 and 70 per cent of the capital cost of the vessel. This fact and the general discussions we have had with a number of banks with whom we have close relation, leads us to believe that we will be able to secure sufficient facilities to meet our construction commitments in full as they fall due. Details of newbuilding commitments and proposed funding arrangements are detailed below.

Our funding and treasury activities are conducted within corporate policies to maximize investment returns while maintaining appropriate liquidity for our requirements. Cash and cash equivalents are held primarily in U.S. dollars with some balances held in British Pounds. We have not made use of derivative instruments other than for interest rate and currency risk management purposes.

The following table summarizes our cash flows from operating, investing and financing activities:

	Year Ended Decembe	
	2004	2003
(in millions of $)		
Net cash provided by operating activities	82.0	60.1
Net cash used in investing activities	(356.1)	(658.5)
Net cash provided by financing activities	207.8	663.5
Net (decrease) increase in cash and cash equivalents	(66.3)	65.1
Cash and cash equivalents at beginning of year	117.9	52.7
Cash and cash equivalents at end of year	51.6	117.9

As of December 31, 2004, 2003 and 2002 the Company had cash and cash equivalents of $51.6 million, $117.9 million and $52.7 million, respectively. The increase as at December 31, 2003 was a result of $106 million new equity, raised during 2003. In addition, at December 31, 2004, 2003 and 2002 we had restricted cash of $42.0 million, $32.1 million and $12.8 million, respectively that represents balances retained on accounts in accordance with certain loan and lease covenants. Our long-term restricted cash balances were $714.8 million, $623.2 million and $nil as at December 31, 2004, 2003 and 2002 respectively. These balances act as security for our capital lease obligations.

In 2004, we generated cash from operations of $82.0 million compared with $60.1 million in 2003 and $71.2 million in 2002. The increase in 2004 from

2003 is largely due to the addition of the Golar Winter and Methane Princess to the fleet. The Golar Winter was delivered in April 2004 and employed under a short-term charter, the Methane Princess, delivered in August 2003, traded for the majority of 2004 under its long-term charter.

Net cash used in investing activities in 2004 was $356.1 million of which $278.6 million related to newbuilding purchase instalments; $47.2 million related to placement of funds into deposits to provide security for capital lease obligations; $21.9 million related to the purchase of equity securities in Korea Line Corporation and $8.2 million was in respect of additions to vessels and equipment. Net cash used in investing activities in 2003 was $658.5 million, of which approximately $562.3 million related to placement of funds into deposits to provide security for capital lease obligations; $77.8 million related to newbuilding purchase instalments; $12.2 million related to the purchase of equity securities in Korea Line Corporation and $6.3 million was in respect of additions to vessels and equipment. Newbuilding instalment payments made during 2003 and 2004 were net of an amount of $12.9 million and $9 million received from shipyards in relation to the late delivery of the Methane Princess and the Golar Frost, respectively. Net cash used in investing activities in 2002 was $163.3 million, of which $158.8 million related to newbuilding purchase instalments and $5.9 million was in respect of additions to vessels and equipment.

Net cash provided by financing activities was $207.8 million in 2004, compared with $663.5 million and $87.3 million in the years ended December 31, 2003 and 2002, respectively. In 2004, we drew down a total of $110 million in debt in relation to the Golar Frost and received proceeds of $163.7 million from lease financing arrangements in relation to the Golar Winter. Repayments of debt totalled $62.3 million in 2004. During 2003, we drew down a total of $506.1 million in debt and received proceeds from lease financing arrangements of $616.3 million. Repayments of debt totalled $561.2 million in 2003, of which $32.7 million was to a related party. Furthermore, during 2003, we raised $106.2 million from the issue of 9.6 million shares in two separate offerings, 5.6 million shares in July 2003 and 4.0 million in December 2003. During 2002, we drew down a total of $210.6 million in debt, of which $16.3 million was from a related party. Repayments of debt totalled $109.9 million in 2002, of which $68.8 million was to a related party.

Long-Term Debt

Mazo facility

On November 26, 1997 Osprey entered into a loan facility of $214.5 million secured by a mortgage on the vessel Golar Mazo, which we refer to as the Mazo facility. This facility, which we assumed from Osprey, bears floating rate interest of LIBOR plus a margin. The loan is repayable in bi-annual instalments that commenced on June 28, 2001. The balance of the facility, on a 100 per cent basis, as at December 31, 2004 totalled $168.2 million. In connection with the Mazo facility, Osprey entered into a collateral agreement with the banking consortium and a bank Trust Company. This agreement requires that certain cash balances, representing interest and principal payments for defined future periods, be held by the Trust Company during the period of the loan.

In connection with the Mazo facility, Osprey entered into interest rate swaps to reduce the impact of changes in interest rates. Gains and losses due to the changes in the fair value of the interest rate swaps are recorded in the income statement. The mark to market charge in the years ended December 31, 2004, 2003 and 2002 were $6,365,000 gain, $6,401,000 gain and $16,458,000 loss, respectively.

Golar LNG facility and Golar LNG subordinated facility

In May 2001, we entered into a secured loan facility with a banking consortium for an amount of $325.0 million, which we refer to as the Golar LNG facility. The Golar LNG facility was first refinanced in April 2003, with cash, in connection with a lease finance arrangement for five vessels, as discussed further below, and an amount of $265 million was provided by the same syndicate of banks; we refer to this loan as the New Golar LNG facility. The amount outstanding on the old facility at the time of the first refinancing was $282.5 million and accordingly a net $17.5 million was repaid. The loan accrued floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan had a term of four years and two months and was to be repaid in 16 quarterly instalments together with a final balloon payment of $138.8 million due on May 31, 2007. The New Golar LNG facility was refinanced in March 2005 as discussed in more detail below.

In October 2002, we entered into a secured subordinated loan facility with a banking consortium for an amount of $60.0 million, to which we refer to as the Golar LNG subordinated facility. This loan was also first refinanced in April 2003. The new second priority loan, which we refer to as the New Golar LNG subordinated facility, was also for an amount of $60 million provided by the same syndicate of banks. It accrued floating interest at a rate per annum equal to the aggregate of LIBOR, plus a margin, increasing by 0.25 percent per annum on 30 November 2004 and 30 November 2005. The loan had a term of four years and two months and was to be repaid in 15 quarterly instalments commencing in November 2003. The New Golar LNG subordinated facility was refinanced in March 2005 as discussed in more detail below.

Methane Princess facility

On December 31, 2001, we signed a loan agreement with Lloyds TSB Bank Plc to finance 100 per cent of the cost of one of our newbuildings, the Methane Princess, after we secured a 20-year charter for this vessel, which we refer to as the Methane Princess facility (previously referred to as the 2215 facility). In August 2003, prior to the delivery of the vessel we refinanced this facility in connection with a lease finance arrangement in respect of the Methane Princess. The new facility is also for $180 million, with the same bank and has a similar repayment profile. It accrues a floating rate of interest of LIBOR plus a margin up to the date the vessel was delivered to the Charterer under the BG Charter and thereafter at LIBOR plus a reduced margin determined by reference to Standard and Poors ("S&P") rating of the Charterer from time to time. The margin could increase if the rating for the Charterer at any time fell below an S&P rating of "B". As at June 30, 2005, $135 million of debt in respect of the Methane Princess facility was fixed interest rate debt. Of the $135 million, $115 million is fixed until 2015, $10 million until 2009 and $10 million until 2007, at a current weighted average rate of 5.7 per cent (inclusive of margin).

Golar Frost facility

In March 2004, we entered into a secured loan facility with a banking consortium for an amount of $110.0 million, in respect of the Golar Frost, which we refer to as the Golar Frost Facility. The loan accrues floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan has a term of three years, is repayable in 5 semi-annual instalments together with a final balloon payment of $102.6 million. In June 2004 we drew down on the loan to finance the delivery of the Golar Frost.

After these transactions, at December 31, 2004, we had total long-term debt outstanding of $703 million, compared with $655.2 million and $710.3 million at December 31, 2003 and 2002, respectively.

The outstanding debt of $703 million as of December 31, 2004 was repayable as follows:

Year ending December 31, (in millions of $)	
2005	66.5
2006	74.6
2007	280.4
2008	22.8
2009	24.6
2010 and later	234.1
	703.0

In January 2005, we entered into a secured loan facility for an amount of $120.0 million, for the purpose of financing our newbuilding, the Golar Viking, which we refer to as the Golar Viking facility. The facility bears a floating rate of interest of LIBOR plus a margin, has an initial term of five years and is repayable in 20 quarterly installments, commencing in April 2005 and a final balloon payment of $100 million.

In March 2005, a subsidiary of ours, Golar Gas Holding Company Inc. (GGHC) entered into a refinancing transaction in respect of the New Golar LNG Facility and the New Golar LNG subordinated facility. The new first priority loan, which we refer to as Golar Gas Holding Facility, is for an amount of $300 million. The total amount outstanding under the old facility at the time of refinancing was $242.3 million. The loan accrues floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan has a term of 6 years and is repayable in 24 quarterly instalments and a final balloon payment of $79.4 million payable on April 14, 2011.

The Golar Gas Holding Facility is secured by mortgages on the vessels Golar Spirit, Khannur, Gimi, Hilli and Golar Freeze, executed by the UK Lessor of the vessels in favour of our subsidiary, GGHC, and by a mortgage transfer executed by GGHC in favour of the lending banks. The new loan contains similar provisions to the old loans in respect of restrictions and financial covenants.

As at December 31, 2004 we had entered into interest rate swaps in respect of the above debt obligations other than that of the Mazo facility for an amount of $50 million. In January 2005 we entered into $30 million of interest rate swaps and in June 2005 a further $50 million. The periods of these swaps are between 5 and 10 years.

The margins we pay under our current loan agreements over and above LIBOR at a fixed or floating rate currently range from 0.865 per cent to 1.7 per cent.

Capital Lease Obligations

Five ship leases

In April 2003 we entered into a lease finance arrangement, which we refer to as the Five Ship Leases, in respect of five of our vessels (Golar Spirit, Golar Freeze, Hilli, Gimi and Khannur), with a subsidiary of a major UK bank, which we refer to as the UK Lessor. We sold five 100 per cent owned subsidiaries which owned the relevant vessels, to the UK Lessor and received a cash sum of $452.6 million through refinancing, by the UK Lessor, of debt owed by the five subsidiary companies to us. Each of the five companies now owned by the UK Lessor subsequently entered into 20 year leases with a subsidiary of ours, Golar Gas Holding Company Inc., or GGHC, who in turn sub-leased the vessels to five UK subsidiary companies newly incorporated by us for the purpose of taking over the business of operating one each of the above named vessels.

We used $325 million of the proceeds we received together with $17.5

million of our cash reserves to repay two existing loans, the Golar LNG facility and the Golar LNG subordinated facility. The outstanding amounts of these loans upon repayment were $282.5 million and $60 million respectively. We then drew down on two new facilities; $265 million secured by a mortgage executed by the UK Lessor in favour of our subsidiary GGHC as security for the Lessor's obligations to pay certain sums to GGHC under the lease agreements and by a mortgage transfer executed by GGHC in favour of the lending banks; and $60 million secured by a similar but second priority mortgage. The total proceeds from the new loans of $325 million together with $89.5 million of the proceeds from the lease finance arrangement were used to make deposits with two banks amounting to $414.5 million who then issued letters of credit securing GGHC's obligations under the leases amounting to the present value of rentals due under the leases. Lease rentals are payable quarterly. At the end of each quarter the required deposit to secure the present value of rentals due under the leases will be recalculated taking into account the rental payment due at the end of the quarter. The surplus funds released as a result of the reduction in the required deposit are available to pay the lease rentals due at the end of the same quarter. After making this deposit and settling all outstanding fees relating to the transaction the cash in flow was approximately $32.5 million.

Methane Princess lease

In August 2003, we entered into a lease finance arrangement in respect of our first newbuilding the Methane Princess, to which we refer to as the Methane Princess Lease. We arranged a new $180 million loan facility in respect of the Methane Princess (Methane Princess facility) as noted above and at the same time novated our shipbuilding contract to a subsidiary of a UK bank (UK Lessor) under the terms of which the UK Lessor advanced an amount equal to the amounts already paid by us under the shipbuilding contract to the Shipyard who in turn repaid us the same amount. We subsequently entered into a 30-year lease agreement in respect of the vessel with the UK Lessor. We used monies drawn down from the Methane Princess facility (secured by a mortgage executed by the UK Lessor in favour of us as security for the UK Lessor's obligations to pay certain sums to us under the lease agreement and by a mortgage transfer executed by us in favour of the lending bank) together with some of our own cash reserves to make deposits with a bank ("LC Bank") who then issued a letter of credit securing our obligations to the UK Lessor. We used the monies refunded by the Shipyard under the novation agreement together with our own cash to repay the original loan in respect of the Methane Princess. Upon delivery of the vessel and payment of the final delivery instalment the total advanced by the UK Lessor was $163.7 million and the amount placed on deposit with the LC Bank was $143.9 million. After settling all outstanding fees relating to the transaction the cash in flow was approximately $18.5 million.

Golar Winter lease

In April 2004, we signed a lease agreement in respect our second newbuilding, the Golar Winter, to which we refer to as the Golar Winter Lease, with another UK bank (the `Winter Lessor') for a primary period of 28 years. The vessel was also delivered in April 2004. Under the agreement we received an amount of $166 million, before fees and expenses. Our obligations to the Lessor under the lease are secured by (inter alia) a letter of credit provided by another UK bank (the `LC Bank'). We have deposited $39 million with the LC bank as security for the letter of credit. The effective amount of net financing received is therefore $127 million before fees and expenses.

Hull 2226 lease

In April 2005, we signed a lease agreement in respect of our newbuilding, hull number 2226. The anticipated date of delivery is January 2006. Under the agreement we will receive a total amount of approximately $150 million, before fees and expenses, of which $47 million was received in April

2005 with the remainder due on delivery of the vessel. Our obligations to the lessor under the lease are secured by (inter alia) a letter of credit provided by another UK bank (`the LC bank') as security for the letter of credit. In April 2005, we deposited $45 million with the LC banks as security for the letter of credit. The effective amount of net financing is therefore $105 million, before fees and expenses.

As at 31 December 2004, the Company is committed to make minimum rental payments under capital lease, as follows:

Year ending December 31, (in thousands of $)	Five ship Leases	Methane Princess Lease	Golar Winter Lease	
2005	22,778	6,575	12,299	
2006	24,150	6,920	12,299	
2007	25,599	7,281	12,299	
2008	27,075	7,609	12,299	
2009	28,619	7,938	12,299	
2010 and later	805,760	376,033	276,741	1,
Total minimum lease payments	933,981	412,356	338,236	1,
Less: Imputed interest	(431,023)	(240,192)	(167,843)	(8
Present value of minimum lease payments	502,958	172,164	170,393	

The profiles of the Five Ship Leases are such that the lease liability continues to increase until 2008 and thereafter decreases over the period to 2023 being the primary term of the leases. The value of deposits used to obtain letters of credit to secure the lease obligations as of December 31, 2004 was $523.5 million.

The profile of the Methane Princess lease is such that the lease liability continues to increase until 2014 and thereafter decreases over the period to 2034 being the primary term of the lease. The value of the deposit used to obtain letters of credit to secure the lease obligations as of December 31, 2004 was $178.8 million.

In common with the Five Ship Leases and the Methane Princess lease the Golar Winter lease is denominated in British pounds. However, unlike these other leases the cash deposits securing the lease obligations are significantly less than the lease obligation itself. The value of the deposit used to obtain a letter of credit to secure the lease obligation in respect of the Golar Winter as of December 31, 2004 was $41.5 million. In order to hedge the currency risk arising from the GBP lease rental obligation we have entered into a 28 year currency swap, to swap all lease rental payments into US dollars at a fixed GBP/USD exchange rate, (i.e Golar receives GBP and pays US dollars).

For all our leases other than our latest lease in respect of hull 2226, lease rentals include an interest element that is accrued at a rate based upon GBP LIBOR. In relation to the Winter lease, we have converted our GBP LIBOR interest obligation to USD LIBOR by entering into the cross currency swap referred to above. We receive interest income on our restricted cash deposits at a rate based upon GBP LIBOR for the Five Ship leases and the Methane Princess lease, and based upon USD LIBOR for the Winter Lease.

Our lease in respect of hull 2226 and the associated cash deposit is

denominated in USD.

At December 31, 2004 we had entered into interest rate swaps of $85 million in respect of our Winter lease obligations for periods ranging from three to ten years. In January 2005, we entered into a further $30 million of interest rate swaps. In May 2005, we entered into $105 million of interest rate swaps in respect of our hull 2226 lease obligations for a period of 6 years commencing January 2006.

Our existing financing agreements impose operation and financing restrictions on us which may significantly limit or prohibit, among other things, our ability to incur additional indebtedness, create liens, sell capital shares of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, transfer funds from subsidiary companies to us, enter into time or consecutive voyage charters or pay dividends without the consent of our lenders and Lessors. In addition, our lenders and Lessors may accelerate the maturity of indebtedness under our financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including our failure to comply with any of the covenants contained in our financing agreements. Various debt and lease agreements of the Company contain covenants that require compliance with certain financial ratios. Such ratios include equity ratio, working capital ratios and earnings to net debt ratio covenants, minimum net worth covenants, minimum value clauses, and minimum free cash restrictions in respect of our subsidiaries and us. As of December 31, 2004, 2003 and 2002, we complied with all covenants of our various debt and lease agreements.

In addition to mortgage security, some of our debt is also collateralised through pledges of shares by guarantor subsidiaries of Golar.

Newbuilding Contracts and Capital Commitments

As of December 31, 2004, we had contracts to build four new LNG carriers. We took delivery of our fourth newbuilding, the Golar Viking, in January 2005, which was financed by the loan finance arrangement noted above.

As at June 30, 2005, we therefore have three newbuildings still under construction. Amounts outstanding and payable under contracts to build these three new LNG carriers as of June 30, 2005, total approximately $368.5 million, excluding financing costs, and are due in instalments over the period to July 2007. We also have budgeted capital expenditure of approximately $8.5 million over the period to December 2005, in connection with our vessels refurbishment program and routine vessel drydocks.

As of June 30, 2005 we require additional financing of approximately $242 million to fund all of our newbuilding construction commitments.

The commitments up to May 2006 will be funded from existing facilities, cash reserves and cash generated from operations. Additional facilities are required to meet a payment due in May 2006 and further progress payments arising periodically thereafter until completion of the program in 2007.

As noted above, one vessel has been delivered since December 31, 2004. The following table sets out as at December 31, 2004 and June 30, 2005 the estimated timing of the remaining commitments under our present newbuilding contracts. Actual dates for the payment of instalments may vary due to progress of the construction.

(in millions of $)	June 30, 2005	December 31, 2004
2005	-	135.9
2006	252.7	252.7

2007	115.8	115.8
Total	368.5	504.4

Our senior management evaluates funding alternatives depending on the prevailing market conditions. We anticipate that the additional financing required to fund the completion of the remaining newbuilding construction costs will come from a combination of additional debt and lease financing, cash reserves and cash from operations, supplemented by equity proceeds as circumstances may warrant or permit. It is standard in the shipping industry to finance between 50 and 80 per cent of the construction cost of newbuildings through traditional bank financing and in the case of vessels that have charter coverage the debt finance percentage may increase significantly. We may finance up to 100 per cent of these newbuilding costs through additional tranches of bank debt secured by the respective newbuildings. We would make such borrowings as needed while construction proceeds. Alternatively, if market and economic conditions favour equity financing at any such time, we may use somewhat less debt and instead raise equity to fund a larger portion of these costs. Currently, we are seeking a mixture of long-term, medium-term and short-term charters for our three remaining newbuildings. The charter coverage of a newbuilding may affect our ability to finance its completion.

C. Research and Development, Patents and Licenses

Not applicable

D. Trend Information

See our discussion above under `overview and background'.

E. Off-Balance Sheet Arrangements

As of December 31, 2004 we did not have any material off-balance sheet arrangements.

F. Contractual Obligations

The following table sets forth our contractual obligations for the periods indicated as at December 31, 2004:

(in millions of $)	Total Obligation	Due in 2005	Due in 2006 2007	Due i 2008 -
Long-Term Debt (3)	703.0	66.5	355.0	47.4
Capital Lease Obligations (1) (3)	845.5	(3.5)	(2.2)	5.4
Operating Lease Obligations	1.2	0.3	0.5	0.4
Purchase Obligations				
Newbuildings	504.4	135.9	368.5	-
Other Long-Term Liabilities (2)	-	-	-	-
Total	2,054.1	199.2	721.8	53.2

(1) In the event of any adverse tax rate changes or rulings we may be required to return all or a portion of, or, in certain circumstances, more than the cash inflow (approximately $51 million) that we received in connection with

the lease financing transactions undertaken in 2003, post additional security or make additional payments to the UK lessor in the form of lease rentals.

(2) Our consolidated balance sheet as of December 31, 2004 includes $86 million classified as "Other long-term liabilities." This caption consists primarily of deferred credits related to our capital lease transactions and liabilities under our pension plans. These liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain. See Note 22 of the Notes to Consolidated Financial Statements for additional information regarding our other long-term liabilities.

(3) As of December 31,2004 $376.3 million of our long-term debt and capital lease obligations, net of restricted cash deposits, was floating rate debt which accrued interest based on USD LIBOR, and $428.7 million of debt accrued interest at a fixed interest rate.

A total of $136 million of newbuilding obligations due in 2005 have been financed and paid during the period to June 30, 2005 .

See Item 11 for a discussion of quantitative and qualitative disclosures about market risks.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Information concerning each of our directors and executive officers as at June 30, 2005 is set forth below.

Name	Age	Position
John Fredriksen	61	Chairman of the Board, President and Director
Tor Olav Tr0im	42	Deputy Chairman of the Board, Chief Executive Officer, Vice President and Director
Graeme McDonald	48	Group Technical Director
Graham Robjohns	40	Chief Accounting Officer and Group Financial Controller
Charlie Peile	51	Head of Commercial
Olav Eikrem	49	General Manager of the Fleet
Kate Blankenship	40	Company Secretary and Director

Biographical information with respect to each of our directors and executive officers is set forth below.

John Fredriksen has served as the chairman of our board of directors, our president and a director since our inception in May 2001. He has been the chief executive officer, chairman of the board, president and a director of Frontline Ltd. since 1997. Frontline Ltd. is a Bermuda based tanker owner and operator listed on the New York Stock Exchange and the Oslo Stock Exchange. Mr. Fredriksen has served for over nine years as a director of Seatankers Management Co. Ltd, a ship operating company and an affiliate of the Company's principal shareholder Mr.Fredriksen indirectly controls Hemen Holding Ltd, a Cyprus Company who is our principal shareholder. Mr. Fredriksen has been a director of Golden Ocean Group Limited, a Bermudan company, since November 2004.

Tor Olav Tr0im has served as our chief executive officer, our vice-president and a director since our inception in May 2001. He has been the vice president and a director of Frontline Ltd. since 1996. He also served as deputy chairman of Frontline Ltd. in 1997. Until April 2000, Mr. Tr0im was the chief executive officer of Frontline Management AS, a management company that is a subsidiary of

Frontline Ltd. Mr. Tr0im also serves as a consultant to Seatankers and since May 2000, has been a director and vice-chairman of Knightsbridge Tankers Limited, a Bermuda company listed on the Nasdaq National Market. He is a director of Aktiv Inkasso ASA and Northern Oil ASA, both Norwegian Oslo Stock Exchange listed companies and Golden Ocean Group Limited, a Bermuda company listed on the Oslo Stock Exchange. Mr. Tr0im has been President and Chief Executive Officer of Ship Finance International since October 15, 2003. Prior to his service with Frontline, from January 1992, Mr. Tr0im served as managing director and a member of the board of directors of DNO AS, a Norwegian oil company.

Graeme McDonald is our group technical director. He was previously general manager of the fleet, a position he held with Osprey, since 1998. He has worked in the shipping industry since 1973 and held various positions with Royal Dutch Shell companies, including manager of LNG shipping services at Shell International Trading and Shipping Company Ltd. and manager of LNG marine operations at Shell Japan Ltd.

Kate Blankenship has served as our secretary since our inception in May 2001 and as a director since July 2003. She served as our chief accounting officer from May 2001 until May 31, 2003. She has been the chief accounting officer and secretary of Frontline Ltd since 1994 and a director since August 2003. She has also been chief financial officer of Knightsbridge Tankers Ltd since August 2000 and secretary of Knightsbridge since December 2000. Since October 2003, she has served as secretary and a director of Ship Finance Ltd. Mrs. Blankenship has been a director of Golden Ocean Group Limited since November 2004. Prior to 1994, she was a manager with KPMG Peat Marwick in Bermuda. She is a member of the Institute of Chartered Accountants in England and Wales.

Graham Robjohns has served as our group financial controller since May 2001 and as our chief accounting officer since June 1, 2003. He was financial controller of Osprey Maritime (Europe) Ltd from March 2000 to May 2001. From 1992 to March 2000 he worked for Associated British Foods Plc. and then Case Technology Ltd (Case), both manufacturing businesses, in various financial management positions and as a director of Case. Prior to 1992, he worked for PricewaterhouseCoopers in their corporation tax department. He is a member of the Institute of Chartered Accountants in England and Wales.

Charlie Peile was appointed in September 2003 as Executive Vice President and Head of Commercial. He was, for three years prior to that, Director of LNG Shipping Solutions, the leading LNG advisory and consultancy company. For a short period prior to that he was Managing Director of Stephenson Clarke Ltd., a ship owning company based in Newcastle upon Tyne. He was with Gotaas-Larsen, Golar's predecessors, from 1981 until 1997, for the last 7 years of which he was Vice President Commercial, with special responsibility for LNG. He has been a member of the Institute of Chartered Shipbrokers since 1977.

Olav Eikrem joined the company in October 2003 as General Manager Fleet. Mr. Eikrem has an MSc degree in Mechanical Engineering from the Norwegian Institute of Technology and is a Chief Engineer by profession. From 1997 to 2003 Mr. Eikrem was Senior Manager and Director of Thome Ship Management, Singapore, responsible for management of various different types of merchant ships. Prior 1997, he was Fleet Manager of Knutsen OAS Shipping, a Norwegian specialist shuttle tanker operator and as Fleet Manager / Technical Superintendent of Jo Tankers. Mr Eikrem has several years sea-going service in the capacity as engineer and other positions onboard and has worked at shipyards in Norway.

B. Compensation

For the year ended December 31, 2004, we paid to our directors and executive officers (seven persons) aggregate cash compensation of $1,220,002 and an aggregate amount of $96,656 for pension and retirement benefits.

C. Board Practices

Our directors do not receive any benefits upon termination of their directorships. The Board does not have any committees.

Exemptions from certain Nasdaq corporate governance rules

Nasdaq rules permit Nasdaq to provide exemptions from the Nasdaq corporate governance standards to a foreign issuer when those standards are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile. At the time that quotation of our common shares on the Nasdaq National Market commenced, we received from Nasdaq an exemption from compliance with certain corporate governance standards that are contrary to the law, rules, regulations or generally accepted business practices of Bermuda. The exemption, and the practices that we follow, are described below:

- In keeping with Bermuda law and the rules of the Oslo Stock Exchange, we are exempt from Nasdaq's requirement to maintain three independent directors and currently no member's of its board of directors are independent according to Nasdaq's standards for independence.

- In keeping with common practices among companies listed on the Oslo Stock Exchange, we are exempt from Nasdaq's requirement for an audit committee and an audit committee charter. The Company's full board of directors currently fulfils the function of an audit committee. The Company's management is responsible for the proper and timely preparation of the Company's annual reports and are audited by independent auditors.

D. Employees

We hire our officers and crew through our manning offices in Bilbao, in Spain and through our crewing agents and ship managers with whom we have crewing agreements in Croatia, the Philippines, Indonesia and Singapore. All our crew are as a minimum required to meet the qualification and training standards defined by the IMO's International Convention on Standards of Training and Watchkeeping for Seafarers (STCW 95). Our officers also undergo a structured training scheme that we have developed to ensure that they will have the required specialised knowledge and experience to operate our vessels. In addition to the specialised knowledge required to handle LNG cargoes, LNG carrier officers and crew must also have also have knowledge and experience in operating vessels with steam turbine engines. As of December 31, 2004, we employed approximately 515 people, either directly or through crewing agents, consisting of 45 shore-based personnel, 470 seagoing employees serving on our ships. Our masters and officers are mostly Spanish, Croatian and Scandinavian, and our crews are mostly Filipino and Indonesian. Our shore-based personnel included 40 employees in our office in London and 5 people in our manning office in Bilbao. Our Filipino employees are subject to collective bargaining agreements, which are requirements of the Philippine government. These agreements set industry-wide minimum standards, terms and conditions. We have not had any labour disputes with our employees under the collective bargaining agreements and consider our workplace relations to be good.

In January 2005, we announced that we would reorganize our technical fleet operations. We entered into management contracts with two established third party ship managers in Singapore and Oslo to assist with the day-to-day operations our ten LNG carriers. The restructuring has resulted in approximately 25 employees being made redundant.

E. Share ownership

The following table sets forth information as of June 30, 2005, regarding the total amount of common shares owned by all of our officers and directors on an individual basis: The beneficial interests of our Directors and officers in the common shares of the Company as of June 30, 2005, were as follows:

Director or Officer	Common Shares of $1.00 each	Percentage of Common Shares Outstanding
John Fredriksen*	28,312,000	43.18%
Tor Olav Tr0im	- -	- -
Graeme McDonald	- -	- -
Charles Peile	195	**
Olav Eikrem	- -	- -
Graham Robjohns	500	**
Kate Blankenship	5,000	**

* Mr. Fredriksen does not own any of our shares directly. The shares shown next to Mr. Fredriksen's name are held by World Shipholding Ltd. See Item 7, "Major Shareholders and Related Party Transactions." World Shipholding Ltd. is wholly-owned by Greenwich, which is, in turn, indirectly controlled by Mr. Fredriksen.

** Less than one per cent

In additional to the above shareholdings, as of June 30, 2005, Mr. Tr0im has a forward contract with an obligation to buy 160,000 of our shares. The contracts, which were acquired in the open market, become effective in November and December 2005..

Option Plan

Our board of directors adopted the Golar LNG Limited Employee Share Option Plan in February 2002. The plan authorizes our board to award, at its discretion, options to purchase our common shares to employees of Golar LNG Limited, and any of its subsidiaries, who are contracted to work more than 20 hours per week and to any director of Golar LNG Limited or its subsidiaries.

Under the terms of the plan, our board may determine the exercise price of the options, provided that the exercise price per share is not lower than the then current market value. No option may be exercised prior to the first anniversary of the grant of the option except that the option will become immediately exercisable if the option holder's employment is terminated (other than for cause) or in the event of the option holder's death. All options will expire on the tenth anniversary of the option's grant or at such earlier date as the board may from time to time prescribe. The Plan will expire 10 years from its date of adoption.

As of June 30, 2005, two million of the authorized and unissued common shares were reserved for issue pursuant to subscription under options granted under the Company's share option plan.

Details of share options held by the Company's Directors and officers at June 30, 2005 are set out in the following table:

Director or Officer	Number of Common Shares Subject to Option	Exercise Price per Ordinary Share	Expiration Date

John Fredriksen	200,000	$5.75	July 2011
Tor Olav Tr0im	100,000	$5.75	July 2011

The above options vested in July 2002.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders

The Company is indirectly controlled by another corporation (see below). The following table presents certain information regarding the current ownership of the common shares with respect to (i) each person who is known by the Company to own more than 5 per cent of the Company's outstanding common shares; and (ii) all directors and officers as a group as of June 30, 2005.

	Common Shares	
Owner	Amount	Per cent
World Shipholding Ltd. (1)	28,312,000	43.18%
All Directors and Officers as a group (seven persons)	28,317,695	43.18%

(1) Our Chairman, John Fredriksen, indirectly controls World Shipholding Ltd.

Our major shareholders have the same voting rights as all other holders of our Common Shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

As at June 30, 2005, 6,842,732 of the Company's common shares are held by thirty four holders of record in the United States.

B. Related party transactions

There are no provisions in our Memorandum of Association or Bye-Laws regarding related party transactions. However, our management's policy is to enter into related party transactions solely on terms that are at least equivalent to terms we would be able to obtain from unrelated third parties. The Bermuda Companies Act of 1981 provides that a company, or one of its subsidiaries, may enter into a contract with an officer of the company, or an entity in which an officer has a material interest, if the officer notifies the Directors of its interest in the contract or proposed contract. The related party transactions that we have entered into are discussed below.

Seatankers Management Company. Seatankers is indirectly controlled by our Chairman, John Fredriksen In the years ended December 31, 2004 and 2003, Seatankers has provided us with insurance administration services. In the years ended December 31, 2004 and 2003, management fees to Seatankers of $35,000 and $25,000, respectively, have been incurred by Golar. As at December 31, 2004 and 2003 no amounts were due to Seatankers in respect of these fees incurred. In addition, certain amounts have been recharged at cost between both companies. As at December 31, 2004 the Company owed $258,000 to Seatankers (2003:$45,000 due from Seatankers) in respect of these recharges.

Frontline Management (Bermuda). Frontline Management is a subsidiary

of Frontline Ltd., a publicly listed company, and is indirectly controlled by our chairman, John Fredriksen. With effect from June 1, 2001, we entered into an agreement with Frontline Management (Bermuda) Ltd. pursuant to which Frontline Management provides budgetary and accounting support services, maintains our corporate records, technical vessel supervision services, ensures our compliance with applicable laws and requirements and assists us with corporate finance matters.

In the years ended December 31, 2004 and 2003, we have incurred management fees to Frontline of $235,200 and $273,547, respectively. As at December 31, 2004 and 2003, an amount of $nil and $122,079 was due to Frontline in respect of these management fees and costs incurred. In addition, certain amounts have been recharged at cost between both the companies. As at December 31, 2004 an amount of $177,000 (2003:$12,501) was due from Frontline in respect of these recharges.

We believe that the compensation we pay to Frontline Management for its administrative and management services is not more than the price we would have paid to third parties in an arm's-length transaction and are under terms similar to those that would be arranged with other parties.

Greenwich Holdings Limited ("Greenwich") - Newbuilding credit facilities. Greenwich is indirectly controlled by our chairman, John Fredriksen. During 2001 and 2002 Greenwich entered into loan agreements with Nordea Bank Norge ASA and Den norske Bank ASA, as lenders and Nordea, as facility agent and security agent. Pursuant to separate promissory notes, Greenwich on-loaned the proceeds of its credit facilities with Nordea and Den norske Bank ASA to us. We obtained loans totalling $85.3 million and $16.3 million from Greenwich during 2001 and 2002 respectively. During 2003 these loans were fully repaid.

In the years ended December 31, 2004 and 2003, we paid interest of $nil and $779,000, respectively to Greenwich in respect of these loan facilities. At December 31, 2004 no interest due to Greenwich was outstanding (2003: $nil).

In relation to the loans from Greenwich noted above the Company paid loan arrangement fees directly to the lending banks. These fees during the years ended December 31, 2004 and 2003 amounted to $nil, and $81,756 respectively.

Faraway Maritime Limited

During the year ended December 31, 2004 Faraway Maritime Shipping Inc., which is 60 per cent owned by us and 40 per cent owned by China Petroleum Corporation ("CPC"), paid dividends totalling $nil (2003: $4.2 million).

Graeme McDonald

Golar Management held a promissory note executed by Mr. McDonald, an officer of the Company, on April 21, 1998, under which Mr. McDonald promised to pay to Golar Management the principal sum of (pound)20,900 in monthly instalments of (pound)318. The note carried an interest rate of three per cent. Payments under the note commenced in May 1998 and the principal balance as of December 31, 2003 and 2002 was (pound)1,158 and (pound)4,974 or approximately $2,000 and $9,000, respectively. The promissory note was repaid in full during early 2004.

C. Interests of Experts and Counsel

Not Applicable

ITEM 8. FINANCIAL INFORMATION.

A. Consolidated Statements and Other Financial Information

See Item 18.

Legal Proceedings

There are no legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on us, our financial condition, profitability, liquidity or our results of operations. From time to time in the future we or our subsidiaries may be subject to various legal proceedings and claims in the ordinary course of business.

Dividend Distribution Policy

Any future dividends declared will be at the discretion of the board of directors and will depend upon our financial condition, earnings and other factors. Our ability to declare dividends is also regulated by Bermuda law, which prohibits us from paying dividends if, at the time of distribution, we will not be able to pay our liabilities as they fall due or the value of our assets is less than the sum of our liabilities, issued share capital and share premium.

In addition, since we are a holding company with no material assets other than the shares of our subsidiaries through which we conduct our operations, our ability to pay dividends will depend on our subsidiaries' distributing to us their earnings and cash flow. Some of our loan agreements limit or prohibit our and our subsidiaries' ability to make distributions to us without the consent of our lenders.

B. Significant Changes

None

ITEM 9. THE OFFER AND LISTING

A. Listing Details and Markets

Not applicable except for Item 9.A. 4. and Item 9. C.

Our common shares have traded on the Oslo Stock Exchange (OSE) since July 12, 2001 under the symbol "GOL" and on the Nasdaq National Market since December 12, 2002 under the symbol "GLNG".

The following table sets forth, for the two most recent fiscal years from January 1, 2002 and for the first quarter of 2005, the high and low prices for the common shares on the Oslo Stock Exchange and the Nasdaq National Market.

	OSE		NA
	High	Low	High
First Quarter 2005	NOK98.50	NOK78.00	$15.75
Fiscal year ended December 31			
2004	NOK125.50	NOK85.50	$18.66
2003	NOK99.00	NOK35.00	$14.95
2002	NOK62.00	NOK35.00	$7.75

The following table sets forth, for each full financial quarter for the two most recent fiscal years from January 1, 2003, the high and low prices

of the common shares on the Oslo Stock Exchange and the Nasdaq National Market.

	OSE		NAS
	High	Low	High
Fiscal year ended December 31, 2004			
First quarter	NOK125.50	NOK94.50	$18.36
Second quarter	NOK108.50	NOK85.75	$15.71
Third quarter	NOK110.00	NOK93.50	$15.83
Fourth quarter	NOK121.25	NOK85.50	$18.66

	OSE		NAS
	High	Low	High
Fiscal year ended December 31, 2003			
First quarter	NOK45.00	NOK35.00	$6.75
Second quarter	NOK78.00	NOK36.00	$10.95
Third quarter	NOK91.00	NOK67.50	$12.14
Fourth quarter	NOK99.00	NOK74.50	$14.95

The following table sets forth, for the most recent six months, the high and low prices for our common shares on the OSE and the Nasdaq National Market.

	OSE		NAS
	High	Low	High
May 2005	NOK81.50	NOK72.00	$13.04
April 2005	NOK86.50	NOK73.25	$13.37
March 2005	NOK89.50	NOK78.00	$14.10
February 2005	NOK91.25	NOK84.50	$14.55
January 2005	NOK98.50	NOK85.75	$15.75
December 2004	NOK94.00	NOK85.50	$15.25

* On May 31, 2005, the exchange rate between the Norwegian Kroner and the U.S. dollar was NOK6.396 to one U.S. Dollar.

ITEM 10. ADDITIONAL INFORMATION

This section summarizes our share capital and the material provisions of our Memorandum of Association and Bye-Laws, including rights of holders of our shares. The description is only a summary and does not describe everything that our Articles of Association and Bye-Laws contain. The Memorandum of Association and the Bye Laws of the Company has previously been filed as Exhibits 1.1 and 1.2, respectively to the Company's Registration Statement on Form 20-F, (File No. 000-50113) filed with the Securities and Exchange Commission on November 27, 2002, and are hereby incorporated by reference into this Annual Report.

A. Share capital

Not Applicable

B. Memorandum of Association and Bye-Laws

Our Memorandum of Association and Bye-laws. The object of our business, as stated in Section six of our Memorandum of Association, is to engage in any lawful act or activity for which companies may be organized under

The Companies Act, 1981 of Bermuda, or the Companies Act, other than to issue insurance or re-insurance, to act as a technical advisor to any other enterprise or business or to carry on the business of a mutual fund. Our Memorandum of Association and Bye-laws do not impose any limitations on the ownership rights of our shareholders.

Under our Bye-laws, annual shareholder meetings will be held in accordance with the Companies Act at a time and place selected by our board of directors. The quorum at any annual or general meeting is equal to one or more shareholders, either present in person or represented by proxy, holding in the aggregate shares carrying 33 1/3 per cent of the exercisable voting rights. The meetings may be held at any place, in or outside of Bermuda, that is not a jurisdiction which applies a controlled foreign company tax legislation or similar regime. Special meetings may be called at the discretion of the board of directors and at the request of shareholders holding at least one-tenth of all outstanding shares entitled to vote at a meeting. Annual shareholder meetings and special meetings must be called by not less than seven days' prior written notice specifying the place, day and time of the meeting. The board of directors may fix any date as the record date for determining those shareholders eligible to receive notice of and to vote at the meeting.

Directors. Our directors are elected by a majority of the votes cast by the shareholders in general meeting. The quorum necessary for the transaction of the business of the board of directors may be fixed by the board but unless so fixed, equals those individuals constituting a majority of the board of directors who are present in person or by proxy. Executive directors serve at the discretion of the board of directors.

The minimum number of directors comprising the board of directors at any time shall be two. The board of directors currently consists of three directors. The minimum and maximum number of directors comprising the Board from time to time shall be determined by way of an ordinary resolution of the shareholders of the Company. The shareholders may, at general meeting by ordinary resolution, determine that one or more vacancies in the board of directors be deemed casual vacancies. The board of directors, so long as a quorum remains in office, shall have the power to fill such casual vacancies. Each director will hold office until the next annual general meeting or until his successor is appointed or elected. The shareholders may call a Special General Meeting for the purpose of removing a director, provided notice is served upon the concerned director 14 days prior to the meeting and he is entitled to be heard. Any vacancy created by such a removal may be filled at the meeting by the election of another person by the shareholders or in the absence of such election, by the board of directors.

Subject to the provisions of the Companies Act, a director of a company may, notwithstanding his office, be a party to or be otherwise interested in any transaction or arrangement with that company, and may act as director, officer, or employee of any party to a transaction in which the company is interested. Under our Bye-laws, provided an interested director declares the nature of his or her interest immediately thereafter at a meeting of the board of directors, or by writing to the directors as required by the Companies Act, a director shall not by reason of his office be held accountable for any benefit derived from any outside office or employment. The vote of an interested director, provided he or she has complied with the provisions of the Companies Act and our Bye-laws with regard to disclosure of his or her interest, shall be counted for purposes of determining the existence of a quorum.

Dividends. Holders of common shares are entitled to receive dividend and distribution payments, pro rata based on the number of common shares held, when, as and if declared by the board of directors, in its sole discretion. Any future dividends declared will be at the discretion of the board of directors and will depend upon our financial condition, earnings and other factors.

As a Bermuda exempted company, we are subject to Bermuda law relating to the payment of dividends. We have been advised by Bermuda counsel, Appleby, Spurling & Kempe, that we may not pay any dividends if, at the time the dividend is declared or at the time the dividend is paid, there are reasonable grounds for believing that, after giving effect to that payment;

- we will not be able to pay our liabilities as they fall due; or

- the realizable value of our assets, is less than an amount that is equal to the sum of our

  (a) liabilities,

  (b) issued share capital, which equals the product of the par value of each common share and the number of common shares then outstanding, and

  (c) share premium, which equals the aggregate amount of consideration paid to us for such common shares in excess of their par value.

In addition, since we are a holding company with no material assets, and conduct our operations through subsidiaries, our ability to pay any dividends to shareholders will depend on our subsidiaries' distributing to us their earnings and cash flow. Some of our loan agreements currently limit or prohibit our subsidiaries' ability to make distributions to us and our ability to make distributions to our shareholders.

C. Material contracts

Leases

In April 2003 we entered into a lease finance arrangement in respect to five of our LNG carriers with a subsidiary of a major UK bank, to which we refer as the UK Lessor. The five vessels are the Golar Spirit, Golar Freeze, Hilli, Gimi and Khannur. As part of the UK vessel lease arrangement, we sold five of our vessel-owning subsidiaries that owned the relevant vessels to the UK Lessor and received a cash sum of $452.6 million through refinancing, by the UK Lessor, of debt owed by the five subsidiaries to us. Each of the five companies, now owned by the UK Lessor, subsequently entered into 20 year leases with Golar Gas Holding Company Inc., or GGHC, a wholly owned subsidiary or ours. GGHC in turn subleased the vessels to five UK subsidiary companies newly incorporated by us for the purpose of assuming the business of operating each of the these vessels. While the UK Lessor has legal title to the vessels, the lease are all bareboat charters that give us complete operational control over, and responsibility for, the vessels. In addition, on expiration of the leases, we act as exclusive sales agent for the UK vessel lessor and receive 99.9 per cent of the net proceeds in the form of a rebate to us of lease rentals. However, we may not time charter the vessels to charterers, other than BG and Pertamina that have credit ratings below BBB+, without the UK Lessor's consent.

We used $325 million of the proceeds that we received together with $17.5 million of our cash reserves to repay two existing loans, the Golar LNG facility and the Golar LNG subordinated facility. The outstanding amounts of these loans upon repayment were $282.5 million and $60 million respectively. We then drew down on two new facilities; $265 million secured by a mortgage executed by the UK Lessor in favour of our subsidiary GGHC as security for the lessor's obligations to pay certain sums to GGHC under the vessel lease agreements and by a mortgage transfer executed by GGHC in favour of the lending banks; and $60 million secured by a similar but second priority mortgage. The total proceeds from the new loans of $325 million together with $89.5 million of

the proceeds from the vessel lease finance arrangement were used to make deposits with two banks amounting to $414.5 million. These banks then issued letters of credit securing our obligations under the vessel leases amounting to the present value of rentals due under the leases. Lease rentals are payable quarterly. At the end of each quarter the required deposit to secure the present value of rentals due under the UK vessel leases will be recalculated taking into account the rental payment due at the end of the quarter. The surplus funds released as a result of the reduction in the required deposit are available to pay the UK vessel lease rentals due at the end of the same quarter. After making this deposit and settling all outstanding fees relating to the transaction, our approximate cash inflow was approximately $32.5 million.

Each of the five UK vessel leases is for a period of 20 years that may be extended by us annually thereafter as long as the vessels remain seaworthy, and we are not otherwise in default of the leases. The principal security is comprised of two cash deposits with two different banks that have issued letters of credit securing our obligations under the UK vessel leases. The deposits are equal to the net present value of the minimum lease payments. In addition to the letters of credit. the UK Lessor's security includes a guarantee from us and a third priority; pledge of the capital stock of our shipowning subsidiaries that have subleased the vessels from GGHC, and an assignment of those vessels' earnings, insurance, and charters to the UK Lessor. We have also indemnified the UK Lessor against, among other things, increases in tax costs. We may terminate the UK vessel leases by paying the UK Lessor a termination rental in such an amount as will reduce the Lessor's investment balance, after taking into account all tax effects, to zero. The UK vessel leases provide that we will receive 99.9% of the net proceeds of any sale of the vessels by the UK Lessor in the form of a rebate of lease rentals, subject to claims by third parties, our lenders, and the UK Lessor itself. If we terminate the UK vessel leases within the first five years we would be liable to a termination fee which would also be charged against the net proceeds. In addition, we have agreed to indemnify the UK Lessor for any adverse tax consequences or rulings, which could result in our returning all or a portion of the cash inflow that we have received, posting additional security, or making other payments to the UK Lessor.

The UK vessel lease agreements and related documents also contain a number of restrictive covenants that are similar to those of our New Golar LNG Facility and the New Golar LNG Subordinated Facility. Violation of those covenants and termination of the UK vessel leases could result in the sale of the vessels at that time. As the leases contain a right of quiet enjoyment in favour of BG and Pertamina, if there were a default and UK lease termination, the price realized on sale of the vessels could depend in part on whether potential buyers deem the assumption of the BG and Pertamina charters advantageous at the time.

Golar Gas Holding Facility

In March 2005, we entered into a refinancing in respect of the New Golar LNG Facility and the New Golar LNG subordinated facility. The new first priority loan, or Golar Gas Holding Facility, is for an amount of $300 million. The loan accrues floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan has a term of 6 years and is repayable in 24 quarterly instalments and a final balloon payment of $79.4 million payable on April 14, 2011.

The Golar Gas Holding Facility is secured by a mortgage executed by the UK Lessor in favour of our subsidiary GGHC as security for the Lessor's obligations to pay certain sums to GGHC under the lease agreements and by a mortgage transfer executed by GGHC in favour of the lending banks. Additionally, the mortgages of the Golar Gas Holding Facility are secured by a guarantee from us, a pledge of the capital stock of our shipowning subsidiaries, and an assignment of our vessels' earnings, insurance, and the vessels' charters to the

lenders. The loan agreement and related documents also contain a number of restrictive covenants that, subject to specified exceptions, limit our ability and the ability of Golar Gas Holding Company and our shipowning subsidiaries' to among other things:

- merge into or consolidate with another entity or sell or otherwise dispose of all or substantially all of our assets;
- make or pay equity distributions;
- incur additional indebtedness;
- incur or make any capital expenditure, other than capital expenditures for vessel upgrades required by our charterers;
- materially amend, or terminate, any of our current charter contracts or management agreements; and
- enter into any business other than owning the shipowning companies, in the case of Golar Gas Holding Company, and owning and operating the ships, in the case of the shipowning subsidiaries.

The agreement also contains an event of default if, among other things, John Fredriksen and his affiliated entities cease to be the beneficial or legal owner of at least 25 per cent of our common shares except where the dilution is as a result of the introduction of additional capital.

D. Exchange Controls

None

E. Taxation

The following discussion is based upon the provisions of the United States Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed United States Treasury Department regulations, administrative rulings, pronouncements and judicial decisions, all as of the date of this Annual Report.

Taxation of Operating Income: In General

United States Taxation of our Company

Shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50 per cent derived from sources within the United States. Shipping income attributable to transportation that both begins and ends in the United States will be considered to be 100 per cent derived from sources within the United States. We do not engage in transportation that gives rise to 100 per cent U.S. source income.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100 per cent derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to U.S. federal income tax.

Unless exempt from U.S. taxation under Section 883 of the Code, or under the United States-United Kingdom Income Tax Treaty in effect for the calendar year 2004 (the "Treaty") in the case of the vessels operated by our United Kingdom subsidiaries, we will be subject to U.S. federal income taxation, in the manner discussed below, to the extent our shipping income is derived from

sources within the United States.

Based upon our anticipated shipping operations, our vessels will be operated in various parts of the world, including to or from U.S. ports. For the three calendar years 2002, 2003 and 2004 the U.S. source income that we derived from our vessels trading to U.S. ports was $8,435,000, $14,283,000 and $22,005,000, respectively, and the potential U.S. federal income tax liability resulting from this income, in the absence of our qualification for exemption from taxation under Section 883 and the treaty, as described below, would have been $337,400, $571,320 and $880,000, respectively.

Application of Code Section 883

The ensuing discussion is applicable to, and references to "subsidiaries" shall mean, only those of our subsidiaries that are incorporated under the laws of jurisdictions other than the United Kingdom. Under Section 883 of the Code and the regulations thereunder, we, and each of our subsidiaries, will be exempt from U.S. taxation on our respective U.S. source shipping income, if both of the following conditions are met:

- we and each subsidiary are organized in a qualified foreign country which is one that grants an equivalent exemption from tax to corporations organized in the United States in respect of the shipping income for which exemption is being claimed under Section 883, which we refer to as "the country of organization requirement"; and

- either

  - more than 50 per cent of the value of our stock is treated as owned, directly or indirectly, by individuals who are "residents" of qualified foreign countries, which we refer to as the "ownership requirement"; or

  - our stock is "primarily and regularly traded on an established securities market" in our country of organization, another qualified foreign country, or the United States, which we refer to as the "publicly-traded requirement."

The U.S. Treasury Department has recognized (i) Bermuda, our country of incorporation and (ii) the country of incorporation of each of our non-United Kingdom subsidiaries, as a qualified foreign country. Accordingly, we and each such subsidiary satisfy the country of organization requirement.

Final regulations interpreting Section 883 were promulgated by the U.S. Treasury Department in August 2003, which we refer to as the "final regulations." These regulations are effective for calendar year taxpayers like ourselves beginning with the calendar year 2005. However, for purposes of the discussion below, we have assumed that such regulations are effective for calendar year 2004.

Due to the public nature of our shareholdings, we do not believe that we will be able to substantiate that we satisfy the "ownership requirement." However, as described below, we believe that we will be able to satisfy the "publicly-traded requirement."

Our stock was "primarily traded" on the Oslo Stock Exchange, an established securities market in a qualified foreign country, during 2004. The final regulations provide, in pertinent part, that our stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50 per cent or more of the outstanding shares of our

stock, by vote and value, is owned, for more than half the days of the taxable year, by persons who each own 5 per cent or more of the vote and value of the outstanding shares of that stock, known as the "5 per cent override rule". The 5 per cent override rule will not apply, however, if we can establish that individual residents of qualified foreign countries, which we refer to as "qualified shareholders", own sufficient shares of our stock to preclude non-qualified shareholders from owning 50 per cent or more of the total vote and value of our stock for more than half the number of days during the taxable year which we refer to as the "5 per cent override exception".

Based on our existing shareholdings, we would not presently be subject to the 5 per cent override rule for 2004. Therefore, we believe that we satisfy the publicly- traded requirement and therefore, are entitled to exemption from U.S. federal income tax under Section 883 in respect of our U.S.-source shipping income.

However, if we were to be subject to the 5 per cent override rule in the future (as a result of changes in ownership of our shares), it may be difficult for us to establish that we qualify for the 5 per cent override exception. If we were not eligible for the exemption under Section 883, our U.S.-source shipping income would be subject to U.S. federal income tax as described in more detail below.

United States-United Kingdom Income Tax Treaty

Our United Kingdom subsidiaries are eligible to claim the benefits of the Treaty for 2004.

Article 8 of the Treaty provides, in pertinent part, that profits derived from "the operation of ships in international traffic" shall be taxable only in the United Kingdom. Since all the U.S. source shipping income of our United Kingdom subsidiaries for 2004 was derived from the operation of ships in international traffic, all such income is exempt from U.S. federal income tax. Article 8 also exempts from U.S. federal income tax gain derived by our United Kingdom subsidiaries from the sale of their vessels operated in international traffic.

While Article 16 of the Treaty imposes certain beneficial ownership requirements and other limitations on companies claiming benefits under the Treaty, this Article does not extend to benefits claimed under Article 8.

Taxation in Absence of Internal Revenue Code Section 883 or Treaty Exemption

To the extent the benefits of Section 883 or the Treaty are unavailable with respect to any item of U.S. source income, our U.S.-source shipping income would be subject to a 4 per cent tax imposed by Code Section 887 on a gross basis, without benefit of deductions. Since under the sourcing rules described above, no more than 50 per cent of our shipping income would be derived from U.S. sources, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2 percent.

Gain on Sale of Vessels

To the extent any of our vessels makes more than an occasional voyage to U.S. ports, we may be considered to be engaged in the conduct of a U.S. trade or business. As a result, any U.S. source gain on the sale of a vessel may be partly or wholly subject to U.S. federal income tax as "effectively connected" income at a combined rate of up to 54.5 per cent. However, to the extent circumstances permit, we intend to structure sales of our vessels in such a manner, including effecting the sale and delivery of vessels outside of the United States, so as to not give rise to U.S. source gain.

U.S. Taxation of U.S. Holders

The term "U.S. holder" means a beneficial owner of our common shares that is a U.S. citizen or resident, U.S. corporation or other U.S. entity taxable as a corporation, an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the U.S. is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust and owns our common shares as a capital asset, generally, for investment purposes.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common shares, you are encouraged to consult your tax advisor.

Distributions

Any distributions made by us with respect to our common shares to a U.S. holder will generally constitute dividends, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. We expect that dividends paid by us to a non-corporate U.S. holder will be eligible for preferential U.S. federal income tax rates (through 2008) provided that the U.S. non-corporate holder has owned our stock for more than 60 days in the 121-day period beginning 60 days before the date on which our stock becomes ex-dividend. However, there is no assurance that any dividends paid by us will be eligible for these preferential rates in the hands of a non-corporate U.S. holder. Any dividends paid by us, which are not eligible for these preferential rates will be taxed as ordinary income to a non-corporate U.S. holder.

Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. holder's tax basis in his common shares on a dollar-for-dollar basis and thereafter as capital gain.

Sale, Exchange or other Disposition of Our Common Shares

Subject to the discussion below under "Passive Foreign Investment Company," a U.S. holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. holder from such sale, exchange or other disposition and the U.S. holder's tax basis in the common shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. holder's holding period in our stock is greater than one year at the time of the sale, exchange or other disposition. A U.S. holder's ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company

Notwithstanding the above rules regarding distributions and dispositions, special rules may apply to some U.S. holders (or to the direct or indirect beneficial owners of some non-U.S. holders) if we are treated as a "passive foreign investment company" for United States federal income tax purposes. We will be a "passive foreign investment company" if either:

- at least 75 per cent of our gross income in a taxable year is passive income; or
- at least 50 per cent of our assets in a taxable year (averaged over the year and generally determined based upon value) are held for the production of, or produce, passive income.

For purposes of determining whether we are a passive foreign investment company, we will be treated as earning and owning the income and assets, respectively, of any of our subsidiary corporations in which we own 25 per cent or more of the value of the subsidiary's stock. To date, our subsidiaries and we have derived most of our income from time and voyage charters, and we expect to continue to do so. This income should be treated as services income, which is not passive income for passive foreign investment company purposes. However, passive income would include amounts derived by reason of the temporary investment of funds raised in an offering and amounts derived through spot trading of LNG for our own account.

On the basis of the above, we believe that we are not currently a passive foreign investment company and do not expect to be a passive foreign investment company in the foreseeable future. However, there can be no assurance that we will not become a passive foreign investment company in any year.

If we become a passive foreign investment company (and regardless of whether we remain a passive foreign investment company), each U.S. holder who is treated as owning our shares during any period in which we are so classified, for purposes of the passive foreign investment company rules would be liable to pay tax, at the then highest applicable income tax rates on ordinary income, plus interest, upon certain excess distributions and upon disposition of our shares including, under certain circumstances, a disposition pursuant to an otherwise tax free reorganization, as if the distribution or gain had been recognized ratably over the U.S. holder's entire holding period of our shares. An excess distribution generally includes dividends or other distributions received from a passive foreign investment company in any taxable year of a U.S. holder to the extent that the amount of those distributions exceeds 125 per cent of the average distributions made by the passive foreign investment company during a specified base period. The tax at ordinary rates and interest would not be imposed if the U.S. holder makes a mark-to-market election, as discussed below. Furthermore, any distributions paid by us to a U.S. non-corporate holder would not be eligible for the preferential federal income tax rates described above under "Distributions."

In some circumstances, shareholder in a passive foreign investment company may avoid the unfavorable consequences of the passive foreign investment company rules by making a qualified electing fund election. However, a U.S. holder cannot make a qualified electing fund election with respect to us unless we comply with certain reporting requirements and we do not intend to provide the required information.

If we become a passive foreign investment company and, provided that, as is currently the case, our shares are regularly traded on a "qualified exchange," a U.S. holder may make a mark-to-market election with respect to our shares. Under the election, any excess of the fair market value of the shares at the close of any tax year over the U.S. holder's adjusted basis in the shares is included in the U.S. holder's income as ordinary income. In addition, the excess, if any, of the U.S. holder's adjusted basis at the close of any taxable year over fair market value is deductible in an amount equal to the lesser of the amount of the excess or the net mark-to-market gains on the shares that the U.S. holder included in income in previous years. If a U.S. holder makes a mark-to-market election after the beginning of its holding period, the U.S. holder does not avoid the interest charge rule discussed above with respect to the inclusion of ordinary income attributable to periods before the election.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the U.S. to you will be subject to information reporting requirements. Such payments will also be subject to "backup withholding" if you are a

non-corporate U.S. holder and you:

- fail to provide an accurate taxpayer identification number;
- are notified by the Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

Backup withholding is not an additional tax. Rather you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your income tax liability by filing a refund claim with the U.S. Internal Revenue Service, provided that the required information is furnished to the Internal Revenue Service.

F. Dividends and Paying Agents

Not Applicable

G. Statements by Experts

Not applicable

H. Documents on display

Our Registration Statement effective became effective on November 29, 2002 and we are now subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements we will file reports and other information with the SEC. These materials, including this document and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the Commission at 100 Fifth Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. 20549. The SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

I. Subsidiary Information

Not applicable

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including interest rate and foreign currency exchange risks. We do not enter into derivative instruments for speculative or trading purposes. In certain situations, we may enter into derivative instruments to achieve an economic hedge of the risk exposure. Since adoption of FAS 133, certain economic hedge relationships no longer qualify for hedge accounting due to the extensive documentation and strict criteria of the standard.

Interest rate risk. A significant portion of our long-term debt and capital lease obligations is subject to adverse movements in interest rates. Our interest rate risk management policy permits economic hedge relationships in order to reduce the risk associated with adverse fluctuations in interest rates. We use interest rate swaps and fixed rate debt to manage the exposure to adverse movements in interest rates. Interest rate swaps are used to convert floating rate debt obligations to a fixed rate in order to achieve an overall desired

position of fixed and floating rate debt. Credit exposures are monitored on a counterparty basis, with all new transactions subject to senior management approval.

As of December 31, 2004 and 2003 the notional amount of the interest rate swaps outstanding in respect of our debt and net capital lease obligation was $293.7 million and $171.8 million, respectively and the amount of debt with a fixed rate of interest was $135 million and $105 million respectively. The principal of the loans and net capital lease obligations outstanding as of December 31, 2004 and 2003 was $805.0 million and $655.2 million, respectively. Based on our floating rate debt at December 31, 2004, a one percentage point increase in the floating interest rate would increase interest expense by $3.7 million per annum. For disclosures of the fair value of the derivatives and debt obligations outstanding as of December 31, 2004 and 2003, see Note 24 to the Financial Statements. Since December 31, 2004 we have entered into a further $215 million of interest rate swaps, $105 million of which relates to the lease in respect of hull 2226, which commences in January 2006 on delivery of the vessel.

Foreign currency risk. Except in the course of our vessel leases, the majority of our transactions, assets and liabilities are denominated in U.S. dollars, our functional currency. Periodically, we may be exposed to foreign currency exchange fluctuations as a result of expenses paid by certain subsidiaries in currencies other than U.S. dollars, primarily British Pounds (GBP) and Euros, in relation to management offices we have in the UK and Spain. Based on our GBP and Euro expenses for 2004 a 5% depreciation of the US Dollar against both GBP and Euros would increase our expenses by $0.5 million.

In addition our 21 per cent investment in Korea Line is exposed to some extent to fluctuations of the US dollar against the South Korean Won. Whilst Korea Line's functional currency is US dollar's some of its cash flows are denominated in Won and its shares are traded in Won. There is a risk that currency fluctuations will have a negative effect on the value of our cash flows and investments.

We are exposed to some extent in respect of the lease transactions we entered into during the year ended December 31, 2003, which are both denominated in GBP, although these are hedged by the GBP cash deposits that secure these obligations. We use cash from the deposits to make payments in respect of our leases. Gains or losses that we incur are unrealised unless we choose or are required to withdraw monies from or pay additional monies into the deposits securing our capital lease obligations. Among other things movements in interest rates give rise to a requirement for us to make adjustments to the amount of GBP cash deposits. Based on these lease obligations and related cash deposits as at December 31, 2004, a 5% appreciation in the US Dollar against GBP would give rise to a loss of $1.4 million.

In April 2004 we entered into a lease arrangement in respect of the Golar Winter (as noted above), the obligation in respect of which is also denominated in GBP. However, the cash deposit which secures the letter of credit which is used to secure the lease obligation is significantly less than the lease obligation itself. We refer to this as a `funded' lease. We are therefore exposed to currency movements on the difference between the lease obligation and the cash deposit, approximately $129 million as at December 31, 2004. In order to hedge this exposure we entered into a currency swap with a bank, which is also our lessor, to exchange our GBP payment obligations into U.S. dollar payment obligations. We could be exposed to a currency fluctuation risk if we terminated this lease.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable

ITEM 13. DIVIDEND ARREARAGES AND DELINQUENCIES

None

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None

ITEM 15. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the principal executive officers and principal financial officers concluded that the Company's disclosure controls and procedures are effective in alerting them timely to material information relating to the Company required to be included in the Company's periodic SEC filings.

(b) Not Applicable

(c) Not Applicable

(d) Changes in internal controls over financial reporting

There have been no changes in internal controls over financial reporting (identified in connection with management's evaluation of such internal controls over financial reporting) that occurred during the year covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

ITEM 16. RESERVED

ITEM 16 A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company does not currently have a separate audit committee. The Company is required and expects to establish an audit committee by July 31, 2005. At that time the Company will make the determination whether to include a financial expert on that committee.

ITEM 16 B. CODE OF ETHICS.

The Company has adopted a Code of Ethics, filed as Exhibit 14.1 to this Annual Report that applies to all employees. Furthermore, a copy of our Code of Ethics can be found in our website (www.golarlng.com).

ITEM 16 C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(a) Audit Fees

The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements for the two most recent fiscal years.

Fiscal year ended December 31, 2004	$1,120,672
Fiscal year ended December 31, 2003	$ 447,191

(b) Audit -Related Fees

The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services in respect of assurance and related services rendered by the principal accountant related to the performance of the audit or review of the Company's financial statements which have not been reported under Audit Fees above. These services comprise assurance work in connection with financing and other agreements.

Fiscal year ended December 31, 2004	$125,672
Fiscal year ended December 31, 2003	$ 91,263

(c) Tax Fees

The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.

Fiscal year ended December 31, 2004	$ -0-
Fiscal year ended December 31, 2003	$ 7,419

(d) All Other Fees

For the fiscal years ended December 31, 2004 and 2003, there have been no professional services rendered by the principal accountant for services other than audit fees, audit-related fees and tax fees set forth above.

(e) Audit Committee's Pre-Approval Policies and Procedures

The Company's Board of Directors has adopted pre-approval policies and procedures in compliance with paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X that require the Board to approve the appointment of the independent auditor of the Company before such auditor is engaged and approve each of the audit and non-audit related services to be provided by such auditor under such engagement by the Company. All services provided by the principal auditor in 2004 were approved by the Board pursuant to the pre-approval policy.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

See Item 6(C).

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

We specifically incorporate by reference in response to this item the report of the independent registered public accounting firm, the consolidated financial statements and the notes to the consolidated financial statements appearing on pages F-1 through F-37.

ITEM 19. EXHIBITS

Number Description of Exhibit

1.1*	Memorandum of Association of Golar LNG Limited as adopted on May 9, 2001, incorporated by reference to Exhibit 1.1 of the Company's Registration Statement on Form 20-F, filed with the SEC on November 27, 2002, File No. 000-50113 (the "Original Registration Statement").
1.2*	Bye-Laws of Golar LNG Limited as adopted on May 10, 2001, incorporated by reference to Exhibit 1.2 of the Company's Original Registration Statement.
1.3*	Certificate of Incorporation as adopted on May 11, 2001, incorporated by reference to Exhibit 1.3 of the Company's Original Registration Statement.
1.4*	Articles of Amendment of Memorandum of Association of Golar LNG Limited as adopted by our shareholders on June 1, 2001 (increasing the Company's authorized capital), incorporated by reference to Exhibit 1.4 of the Company's Original Registration Statement.
4.1*	Loan Agreement, between Golar LNG 2215 Corporation and Lloyds TSB Bank, Plc, dated December 31, 2001, incorporated by reference to Exhibit 4.1 of the Company's Original Registration Statement.
4.2*	Loan Agreement, between Golar Gas Holding Company, Inc. and Christiania Bank og Kreditkasse, Den norske Bank, Citibank and Fortis Bank, dated May 31, 2001, incorporated by reference to Exhibit 4.2 of the Company's Original Registration Statement.
4.3*	Loan Agreement, between Faraway Maritime Shipping Company and Bank of Taiwan dated November 26, 1997, incorporated by reference to Exhibit 4.3 of the Company's Original Registration Statement.
4.4*	Purchase Agreement, between Golar LNG Limited and Osprey Maritime Limited, dated May 21, 2001, incorporated by reference to Exhibit 4.4 of the Company's Original Registration Statement.
4.5*	Sale and Purchase Agreement, between Golar LNG Limited and Seatankers Management Co. Ltd., dated May 21, 2001, incorporated by reference to Exhibit 4.5 of the Company's Original Registration Statement.
4.6*	Golar LNG Limited Stock Option Plan, incorporated by reference to Exhibit 4.6 of the Company's Original Registration Statement.
4.7*	Service Agreement between Golar LNG Limited and Graeme McDonald, incorporated by reference to Exhibit 4.7 of the Company's Original Registration Statement.
4.8*	Management Agreement between Golar LNG Limited and Frontline Management (Bermuda) Limited, dated February 21, 2002, incorporated by reference to Exhibit 4.8 of the Company's Original Registration Statement.
4.9*	Loan Agreement, between Golar Gas Holding Company, Inc. and Nordea Bank Norge ASA as agent and Nordea Bank Norge ASA, Den norske Bank ASA and Fortis Bank (Nederland) N.V., dated

	October 11, 2002, incorporated by reference to Exhibit 4.9 of the Company's Original Registration Statement.
8.1	Golar LNG Limited subsidiaries
11.1	Golar LNG Limited Code of Ethics.
12.1	Certification of the Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of the Principal Accounting Officer under Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification under Section 906 of the Sarbanes-Oxley act of 2002 of the Principal Executive Officer
13.2	Certification under Section 906 of the Sarbanes-Oxley act of 2002 of the Principal Accounting Officer
15.1	Korea Line Corporation financial statements provided pursuant to Regulation S-X Rule 3-09.

* Incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Golar LNG Limited

(Registrant)

Date June 30, 2005

By /s/ Graham Robjohns

Graham Robjohns
Principal Accounting Officer

GOLAR LNG LIMITED

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Golar LNG Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated 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, 2004 and 2003, and the results of their operations and their cash flows for the years ended December 31, 2004, 2003, and 2002 in conformity with accounting principles generally accepted in the United States of America. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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 2 to the financial statements under the heading "Restatement", the Company changed its accounting for an available for sale investment to the equity method and restated its shareholders' equity as at December 31, 2003.

PricewaterhouseCoopers LLP
West London, United Kingdom
June 30, 2005

Golar LNG Limited
Consolidated Statements of Operations for the years ended December 31, 2004, 2003 and 2002 (in thousands of $, except per share data)

	Note	2004	2003	2002
Operating revenues				
Time charter revenues		159,854	122,198	129,076
Voyage charter revenues		2,412	9,062	-
Vessel management fees		1,144	1,505	1,535
Total operating revenues		163,410	132,765	130,611
Operating expenses				
Vessel operating expenses		35,759	30,156	28,061
Voyage expenses		2,561	2,187	-

	Note	2004	2003	2002
Administrative expenses		8,471	7,138	6,127
Depreciation and amortization		40,502	31,147	31,300
Total operating expenses		87,293	70,628	65,488
Operating income		76,117	62,137	65,123
Financial income (expenses)				
Interest income		31,879	14,800	1,073
Interest expense		(61,987)	(37,157)	(23,553)
Other financial items	6	4,804	7,217	(17,887)
Net financial expenses		(25,304)	(15,140)	(40,367)
Income before equity in net earnings of investee, income taxes and minority interest		50,813	46,997	24,756
Minority interest in net income of subsidiaries		(7,575)	(7,052)	2,469
Income taxes	7	(420)	(375)	(88)
Equity in net earnings of investee	10	13,015	-	-
Net income		55,833	39,570	27,137
Earnings per share	8			
Basic		$0.85	$0.68	$0.48
Diluted		$0.84	$0.68	$0.48

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

Golar LNG Limited
Consolidated Statements of Comprehensive Income for the years ended December 31, 2004, 2003 and 2002 (in thousands of $)

	Note	2004	2003 (restated)	2002
Net income		55,833	39,570	27,137
Other Comprehensive income (loss), net of tax:				
Recognition of minimum pension liability		6,235	(3,102)	(5,398)
Other comprehensive income (loss)		6,235	(3,102)	(5,398)
Comprehensive income		62,068	36,468	21,739

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

Golar LNG Limited

Consolidated Balance Sheets as of December 31, 2004 and 2003
(in thousands of $)

	Note	2004	2003 (restated)
ASSETS			
Current Assets			
Cash and cash equivalents		51,598	117,883
Restricted cash and short-term investments	16	41,953	32,095
Trade accounts receivable	11	572	1,488
Other receivables, prepaid expenses and accrued income	12	18,230	15,907
Amounts due from related parties	13	294	180
Inventories		3,556	3,203
Total current assets		116,203	170,756
Restricted cash	16	714,802	623,179
Equity in net assets of non-consolidated investee	10	48,869	12,176
Newbuildings	14	145,233	207,797
Vessels and equipment, net	15	371,867	211,098
Vessels under capital leases, net	16	706,516	553,385
Deferred charges	17	6,720	5,480
Other long term assets	7	119	97
Total assets		2,110,329	1,783,968
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term debt	21	66,457	61,331
Current portion of obligations under capital leases	16	2,662	-
Trade accounts payable		2,940	5,106
Accrued expenses	18	17,054	20,035
Amounts due to related parties		374	600
Other current liabilities	19	26,407	35,049
Total current liabilities		115,894	122,121
Long-term liabilities			
Long-term debt	21	636,497	593,904
Obligations under capital leases	16	842,853	616,210
Other long-term liabilities	22	86,033	94,226
Total liabilities		1,681,277	1,426,461
Commitments and contingencies (See Note 27)			
Minority interest		26,282	18,706
Stockholders' equity			
Share capital (65,612,000 common shares of $1.00 each, issued and outstanding)	23	65,612	65,612
Additional paid-in capital		210,779	208,878
Accumulated other comprehensive income		(3,737)	(9,972)
Retained earnings		130,116	74,283
Total Stockholders' equity		402,770	338,801
Total liabilities and stockholders' equity		2,110,329	1,783,968

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

Golar LNG Limited
Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002 (in thousands of $)

	Note	2004	2003	2002
Operating activities				
Net income		55,833	39,570	27,137
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		40,502	31,147	31,300
Amortization of deferred charges		1,270	1,574	972
Undistributed net earnings of non-consolidated investee		(12,844)	-	-
Income (loss) attributable to minority interests		7,575	7,052	(2,469)
Unrealized foreign exchange gains		5,161	(2,993)	-
Drydocking expenditure		(13,299)	(12,737)	(1,600)
Trade accounts receivable		916	(1,488)	188
Inventories		(353)	(721)	168
Other receivables, prepaid expenses and accrued income		(2,201)	(13,149)	(156)
Amount due from/to related companies		(340)	59	(427)
Trade accounts payable		(2,166)	2,105	1,006
Accrued expenses		(16)	9,863	3,518
Interest element included in longterm lease obligations		6,321	2,660	
Other current liabilities		(4,331)	(2,865)	11,579
Net cash provided by operating activities		82,028	60,077	71,216
Investing activities				
Additions to newbuildings	14	(278,560)	(77,783)	(158,815)
Additions to vessels and equipment		(8,232)	(6,308)	(5,912)
Long-term restricted cash		(37,515)	(543,643)	-
Investment in associated companies		(21,948)	(12,176)	-
Restricted cash and short-term investments		(9,858)	(18,605)	1,403
Net cash used in investing activities		(356,113)	(658,515)	(163,324)
Financing activities				
Proceeds from long-term debt	21	110,000	506,128	194,335
Proceeds from short term debt due to related parties	21	-	-	16,259
Proceeds from long-term capital lease obligations		163,715	616,298	-
Repayments of long-term capital lease obligations		(894)	-	-
Repayments of long-term debt		(62,281)	(528,505)	(41,054)
Repayment of long term debt due to related parties		-	(32,703)	(68,834)
Financing costs paid		(2,740)	(2,140)	(3,424)
Dividends paid to minority shareholders	25	-	(1,695)	(10,002)
Proceeds from issuance of equity net of issuance costs		-	106,197	-
Net cash provided by financing activities		207,800	663,580	87,280

Net (decrease) increase in cash and cash equivalents	(66,285)	65,142	(4,828)
Cash and cash equivalents at beginning of period	117,883	52,741	57,569
Cash and cash equivalents at end of period	51,598	117,883	52,741
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest paid, net of capitalized interest	34,592	36,551	25,603
Income taxes paid	356	66	321

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

Golar LNG Limited
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2004, 2003 and 2002
(in thousands of $, except number of shares)

	Note	Share Capital	Additional Paid in Capital	Accumulated Other Comprehensive Income (restated)	Retaine Earning
Balance at December 31, 2001		56,012	112,281	(1,472)	7,
Net income		-	-	-	27,
Other comprehensive loss		-	-	(5,398)	
Balance at December 31, 2002		56,012	112,281	(6,870)	34,
Issue of ordinary shares, net of issuance costs	23	9,600	96,597	-	
Net income		-	-	-	39,
Other comprehensive loss		-	-	(3,102)	
Balance at December 31, 2003 (restated)		65,612	208,878	(9,972)	74,
Net income		-	-	-	55,
Other comprehensive gain		-	-	6,235	
Equity in gain on disposal of treasury shares by investee	10		1,901		
Balance at December 31, 2004		65,612	210,779	(3,737)	130,

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

Notes to Consolidated Financial Statements (continued)

Golar LNG Limited
Notes to Consolidated 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"). 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.

On May 21, 2001, Golar entered into purchase agreements with Osprey and Seatankers to purchase its LNG shipping interests for a total purchase price of $530.9 million. 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. 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. As at the date of acquisition, Mr. John Fredriksen indirectly controlled 50.01% 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 by the Company of its LNG operations was treated as a transaction between the entities under common control. The Company recorded the LNG assets and liabilities acquired at the amounts previously reflected in the books of Osprey and Seatankers on what is known as a "predecessor basis".

The original acquisition of Osprey by World Shipholding had been accounted for as a purchase transaction and the fair value of the net assets acquired exceeded the purchase price paid by World Shipholding. As such the negative goodwill associated with the acquisition had been allocated to reduce the value of the vessels.

The difference between the purchase price paid by the Company for its LNG operations and the net assets recorded in the Company's books using the predecessor basis of $107.5 million was reflected as reduction in equity.

On June 18, 2003 World Shipholding acquired Osprey's shareholding in Golar. As of December 31, 2004, Mr. John Fredriksen indirectly controlled 42.7 per cent of the Company.

As of December 31, 2004 the Company operated a fleet of nine (December 31, 2003: seven) LNG carriers, seven of which are under long-term charter contracts. Additionally, as of December 31, 2004, the Company was building four new LNG carriers. Since December 31, 2004 the Company has taken delivery of one of the new buildings. The Company currently leases seven (December 31, 2004: seven) of its vessels under long-term lease agreements and has a 100 per cent ownership

interest in two vessels (December 31, 2004: one) and a 60 per cent ownership interest in one (December 31, 2004: one) other vessel, the Golar Mazo. As of June 30, 2005 the three remaining newbuildings are being built at a cost of $472 million excluding financing costs. These newbuildings are scheduled for delivery between February 2006 and July 2007.

As of June 30, 2005 the Company believes it will have sufficient facilities to meet its anticipated funding needs until May 2006. However, the Company does not currently have sufficient facilities to meet payments, in respect of its two unfinanced newbuildings, due in May 2006 and thereafter. Additional facilities of $242 million will be required to meet commitments under the newbuilding construction program for the two unfinanced newbuildings due in May 2006 and thereafter. The construction contracts include penalty clauses for non-payment of instalments, which could result in the yards retaining the vessels with no compensation to Golar for advance payments previously made. The Company expects that funds required to meet the commitments in May 2006 and thereafter will be provided from a combination of cash reserves, debt financing, lease arrangements and cash flow from operations. The Company has successfully financed four newbuilding vessels without long-term charter coverage within the past 15 months. This success and experience, among other things, leads the Company to believe that it will be able to obtain sufficient facilities to meet its newbuilding commitments as they fall due. Accordingly, the financial statements have been prepared on a going concern basis of accounting.

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, as well as certain variable interest entities in which the Company is deemed to be subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. 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. The Company records its investments in equity-method investees on the consolidated balance sheets as "Equity in net assets of non-consolidated investee" and its share of the investees' earnings or losses in the consolidated statements of operations as "Equity in net earnings of investee". The difference, if any, between the purchase price and the book value of the Company's investments in equity method investees is included in the accompanying consolidated balance sheets in "Equity in net assets of non-consolidated investee".

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.

Restatement

During the fourth quarter of 2003, through a series of step acquisitions, the Company acquired a 9.94% interest in Korea Line Corporation ('KLC'), a shipping company listed on the Korean Stock Exchange, and accounted for the investment as an "available for sale" marketable security. By May 2004, after additional purchases of common shares in KLC, the Company's interest increased to 21.09%.

Because the Company believes that the increase in its level of ownership has given it the ability to exercise significant influence over the investee's operating and financial policies, the Company has retroactively changed its accounting for KLC to the equity method, in accordance with Accounting Principles Board Opinion No.18 "The Equity Method of Accounting for Investments in Common Stock".

The retroactive change to the equity method of accounting resulted in a decrease in stockholders' equity of $1.6 million as of December 31, 2003, because of the reversal of an unrealised gain on the "available for sale" marketable securities, that was recorded in the consolidated statement of comprehensive income when the investment was accounted for as an "available for sale" marketable security. Stockholders' equity previously reported as of December 31, 2003 was $340.4 million, while stockholders' equity reported in these consolidated financial statements as of December 31, 2003 is $338.8 million. The restatement had no effect on net income for periods prior to and including the year ended December 31, 2003 because the acquisitions occurred towards the end of the fourth quarter of 2003 and the Company's amount of equity in the net earnings of the investee for the fourth quarter of 2003 was not material. See Note 10 for additional information.

Revenue and expense recognition

Revenues and expenses are recognized on the accrual basis. Revenues generated from time charters, which are classified as operating leases by the Company, are recorded over the term of the charter as service is provided. Reimbursement for drydocking costs is recognized evenly over the period to the next drydocking, which is generally between two to five years. Revenues include minimum lease payments under time charters as well as the reimbursement of certain vessel operating and drydocking costs.

Voyage charter revenues and associated expenses are recognized rateably over the duration of the voyage. Under voyage charters, expenses such as fuel and port charges are paid by the Company and have been recorded within operating expenses, whereas under time charters, such voyage costs are paid by the Company's customers. Estimated losses under a voyage charter are provided for in full at the time such losses become evident. Voyage revenue is recognized on a discharge-to-discharge basis. Under this basis, voyage revenue is recognized evenly over the period from departure of a vessel from its last discharge port to departure from the next discharge port.

Revenues generated from management fees are recorded rateably over the term of the contract as service is provided.

Revenue includes amounts receivable from loss of hire insurance, which is recognized on an accruals basis, to the value of $nil, $2,843,000 and $163,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

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, 2004, 2003 and 2002, $3,252,750, $2,375,000 and $2,250,000 have been allocated to vessel operating costs, respectively.

Revenues and voyage expenses of the vessels operating in pool arrangements are pooled and the resulting net pool revenues are allocated to the pool participants according to an agreed formula. The formula used to allocate net pool revenues allocates revenues to pool participants on the basis of the number of days a vessel operates in the pool. The same revenue and expenses principles stated above are applied in determining the pool's net pool revenues. The pool

arrangements require the participants to pay and account for voyage expenses, and distribute gross pool revenues to the participants such that the participants' resulting net pool revenues are equal to net pool revenues calculated according to the agreed formula. The Company accounts for net pool revenues allocated by these pools as "Time charter revenues" in its statement of operations.

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.

Restricted cash and short-term investments

Restricted cash and short-term investments consist of bank deposits, which may only be used to settle certain pre-arranged loan or lease payments. 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.

Insurance claim receivables

Insurance claim receivables are recognized when the facts and circumstances support the legal recovery and management believes it is virtually certain that the claims will be recovered.

Inventories

Inventories, which are comprised principally of fuel, 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 instalments, 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.

Refurbishment costs incurred during the period are capitalized as part of vessels and equipment. Also 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 that are newly built or acquired 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

Vessels and equipment under capital lease

The Company leases certain vessels under agreements that are classified as capital leases. Depreciation of vessels under capital lease is included within depreciation and amortization expense in the statement of operations. Vessels under capital lease are depreciated on a straight-line basis over the vessels' remaining economic useful lives, based on a useful life of 40 years.

Refurbishment costs incurred during the period are capitalized as part of vessels and equipment under capital lease. Also included in vessels and equipment under capital lease, 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 that are newly built or acquired, the consideration paid is allocated between drydocking and other vessel costs to reflect the different useful lives of the component assets.

Deferred credit from capital leases

In accordance with Statement of Financial Accounting Standard ("SFAS") No.28 "Accounting for sales with leasebacks", income derived from the sale of subsequently leased assets is deferred and amortized in proportion to the amortization of the leased assets. Amortization of deferred income is offset against depreciation and amortization expense in the statement of operations.

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.

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. The Company applies SFAS 133, "Accounting for Derivatives and Hedging Activities", which 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 and translation gains or losses are included in the consolidated statements of operations.

Stock-based compensation

The Company will adopt FASB No. 123R, Share Based Payment beginning January 1, 2006. Under 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 accounts 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". Had compensation costs been calculated and accounted for in accordance 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)	2004	2003	2002
Net income			
As reported	55,833	39,570	27,137
Add: Stock-based employee compensation expense in reported net income under APB 25, net of tax	-	-	57
Less: Total stock-based compensation expense determined under SFAS 123 fair value method for all awards, net of tax	-	-	(390)
Pro-forma	55,833	39,570	26,804
Basic earnings per share			
As reported	$0.85	$0.68	$0.48
Pro-forma	$0.85	$0.68	$0.48
Diluted earnings per share			
As reported	$0.84	$0.68	$0.48
Pro-forma	$0.84	$0.68	$0.48

Earnings per share

Basic earnings per share ("EPS") is computed based on the income 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 8).

Pensions

Defined benefit pension costs, assets and liabilities are recognized in accordance with SFAS 87 "Employer's Accounting for Pensions", which requires adjustment of the significant actuarial assumptions annually to reflect current market and economic conditions. Under SFAS 87, part of the deficit of plan obligations over plan assets has been recognised in the balance sheet, with the remainder of the unrecognised actuarial losses spread over the employees' remaining service lifetimes. A minimum liability is recognized equal to the amount by which the accumulated benefit obligation exceeds the fair value of the plan assets. The pension benefit obligation is calculated by using a projected

unit credit method.

Defined contribution pension costs represents the contributions payable to the scheme in respect of the accounting period.

Capital Leases

Leased vessels have been accounted for as capital leases in accordance with SFAS 13 "Accounting for Leases". Obligations under capital leases are carried at the present value of future minimum lease payments, and the asset balance is amortized on a straight-line basis over the remaining life economic useful lives of the vessels. Interest expense is calculated at a constant rate over the term of the lease.

Income Taxes

Income taxes are based on income before taxes. Deferred tax assets and liabilities are recognized principally for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

3. SUBSIDIARIES AND INVESTMENTS

The following table lists the Company's principal subsidiaries and their purpose as at December 31, 2004. Unless otherwise indicated, we own 100 per cent of each subsidiary.

Name	Jurisdiction of Incorporation	Purpose
Golar Gas Holding Company Inc.	Republic of Liberia	Holding Company an vessels
Golar Maritime (Asia) Inc.	Republic of Liberia	Holding Company
Gotaas-Larsen Shipping Corporation	Republic of Liberia	Holding Company
Oxbow Holdings Inc.	British Virgin Islands	Holding Company
Faraway Maritime Shipping Inc. (60% ownership)	Republic of Liberia	Owns Golar Mazo
Golar LNG 2215 Corporation	Republic of Liberia	Leases Methane Princ
Golar LNG 1444 Corporation	Republic of Liberia	Owns Golar Frost
Golar LNG 1460 Corporation	Republic of Liberia	Owns Golar Viking
Golar LNG 2220 Corporation	Republic of Liberia	Leases Golar Winter
Golar LNG 2234 Corporation	Republic of Liberia	Owns newbuilding Hul
Golar LNG 2244 Corporation	Republic of Liberia	Owns newbuilding Hul
Golar Liberia Inc	Republic of Liberia	Owns newbuilding Hul
Golar International Ltd.	Republic of Liberia	Vessel management
Golar Maritime Services, S.A.	Spain	Vessel management
Gotaas-Larsen International Ltd.	Republic of Liberia	Vessel management
Golar Management Limited	Bermuda	Management
Golar Maritime Limited	Bermuda	Management
Golar Management (UK) Limited	United Kingdom	OperatesiGolarUFreez
Golar Khannur (UK) Limited	United Kingdom	Operates Khannur
Golar Gimi (UK) Limited	United Kingdom	Operates Gimi
Golar Hilli (UK) Limited	United Kingdom	Operates Hilli
Golar Spirit (UK) Limited	United Kingdom	Operates Golar Spiri
Golar Winter (UK) Limited	United Kingdom	Operates Golar Winte

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1 As at December 31, 2004, Golar Liberia Inc owned newbuilding Hull 2226. In

April 2005 the Company signed a lease agreement in respect of its newbuilding Hull 2226 and novated the shipbuilding contract to the financial institution acting as lessor, therefore as from April 2004 Golar Liberia Inc no longer owned Hull 2226.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

FAS 151

In November 2004 the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard No. 151, Inventory Costs--an amendment of ARB No. 43, Chapter 4 (revised) (FAS 151). FAS 151 amends the guidance in ARB No. 43, Chapter 4, `Inventory Pricing,' to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). FAS 151 requires that those items be recognized as current-period charges. In addition, FAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company will adopt FAS 151 on January 1, 2006. The new standard is not expected to have material impact on the Company's results of operations and financial position.

FAS 123R

In December 2004 the FASB issued Financial Accounting Standard No. 123R, Share-Based Payment (FAS 123R). FAS 123R requires that companies expense the value of employee stock options and other awards. FAS 123R allows companies to choose an option pricing model that appropriately reflects their specific circumstances and the economics of their transactions, and allows companies to select from three transition methods for adoption of the provisions of the standard. The Company will adopt FAS 123R effective January 1, 2006. The Company has determined that this will not have an immediate impact upon Golar's financial statements because as at December 31, 2004 all of Golar's stock options are fully vested.

FAS 153

In December 2004 the FASB issued Financial Accounting Standard No. 153, Exchanges of Nonmonetary Assets (FAS 153). FAS 153 amends APB Opinion No. 29, Accounting for Nonmonetary Transactions, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company will adopt FAS 153 for nonmonetary exchanges occurring on or after January 1, 2006. The new standard is not expected to have material impact on the Company's results of operations and financial position.

EITF 03-01

In June 2004, the Emerging Issues Task Force finalized Issue No. 03-01, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (EITF 03-01). The issue was intended to address the meaning of "other-than-temporary" impairment and its application to certain investments in debt and equity securities. A consensus was reached regarding disclosure requirements concerning unrealized losses on available-for-sale debt and equity securities accounted for under Financial Accounting Standard No. 115, Accounting for Certain Investments in Debt and Equity Securities (FAS 115) and Financial Accounting Standard No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations (FAS 124). The guidance for evaluating whether an investment is other-than-temporarily impaired should be applied in reporting periods beginning after June 15, 2004. The disclosures are effective in annual

financial statements for fiscal years ending after December 31, 2003, for investments accounted for under SFAS Nos. 115 and 124. For all other investments within the scope of this EITF, the disclosures are effective for fiscal years ending after June 15, 2004. Additional disclosures for cost method investments are effective for fiscal years ending after June 15, 2004. The Company currently does not have investments that fall within the scope of EITF 03-01, and has therefore concluded that the guidance will not have an impact on its consolidated results of operations or financial position.

FAS 154

In May 2005, the FASB issued Financial Accounting Standard No. 154, Accounting Changes and Error Corrections (FAS 154). FAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, the Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, the Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. The Company will adopt FAS 154 for accounting changes and corrections of errors made beginning January 1, 2006.

5. SEGMENTAL INFORMATION

The Company has not presented segmental information as it considers it operates in one reportable segment, the LNG carrier market. During 2004, 2003 and 2002, the vast majority of the Company's fleet operated under time charters and these charters were with two charterers, Pertamina and BG Group plc. 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.

Revenues in each of the years ended December 31, 2004, 2003 and 2002 from Pertamina, the state-owned oil and gas company of Indonesia and BG Group plc, headquartered in the United Kingdom, were $65.6 million and $82.2 million; $61.9 million and $64.8 million; and $61.0 million and $68.1 million respectively.

6. OTHER FINANCIAL ITEMS

(in thousands of $)	2004	2003	2002
Amortization of deferred financing costs	1,273	1,574	864
Financing arrangement fees and other costs	818	107	332
Market valuation adjustment for interest rate derivatives (See note 24)	(5,581)	(6,401)	16,458
Market valuation adjustment for foreign currency derivatives (See note 24)	(6,656)	-	-
Foreign exchange loss (gain) on capital lease obligations and related restricted cash	5,160	(2,993)	-
Foreign exchange loss on operations	182	496	233

	(4,804)	(7,217)	17,887

7. 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. If the Company operating the ships is a UK registered Company, which some of Golar's subsidiary companies are, an exemption from US tax, where required, is afforded by the US-UK tax treaty agreement. 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 taxation of the operations of the Company's United Kingdom subsidiaries. Taxable revenues in the UK are generated by UK subsidiary companies of Golar and comprise management fees received from third parties and other Golar group companies as well as revenues from the operation of seven of Golar's vessels. These vessels are sub-leased from other non-UK Golar companies, which in turn are leased from financial institutions. The statutory tax rate in the UK is 30%. 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 of $119,000 and $97,000 at December 31, 2004 and 2003, respectively. These assets relate to differences for depreciation and pension liabilities.

Deferred income tax assets are summarized as follows:

(in thousands of $)	2004	2003
Equipment	119	97
Pension plans and similar obligations	542	840
	661	937
Valuation allowances	(542)	(840)
Deferred tax assets, net	119	97

The valuation allowances on deferred tax assets decreased by $298,000. In future

periods, depending upon the financial results, managements' estimate of the amount of the deferred tax assets considered realizable may change, and hence the valuation allowances may increase or decrease.

Deferred income tax assets shown within the caption "Other long term assets" in the Consolidated balance sheets are as follows:

(in thousands of $)	2004	2003
Deferred tax assets net (non-current)	119	97

8. EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2004 has been calculated with reference to the weighted average number of common shares in issue during the year. The computation of diluted EPS for the years ended December 31, 2004 and 2003, assumes the conversion of potentially dilutive instruments.

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

(in thousands of $)	2004	2003	2002
Net income available to stockholders - basic	55,833	39,570	27,137
Dilutive effect of investee's convertibl bonds and bonds with stock warrants	(394)	-	-
	55,439	39,570	27,137

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

(in thousands)	2004	2003	2002
Basic earnings per share:			
Weighted average number of common shares outstanding	65,612	58,533	56,012
Diluted earnings per share:			
Weighted average number of common shares outstanding	65,612	58,533	56,012
Effect of dilutive share options	185	90	10
	65,797	58,623	56,022

9. LEASES

Rental income

The minimum future revenues to be received on time charters as of December 31, 2004 were as follows:

Year ending December 31, (in thousands of $)	Total
2005	147,654
2006	137,886

2007	118,250
2008	106,514
2009	94,515
2010 and later	680,744
Total	1,285,564

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 vessels leased to third parties at December 31, 2004 were approximately $1,033.2 million and $122.2 million respectively and at December 31, 2003 were approximately $851.0 million and $87.2 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-cancellable operating leases are as follows:

Year ending December 31, (in thousands of $)	Total
2005	270
2006	270
2007	270
2008	270
2009	135
Total minimum lease payments	1,215

During 2004, the Company also had lease commitments relating to former office space that the Company no longer occupied, which was subject to a sublease arrangement. The lease and sublease ended in November 2004. At the time the Company entered into the 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 was recognized as a reduction to rental expense over the life of the lease agreement and eliminated 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, 2004 and 2003 was $nil and $710,000, respectively, of which $nil and $710,000 is shown in other current liabilities at December 31, 2004 and 2003, respectively.

Total rental expense for operating leases was $1,849,000, $2,554,000 and $2,709,000 for the years ended December 31, 2004, 2003 and 2002, respectively and total sublease income was approximately $1,103,000, $1,161,000 and $1,497,000 for the years ended December 31, 2004, 2003 and 2002, respectively. The amortization of the provision described above was $746,000, $529,000 and $954,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

10. EQUITY IN NET ASSETS OF NON-CONSOLIDATED INVESTEE

Equity in net assets of non-consolidated investee relates to the Company's investment in Korea Line Corporation ("KLC") as at December 31, 2004. KLC is a shipping company listed on the Korea stock exchange.

(in thousands of $)	2004	2003 (restated)

Cost	34,124	12,176
Equity in net earnings of investee	13,015	-
Share of other reserves movement in investee	1,901	-
Less dividends received	(171)	-
Equity in net assets of non-consolidated investee	48,869	12,176

As at December 31, 2003, the Company's investment in KLC amounted to 9.94% of the investee's issued share capital, which had been acquired at a cost of $12,176,000 following a series of step acquisitions during the fourth quarter of 2003. At March 31, 2004 following additional purchases of common shares in KLC, at a cost of $11,351,000, the Company's interest increased by 5.77% to 15.71%. By May 2004, after further purchases of common shares in KLC, at a cost of $10,597,000, the Company's interest had increased by 5.38% to 21.09%.

Because the Company believes that the increase in its level of ownership has given it the ability to exercise significant influence over the investee's operating and financial policies, the Company has retroactively changed is accounting for KLC to the equity method, in accordance with Accounting Principles Board Opinion No.18 "The Equity Method of Accounting for Investments in Common Stock".

The retroactive change to the equity method of accounting resulted in a decrease in stockholders' equity of $1.6 million as of December 31, 2003, because of the reversal of an unrealised gain on the "available for sale" marketable securities, that was recorded in the consolidated statement of comprehensive income when the investment was accounted for as an "available for sale" marketable security. Stockholders' equity previously reported as of December 31, 2003 was $340.4 million, while stockholders' equity reported in these consolidated financial statements as of December 31, 2003 is $338.8 million. The restatement had no effect on net income for periods prior to and including the year ended December 31, 2003 because the acquisitions occurred towards the end of the fourth quarter of 2003 and the Company's amount of equity in the net earnings of the investee for the fourth quarter of 2003 was not material.

The excess of the fair value of the Company's share of net assets acquired over consideration paid, amounting to $11,276,000 has been allocated as a pro rata reduction to the fair value of the investees long lived assets.

As at December 31, 2004 , the market value of this investment calculated by reference to the quoted market price was $72.8 million..

Included in the Company's additional paid in capital is the Company's share of KLC's gain on disposal of a portion of its treasury shares to third parties.

11. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are presented net of allowances for doubtful accounts amounting to $nil as of December 31, 2004 and December 31, 2003.

12. OTHER RECEIVABLES, PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of $)	2004	2003
Other receivables	1,868	8,025
Mark to market foreign currency swaps valuation	6,656	-
Prepaid expenses	2,345	2,554
Accrued interest income	7,361	5,328
	18,230	15,907

Other receivables at December 31, 2004 includes the net amount receivable of $219,000 (2003: $2,469,000) under the Company's loss of hire insurance policy

relating to a period of off-hire in respect of one vessel due to required repairs. Other receivables as at December 31, 2004 also includes the net amount receivable of $1,001,000 (2003: $3,701,000) under the Company's hull and machinery insurance policy relating to repair costs incurred by the Company for four vessels.

13. DUE FROM RELATED COMPANIES

Amounts due from related companies as at December 31, 2004 and 2003 of $294,000 and $180,000, respectively, represent the recharge of expenses and rebates and seconded staff costs.

14. NEWBUILDINGS

(in thousands of $)	2004	2003
Purchase price instalments	133,200	184,764
Interest and other costs capitalized	12,033	23,033
	145,233	207,797

The amount of interest capitalized in relation to newbuildings was $7,268,000 and $17,270,000 for the years ended December 31, 2004 and 2003, respectively.

The Company took delivery of two newbuildings during 2004. The Golar Winter was delivered to the Company on 14 April, 2004 and, the Golar Frost was delivered on June 16, 2004. The cost of Golar Winter of $169,030,000 was transferred to vessels under capital leases (see note 16). The cost of Golar Frost of $169,049,000 has been transferred to vessels and equipment (see note 15).

As at December 31, 2004, the Company had contracts to build four new LNG carriers at a total contract cost of $638.2 million, excluding financing costs. As at December 31, 2004, the instalments for these vessels, were due to be paid as follows:

(in millions of $)	
Paid in 12 months to 31 December 2001	16.3
Paid in 12 months to 31 December 2002	16.9
Paid in 12 months to 31 December 2003	39.0
Paid in 12 months to 31 December 2004	61.6
Payable in 12 months to 31 December 2005	135.9
Payable in 12 months to 31 December 2006	252.7
Payable in 12 months to 31 December 2007	115.8
	638.2

In January 2005, the Company took delivery of its newbuilding hull number 1460 (Golar Viking). The instalments in respect of the Company's three newbuildings yet to be delivered, as at June 30, 2005, are due to be paid as follows:

(in millions of $)	
Payable in 6 months to 31 December 2005	-
Payable in 12 months to 31 December 2006	252.7
Payable in 12 months to 31 December 2007	115.8
	368.5

As at December 31, 2004, the Company did not have facilities in place to finance its entire newbuilding program. The Company will require additional financing of approximately $242 million to fund its newbuilding construction commitments outstanding as at June 30, 2005.

Additional facilities are required to meet the final delivery instalments for two of the Company's newbuildings payable on May 30, 2006 and during the remainder of 2006 and 2007.

15. VESSELS AND EQUIPMENT, NET

(in thousands of $)	2004	2003
Cost	398,052	229,515
Accumulated depreciation	(26,185)	(18,417)
Net book value	371,867	211,098

As at December 31, 2004 Golar owned two vessels (2003: one).

Drydocking costs of $3,140,000 and $1,425,000 are included in the cost amounts above as of December 31, 2004 and 2003 respectively. Accumulated amortization of those costs as of December 31, 2004 and 2003 were $1,691,000 and $794,000 respectively.

Included in the above amounts, as at December 31, 2004 and 2003 is equipment with a net book value of $585,000 and $657,000, respectively.

Depreciation expense for the years ended December 31, 2004, 2003 and 2002 was $8,526,000, $12,658,000 and $31,300,000 respectively.

As at December 31, 2004 and 2003 vessels with a net book value of $371,282,000 and $210,411,000 respectively were pledged as security for certain debt facilities (see note 21).

16. VESSELS UNDER CAPITAL LEASES, NET

(in thousands of $)	2004	2003
Cost	806,260	624,020
Accumulated depreciation and amortization	(99,744)	(70,635)
Net book value	706,516	553,385

As at December 31, 2004 Golar operated seven (2003: six) vessels under capital leases. These leases are in respect of two refinancing transactions undertaken during 2003 and a lease financing transaction during 2004.

Drydocking costs of $32,168,000 and $24,524,000 are included in the cost amounts above as of December 31, 2004 and 2003 respectively. Accumulated amortization of those costs at December 31, 2004 and 2003 were $12,988,000 and $10,831,000 respectively.

Amortization expense for vessels under capital leases for the years ended December 31, 2004, 2003 and 2002 was $35,942,000, $21,143,000 and $nil respectively.

The first leasing transaction, which took place in April 2003, was the sale of five 100 per cent owned subsidiaries to a financial institution in the United Kingdom (UK). The subsidiaries were established in Bermuda specifically to own and operate one LNG vessel as their sole asset. Simultaneous to the sale of the five entities, Golar leased each of the five vessels under five separate lease agreements ("Five Ship Leases").

The second leasing transaction, which occurred in August 2003, was in relation to the Company's first newbuilding, the Methane Princess. The Company novated

the Methane Princess newbuilding contract prior to completion of construction and leased the vessel from the same financial institution in the UK ("The Methane Princess Lease").

The third leasing transaction, which occurred in April 2004, was in relation to the Company's second newbuilding, the Golar Winter. The Company novated the Golar Winter newbuilding contract prior to completion of construction and leased the vessel from financial institution in the UK ("The Golar Winter Lease").

Golar's obligations to the lessors under the Five Ship Leases and Methane Princess lease are primarily secured by letters of credit ("LC") provided by other banks. Golar's obligations to the lessor of the Golar Winter lease are partly secured by a LC. Golar has used debt finance and cash to provide security deposits for the banks providing the LC's.

(in thousands of $)	2004	2003
Total long-term obligations under capital leases	845,515	616,210
Less: current portion of obligations under capital leases	(2,662)	-
Long term obligations under capital leases	842,853	616,210

As at 31 December 2004, the Company is committed to make quarterly minimum rental payments under capital leases, as follows:

Year ending December 31, (in thousands of $)	Five ship leases	Methane Princess lease	Golar Winter lease	Total
2005	22,778	6,575	12,299	41,652
2006	24,150	6,920	12,299	43,369
2007	25,599	7,281	12,299	45,179
2008	27,075	7,609	12,299	46,983
2009	28,619	7,938	12,299	48,856
2010 and later	805,760	376,033	276,741	1,458,534
Total minimum lease payments	933,981	412,356	338,236	1,684,573
Less: Imputed interest	(431,023)	(240,192)	(167,843)	(839,058)
Present value of minimum lease payments	502,958	172,164	170,393	845,515

The profiles of the Five Ship Leases are such that the lease liability continues to increase until 2008 and thereafter decreases over the period to 2023 being the primary term of the leases. The interest element of the lease rentals is accrued at a rate based upon floating British Pound (GBP) LIBOR.

The profile of the Methane Princess Lease is such that the lease liability continues to increase until 2014 and thereafter decreases over the period to 2034 being the primary term of the lease. The interest element of the lease rentals is accrued at a rate based upon floating British Pound (GBP) LIBOR.

The Golar Winter Lease is for a primary period of 28 years, expiring in April 2032. The lease liability is reduced by lease rentals from inception. The interest element of the lease rentals is accrued at a rate based upon floating rate British Pound (GBP) LIBOR.

In common with the Five Ship Leases and the Methane Princess lease the Golar Winter lease is denominated in British Pounds. However, unlike these other leases the cash deposits securing the lease obligations are significantly less

than the lease obligation itself. In order to hedge the currency risk arising from re-translation of the GBP lease rental obligation into US dollars, the Company entered into a 28 year currency swap to hedge all lease rental payments under the Golar Winter lease into US dollars at a fixed GBP/USD exchange rate. In addition at December 31, 2004 the Company had entered into interest rate swaps of $85 million to fix the interest rate in respect of its Golar Winter lease obligations for a period ranging from three to ten years. In January 2005, the Company entered into a further $30 million of interest swaps in connection with its Golar Winter lease obligations.

The Company determined that the entities that owned the vessels were variable interest entities in which Golar had a variable interest and was the primary beneficiary. Upon transferring the vessels to the financial institutions, Golar measured the subsequently leased vessels at the same amounts as if the transfer had not occurred, which was cost less accumulated depreciation at the time of transfer.

As at December 31, 2004, the value of deposits used to obtain letters of credit to secure the obligations for the lease arrangements described above was $743.9 million (2003: $642.6 million). These security deposits are referred to in these financial statements as restricted cash and earn interest based upon GBP LIBOR for the Five Ship Leases and the Methane Prince Lease and based upon USD LIBOR for the Golar Winter Lease. The Company's restricted cash balances are as follows:

(in thousands of $)	2004	2003
Five Ship Leases security deposits	523,518	479,316
Methane Princess Lease security deposits	178,847	163,298
Golar Winter Lease security deposits	41,524	-
Total security deposits for lease obligations	743,889	642,614
Included in short-term restricted cash and short-term investments	(29,087)	(19,435)
Long-term restricted cash	714,802	623,179

(in thousands of $)	2004	2003
Short term lease security deposits	29,087	19,435
Restricted cash relating to the Mazo Facility (see note 22)	12,866	12,660
Short-term restricted cash and short-term investments	41,953	32,095

17. 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 $)	2004	2003
Debt arrangement fees and other deferred financing charges	9,956	7,443
Accumulated amortization	(3,236)	(1,963)
	6,720	5,480

18. ACCRUED EXPENSES

(in thousands of $)	2004	2003
Vessel operating and drydocking expenses	4,420	5,565
Administrative expenses	1,581	1,286
Interest expense	9,742	12,070

Provision for financing arrangement fees and other costs	1,011	904
Provision for tax	300	210
	-------	-------
	17,054	20,035

19. OTHER CURRENT LIABILITIES

(in thousands of $)	2004	2003
Deferred drydocking and operating cost revenue	4,398	6,744
Marked to market interest rate swaps valuation	15,314	20,895
Provision for Baja project costs	1,247	1,403
Other provisions	577	710
Deferred credits from capital lease transactions (note 22)	3,964	3,957
Other creditors	907	1,340
	-------	-------
	26,407	35,049

During 2002, Golar signed a joint development agreement with Marathon Baja Limited ("Marathon"), a subsidiary of Marathon Oil and GGS Holdings Limited ("GGS"), to participate in a project to build a LNG import and re-gasification facility and power generation complex near Tijuana in the Mexican State of Baja California. Under the agreement with Marathon and GGS, costs incurred in relation to the development of the project are to be shared as follows: Marathon 80%, GGS 10%, Golar 10% prior to the establishment of a lead project company and execution of a shareholders' agreement.

As at December 31, 2003, the provision made by the Company for its 10 per cent share of the total project costs amounted to $1,403,000. As at December 31, 2004 the project was effectively terminated and the Company was in discussions with Marathon concerning settlement of its liability. These discussions were concluded in May 2005 with Marathon agreeing to a settlement of $1,247,000. Accordingly, a total net amount of $156,000 has been credited to administrative expenses in relation to the Baja project for the year ended December 31, 2004 (2003: charge of $1,744,000) with a provision of $1,403,000 carried forward at December 31, 2004.

20. PENSIONS

Defined contribution scheme

The Company operates a defined contribution scheme. The pension cost for the period represents contributions payable by the Company to the scheme. The charge to net income for the year ending December 31, 2004 and 2003 was $156,000 and $158,000 respectively.

Defined benefit schemes

The Company has two defined benefit pension plans both of which are closed to new entrants but which still cover certain employees of the Company. 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. Plan assets consist of both fixed income and equity funds managed by professional fund managers.

The Company uses a measurement date of December 31 for the majority of its pension and other postretirement benefit plans.

The components of net periodic benefit costs are as follows:

	2004	2003	2002
Service cost	1,186	1,162	1,325
Interest cost	3,102	3,440	3,519
Expected return on plan assets	(1,706)	(2,005)	(2,249)
Recognized actuarial loss	827	751	504
Net periodic benefit cost	3,409	3,348	3,099

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

(in thousands of $)	2004	2003
Reconciliation of benefit obligation:		
Benefit obligation at January 1	54,243	51,881
Service cost	1,186	1,162
Interest cost	3,102	3,440
Actuarial (gain) / loss	(6,379)	3,222
Foreign currency exchange rate changes	736	885
Benefit payments	(4,984)	(6,347)
Benefit obligation at December 31	47,904	54,243

The accumulated benefit obligation at the end of 2004 and 2003 was $46.6 million and $51.8 million, respectively.

(in thousands of $)	2004	2003
Reconciliation of fair value of plan assets:		
Fair value of plan assets at January 1	24,735	25,414
Actual return on plan assets	2,094	3,614
Employer contributions	1,687	1,476
Foreign currency exchange rate changes	526	578
Benefit payments	(4,984)	(6,347)
Fair value of plan assets at December 31	24,058	24,735
Deficit of plan assets over projected benefit obligation (1)	(23,846)	(29,508)
Unrecognized actuarial loss	5,073	12,413
Net amount recognized	(18,773)	(17,095)

Employer contributions and benefits paid under the pension plans include $1,687,000 and $1,476,000 paid from employer assets in 2004 and 2003 respectively.

(1) The Company's plans are composed of two plans that are both under funded at December 31, 2004 and December 31, 2003.

The details of these plans are as follows:

	December 31, 2004		December 31, 2003	
	UK Scheme	Marine scheme	UK scheme	Marine scheme
(in thousands of $)				
Accumulated benefit obligation	(8,796)	(37,772)	(8,806)	(42,996)
Projected benefit obligation	(9,291)	(38,613)	(9,201)	(45,042)
Fair value of plan assets	6,990	17,068	6,013	18,722
Funded status	(2,301)	(21,545)	(3,188)	(26,320)

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

follows:

(in thousands of $)	2004	2003
Accrued benefit liability	(22,510)	(27,067)
Minimum pension liability	3,737	9,972
Net amount recognized	(18,773)	(17,095)

The asset allocation for the Company's Marine scheme at the end of 2004 and 2003, and the target allocation for 2005, by asset category follows:

Marine scheme	Target allocation 2005 (%)	2004 (%)	2003 (%)
Equity	30-65	59	33
Bonds	10-50	38	31
Other	20-40	3	30
Cash	0-22.5	-	6
Total		100	100

The asset allocation for the Company's UK scheme at the end of 2004 and 2003, and the target allocation for 2005, by asset category follows:

UK scheme	Target allocation 2005 (%)	2004 (%)	2003 (%)
Equity	80	80	82
Bonds	20	20	15
Other	-	-	-
Cash	-	-	3
Total		100	100

The Company's investment strategy is to balance risk and reward through the selection of professional investment managers and investing in pooled funds.

The Company is expected to make the following contributions to the scheme in 2005, as follows:

(in thousands of $)	UK scheme	Marine scheme
Employer contributions	367	1,320

The Company is expected to make the following pension disbursements as follows:

(in thousands of $)	UK scheme	Marine scheme
2005	238	3,007
2006	212	2,916
2007	192	3,000
2008	264	3,120
2009	381	3,144
2010-2014	2,497	16,777

The weighted average assumptions used to determine the benefit obligation for the Company's plans at December 31 are as follows:

	2004	2003
Discount rate	5.7%	5.9%
Rate of compensation increase	2.8%	2.8%

The weighted average assumptions used to determine the net periodic benefit cost

for the Company's plans for the year ended December 31 are as follows:

	2004	2003
Discount rate	5.9%	6.6%
Expected return on plan assets	7.6%	8.0%
Rate of compensation increase	2.8%	2.7%

21. DEBT

(in thousands of $)	2004	2003
Total long-term debt due to third parties	702,954	655,235
Less: current portion of long-term debt due to third parties	(66,457)	(61,331)
	636,497	593,904

The outstanding debt as of December 31, 2004 is repayable as follows:

Year ending December 31, (in thousands of $)	
2005	66,457
2006	74,564
2007	280,387
2008	22,794
2009	24,648
2010 and later	234,104
Total	702,954

The weighted average interest rate for debt, which is denominated in US dollars, as of December 31, 2004 and 2003 was 4.68 per cent and 4.61 per cent, respectively. As at December 31, 2004, interest on US$135 million of debt in respect of the Methane Princess facility was fixed, of which US$105 million was fixed by 2003. The fixings are due to mature in 2015 at a weighted average rate of 6.77 per cent, and at an average rate of 5.89 per cent from February 2004 when the vessel entered into its long-term charter.

At December 31, 2004, the debt of the Company comprised the following, details of which are set out below:

(in thousands of $)		Maturity date
Mazo facility	168,207	2013
Methane Princess facility (previously referred to as `Hull 2215 facility')	171,947	2015
New Golar LNG facility	213,750	2007
New Golar LNG Subordinated facility	40,000	2007
Golar Frost facility	109,050	2007
	702,954	

Mazo facility

The facility was assumed by Golar from Osprey in May 2001, and was originally a secured loan facility for an amount of $214.5 million. The loan is secured on the vessel Golar Mazo. The facility bears floating interest rate of LIBOR plus a margin and the repayment terms are six monthly and commenced on June 28, 2001. The debt agreement requires that certain cash balances, representing interest and principal repayments for defined future periods, be held by a Trust Company during the period of the loan. These balances are referred to in these financial statements as restricted cash.

New Golar LNG facility

In May 2001 the Golar group entered into a secured loan facility (the "Golar LNG facility") with a banking consortium for an amount of $325.0 million. This loan was first refinanced in April 2003, ("New Golar LNG facility") with an amount of $265 million with the same syndicate of banks. The amount outstanding on the old facility at the time of the first refinancing was $282.5 million and accordingly a net $17.5 million was repaid. The loan accrued floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan had a term of four years and two months and was repayable in 16 quarterly instalments and a final balloon payment of $138.8 million payable on May 31, 2007. The loan was secured by the assignment to the lending banks of a mortgage given to Golar by the lessor of the five vessels that are part of the Five Ship Leases (see note 16). As discussed in Note 27, the New Golar LNG facility was refinanced in March 2005.

New Golar LNG Subordinated facility

In October 2002, Golar entered into a secured subordinated loan facility (the "Golar LNG subordinated facility") with a banking consortium for an amount of $60.0 million. This loan was also refinanced in April 2003. This new second priority loan ("New Golar LNG subordinated facility") was also for an amount of $60 million with the same syndicate of banks. It accrues floating interest at a rate per annum equal to the aggregate of LIBOR, plus a margin, increasing by 0.25 per cent per annum on 30 November 2004 and 30 November 2005. The loan has a term of four years and two months and is repayable in 15 quarterly instalments commencing in November 2003. The loan is secured by the assignment to the lending banks of a second priority mortgage given to Golar by the lessor of the five vessels that are part of the Five Ship Leases (see note 16). As discussed in Note 28, the New Golar LNG facility was refinanced in March 2005.

Methane Princess facility

In December 2001 the Company signed a loan agreement with Lloyds TSB bank Plc for the purpose of financing newbuilding hull number 2215 (Methane Princess) (the "Hull 2215 facility") for an amount up to $180 million.

In August 2003, prior to the delivery of the Methane Princess the Company refinanced this facility (Methane Princess facility). The new facility is also for $180 million, with the same bank and has a similar repayment profile. It accrues a floating rate of interest of LIBOR plus a margin up to the date the vessel is delivered to the Charterer under the BG Charter and thereafter at LIBOR plus a reduced margin determined by reference to Standard and Poors ("S&P") rating of the Charterer from time to time. The margin can increase if the rating for the Charterer at any time falls below an S&P rating of "B". As at December 31, 2004, interest on $135 million of debt in respect of the Methane Princess facility was fixed, of which $55 million was fixed in 2002, $50 million in 2003 and $30 million in 2004. All fixings are due to mature in 2015 and bear a weighted average rate of 5.68 per cent (including margin). The loan is secured by the assignment to the lending bank of a mortgage given to Golar by the lessor of the Methane Princess Lease (see note 16).

Golar Frost facility

In June 2004 the Company signed a loan agreement with a banking consortium for an amount of $110.0 million for the purpose of financing newbuilding hull number 1444, the Golar Frost, and is secured by a mortgage on this vessel. The facility bears floating interest rate of LIBOR plus a margin and the repayment terms are 5 six monthly instalments and a final balloon payment of $102.6 million payable on June 15, 2007. Repayments on the loan commenced on December 15, 2004.

The margins Golar pays under its current loan agreements over and above LIBOR at a fixed or floating rate range from 0.865 per cent to 2.0 per cent.

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 the 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, 2004 and 2003 the Company complied with the debt covenants of its various debt agreements.

22. OTHER LONG-TERM LIABILITIES

(in thousands of $)	2004	2003
Pension obligations (note 20)	22,510	27,067
Deferred credits from capital lease transactions	63,523	67,159
	86,033	94,226

Deferred credits from capital lease transactions

(in thousands of $)	2004	2003
Deferred credits from capital lease transactions	74,121	73,771
Less: Accumulated amortization	(6,634)	(2,655)
	67,487	71,116
Short-term (note 19)	3,964	3,957
Long-term	63,523	67,159
	67,487	71,116

In connection with the leasing transactions undertaken in the year ended December 31, 2003 (see Note 16), the Company recorded an initial amount of $73.8 million, representing the difference between the net cash proceeds received upon sale of the vessels and the present value of the minimum lease payments. The amortization charge for the year is offset against depreciation and amortization expense in the statement of operations.

The deferred credits represent the upfront benefits derived from undertaking financing in the form of UK leases. The deferred credits are amortized over the remaining economic lives of the vessels to which the leases relate on a straight-line basis. The benefits under lease financings are derived primarily from tax depreciation assumed to be available to lessors as a result of their investment in the vessels. If that tax depreciation ultimately proves not to be available to the lessors, or is clawed back from the lessor (e.g. on a change of tax law), the lessor will be entitled to adjust the rentals under the relevant lease so as to maintain its after tax position, except in limited circumstances. Any increase in rentals is likely to affect the ability to reduce the deferred credits through amortization. The adjustment to rentals could result in the Company being required to return more than the cash inflow (approximately $51 million) that was received in connection with the lease financing transactions undertaken in the year ended December 31, 2003.

23. 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.

In July 2003, the Company completed a direct equity offering of 5,600,000 common shares in a placement in Norway, towards international institutional investors at a price of $10.20 per share. In December 2003, the Company further issued 4,000,000 common shares at a price of $13.11 per share.

At December 31, 2004 and December 31, 2003, authorized and issued share capital is as follows:

Authorized share capital:

(in thousands of $, except share numbers)	2004	2003
100,000,000 common shares of $1.00 each	100,000	100,000

Issued share capital:

(in thousands of $, except share numbers)		
Issued 65,612,000 common shares of $1.00 each	65,612	65,612

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 granted options to certain directors and officers of the Company to acquire 400,000 shares at a subscription price of $5.75. These options vested on July 18, 2002 and are exercisable for a maximum period of nine years following the first anniversary date of the grant. The following summarizes the share options transactions relating to this plan:

	Shares		Weighted average
(in thousands of $, except per share data)	2004	2003	exercise price
Options outstanding at January 1	300	400	$5.75
Cancelled during the year	-	(100)	$5.75
Options outstanding at December 31	300	300	$5.75
Options exercisable at:			
December 31, 2003	300		$5.75
December 31, 2004	300		$5.75

There were no options granted in the year ended December 31, 2004 and 2003. The weighted average fair value of 400,000 options granted in 2001 was $1.785, which is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2001
Risk free interest rate	4.39%
Expected life	5 years
Expected volatility	20%

Expected dividend yield	0%

Compensation cost of $nil, $nil and $56,700 has been recognized in the year ended December 31, 2004, 2003 and 2002 respectively, in connection with the grant of the 400,000 options in July 2001. 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.

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 Company authorized 2,000,000 shares to be issued under the scheme, and the number of shares granted under the scheme may not in any ten year period exceed seven per cent of the issued share capital of the Company. No consideration is payable for the grant of an option. As at December 31, 2004 and 2003 no options had been granted under the employee share option scheme.

24. 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 entered into 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 major banking and financial institutions. Credit risk exists to the extent that the counterparties are unable to perform under the contracts.

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	Notional Amount December 31, 2004	Notional Amount December 31, 2003	Maturity Dates	Fixed Interest Rates
(in thousands of $)				
Interest rate swaps:				
Receiving floating, pay fixed	293,707	171,763	2007 - 2014	3.50% to 6.43%

At December 31, 2004, the notional principal amount of the debt outstanding subject to such swap agreements was $293.7 million (2003: $171.8 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. However, the Company incurs expenditure in other currencies. The Company's capital lease obligations and related restricted cash deposits are denominated in British Pounds. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cash flows.

A net foreign exchange gain of $1.5 million arose in the year ended December 31, 2004 (2003: $3.0 million) as a result of the retranslation of our capital lease

obligations and the cash deposits securing those obligations net of the gain on the currency swap referred to below. The net gain arose due to the appreciation of the British Pound against the US Dollar during the year. This net gain represents an unrealized gain and does not therefore materially impact the Company's liquidity. Further foreign exchange gains or losses will arise over time in relation to Golar's capital lease obligations as a result of exchange rate movements. Gains or losses will only be realized to the extent that monies are, or are required to be withdrawn or paid into the deposits securing our capital lease obligations or if the leases are terminated.

In April 2004, the Company entered into a lease arrangement in respect of the Golar Winter, the obligation in respect of which is denominated in GBP. In this transaction the restricted cash deposit, which secures the letter of credit given to the lessor to secure part of Golar's obligations to the lessor, is much less than the obligation and therefore, unlike the Company's other two leases, does not provide a natural hedge. In order therefore to hedge this exposure the Company entered into a currency swap with Lloyds TSB Bank Plc, who is also the lessor, to exchange GBP payment obligations into U.S. dollar payment obligations as set out in the table below. The swap hedges the full amount of the GBP lease obligation and the restricted cash deposit is denominated in U.S. dollars. The Company could be exposed to currency risk if the lease was terminated.

Instrument	Notional Amount December 31, 2004	Notional Amount December 31, 2003	Maturity Dates	Fixed GBP/USD Currency Rate
(in thousands)				
Currency rate swaps:				
Receiving in GBP	GBP 88,011	-	2032	1.838
Pay in U.S.dollar	GBP 161,764	-	2032	-

Fair values
The carrying value and estimated fair value of the Company's financial instruments at December 31, 2004 and 2003 are as follows:

(in thousands of $)	2004 Carrying Value	2004 Fair Value	2003 Carrying Value	2003 Fair Value
Non-Derivatives:				
Cash and cash equivalents	51,598	51,598	117,883	117,883
Restricted cash and short-term investments	41,953	41,953	32,095	32,095
Long-term restricted cash	714,802	714,802	623,179	623,179
Short-term debt - floating	66,457	66,457	61,331	61,331
Long term debt - floating	501,497	501,497	488,904	488,904
Long-term debt - fixed	135,000	133,345	105,000	106,303
Long-term obligations under capital leases	842,853	842,853	616,210	616,210
Derivatives:				
Interest rate swap liability	(15,314)	(15,314)	(20,898)	(20,898)
Foreign currency swap asset	6,656	6,656	-	-

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 are 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 restricted cash is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

The estimated fair value for floating 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 estimated fair value for long-term debt with fixed rates of interest of more than one year is estimated by obtaining quotes for breaking the fixed rate at the year end, from the related banking institution.

The estimated fair values of long-term lease obligations under capital leases are considered to be equal to the carrying value since they bear interest at rates, which are reset on a quarterly basis.

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

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

The mark-to-market gain or loss on Golar's interest rate and currency swaps for the period is reported in the income statement caption "other financial items"(see note 6).

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 Nordea Bank of Finland PLC, Mizuho Corporate Bank, Lloyds TSB Bank plc, The Bank of New York, Bank of Scotland, Canadian Imperial Bank Corporation and Bayerische Landesbank. However, the Company believes this risk is remote as these banks are high credit quality financial institutions.

During the year ended December 31, 2004, two customers accounted for a substantial amount of the total revenues of the company. The Company's revenues and associated accounts receivable are derived from its five time charters with BG Group plc and two time charters with Pertamina. 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 ship owner before Pertamina and the gas sales contracts are with the Chinese Petroleum Corporation and KOGAS. The Company considers the credit risk of BG Group plc and NGSCO to be low.

During the years ended December 31, 2004, 2003 and 2002, BG Group plc and Pertamina each accounted for more than 10% of gross revenue.

During 2002, Pertamina and BG Group plc accounted for revenues of $61.0 million and $68.1 million respectively.

During 2003, Pertamina and BG Group plc accounted for revenues of $61.9 million and $64.8 million respectively.

During 2004, Pertamina and BG Group plc accounted for revenues of $65.6 million and $82.2 million respectively.

25. RELATED PARTY TRANSACTIONS

Greenwich Holdings Limited is indirectly controlled by the Company's chairman, John Fredriksen. During 2001, Golar obtained loans amounting to $85.3 million from Greenwich Holdings Limited, in order to finance instalments due on its newbuildings. The floating interest rate payable on these loans was between

LIBOR plus 2.5 per cent and LIBOR plus 3.0 per cent. Golar repaid loans of $52.6 million in March 2002 and repaid the remaining loans of $32.7 million during 2003.

During 2002, Golar obtained $16.3 million in loan finance from Greenwich Holdings Limited, in order to finance an instalment due on a newbuilding. The floating interest rate payable on the loan was LIBOR plus 2.625 per cent. The loan was repaid in November 2002.

During the years ended December 31, 2003 and 2002 the rate of interest that Greenwich paid to the banks providing the above facilities was LIBOR plus 1.5 per cent until June 11, 2002, thereafter the rate was 1.625 per cent until February 2003 and 2.0 per cent until the loans were fully repaid in August 2003. In the years ended December 31, 2004, 2003 and 2002, the Company paid interest of $nil, $779,000 and $2,275,000, respectively to Greenwich in respect of loan facilities. As at December 31, 2004, 2003 and 2002, $nil, $nil and $169,612 respectively, of the interest due to Greenwich was outstanding.

For each of the loans from Greenwich noted above the Company paid loan arrangement fees directly to the lending banks. These fees during the years ended December 31, 2004, 2003 and 2002 amounted to $nil, $81,756 and $323,250 respectively.

In the years ended December 31, 2004, 2003 and 2002 Frontline Management (Bermuda) Limited and Frontline Management AS both subsidiaries of Frontline Ltd. ("Frontline") have provided services to the Company. These services include management support, corporate services and administrative services. In the years ended December 31, 2004, 2003 and 2002, management fees payable to Frontline of $235,200, $273,547 and $379,550 respectively, have been incurred by Golar. As at December 31, 2004 and 2003 of $nil and $122,079 respectively, were due to Frontline in respect of these fees and costs incurred. In addition, certain amounts have been recharged at cost between both the companies. As at December 31, 2004 an amount of $177,000 (2003: $12,501) was due from Frontline in respect of these recharges. Frontline is a publicly listed company. Its principal shareholder is Hemen Holding Limited, a company indirectly controlled by John Fredriksen.

Seatankers Management Company Limited ("Seatankers") is indirectly controlled by the Company's chairman, John Fredriksen. In the year ended December 31, 2004, 2003 and 2002, Seatankers has provided insurance administration services to the Company. In the years ended December 31, 2004, 2003 and 2002, management fees payable to Seatankers of $35,000, $25,000 and $24,556, respectively, have been incurred by Golar. As at December 31, 2004 and 2003 no amounts were due to Seatankers in respect of these services. In addition, certain amounts have been recharged at cost between both companies. As at December 31, 2004 the Company owed $258,000 to Seatankers (2003: $45,000 due from Seatankers) in respect of these recharges.

During the years ended December 31, 2004, 2003 and 2002, Faraway Maritime Shipping Inc., which is 60% owned by Golar and 40% owned by China Petroleum Corporation ("CPC"), paid dividends totalling $nil, $4.2 million and $25.0 million respectively, of which 60 per cent was paid to Golar and 40 per cent was paid to CPC.

Golar Management held a promissory note executed by Mr. McDonald, an officer of the Company, on April 21, 1998, under which Mr. McDonald promised to pay to Golar Management the principal sum of (pound)20,900 in monthly instalments of (pound)318. The note carried an interest rate of three per cent. Payments under the note commenced in May 1998 and the principal balance as of December 31, 2003 and 2002 was(pound)1,158 and (pound)4,974 or approximately $2,000 and $9,000, respectively. The promissory note was repaid in full during early 2004.

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

26. COMMITMENTS AND CONTINGENCIES

Assets Pledged

(in thousands of $)	December 31, 2004	December 31, 2003
Long-term loans secured on vessels, vessels under capital leases and newbuildings	702,954	655,235

Other Contractual Commitments and contingencies

The Company insures the legal liability risks for its shipping activities with the United Kingdom Mutual Steamship Assurance Association (Bermuda), a mutual protection and indemnity association. 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.

27. SUBSEQUENT EVENTS

In January 2005, the Company signed a loan agreement with Bank of Scotland for the purpose of financing its newbuilding hull number 1460 (Golar Viking) ("the Golar Viking facility") for an amount of $120.0 million. The facility bears floating rate of interest of LIBOR plus a margin, has an initial term of five years and is repayable in 20 quarterly installments commencing in April 2005 and a final balloon payment of $100 million. In January 2005, the Company also took delivery of the Golar Viking and the final delivery installment of $91.7 million was settled by drawing down on the Golar Viking facility.

In January 2005, the Company announced that it was to reorganize its technical fleet operations. The Company has entered into management contracts with two established third party ship managers in Singapore and Oslo to assist with the day-to-day operations of the Company's eleven LNG carriers. The restructuring has resulted in approximately 25 Golar employees being made redundant at a cost of approximately $1,054,000, the cost of which has been expensed in the first quarter of 2005.

In February 2005, the Company, through market purchases, acquired 50,000 Golar shares at NOK 85.22 per share. The shares were cancelled and resulted in a reduction of total outstanding shares of the Company to 65,562,000.

In February 2005, the Company invested $3.0 million in TORP Technology AS, giving it ownership of 16.1 per cent of the share capital of the company. TORP Technology is an unlisted company, which holds the rights to the HiLoad LNG Re-gasification Technology developed by Remora Technology.

In March 2005, a subsidiary of the Company, Golar Gas Holding Company Inc., entered into a refinancing transaction in respect of the New Golar LNG Facility and the New Golar LNG subordinated facility. The new first priority loan ("Golar Gas Holding Facility") is for an amount of $300 million. The total amount outstanding at the time of refinancing was $242.3 million. The loan accrues floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan has a term of 6 years and is repayable in 24 quarterly installments and a final balloon payment of $79.4 million payable on April 14, 2011.

In April 2005, the Company signed a lease agreement in respect of its newbuilding, hull number 2226. The anticipated date of delivery is January 2006. Under the agreement Golar will receive a total amount of $150 million, before fees and expenses, of which $47 million was received in April 2005 with the remainder due on delivery of the vessel. Golar's obligations to the lessor under the lease are secured by (inter alia) a letter of credit provided by another UK bank (`the LC bank') as security for the letter of credit. In April 2005, Golar deposited $45 million with the LC bank as security for the letter of credit. The effective amount of net financing is therefore $105 million, before fees and expenses.