



ANNUAL FINANCIAL REPORT 2011

Njord Gas Infrastructure AS

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Board of Director's report 2011

We are pleased to present the 2011 annual financial report for Njord Gas Infrastructure AS ("the Company").

About Njord Gas Infrastructure AS

The Company's main business is long-term investment in gas infrastructure serving the Norwegian continental shelf. The Company is a Norwegian private limited liability company headquartered in Stavanger, Norway, wholly owned by Njord Gas Infrastructure Holding AS.

The Company's reporting currency is Norwegian Kroner (NOK). Foreign currency transactions are translated at market rates.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Business activities

On 9 June 2011, the Company issued four series of bond loans which are listed on the Oslo Stock Exchange.

On 16 June 2011, the acquisition of an 8.036% interest in Gassled, an unincorporated joint venture gas pipeline business (the "Joint Venture"), was completed.

Going concern

In accordance with the Norwegian Accounting Act section 3-3, the Board confirms that the conditions for continued operations as a going concern are present and that the annual financial statements have been prepared under this presumption.

Income statement and statement of financial position

Operating revenue for the year amounted to NOK 1,151 million (2010: nil). Operating profits for the year amounted to NOK 716 million (2010: loss of NOK 2 million).

Net financial expense of NOK 291 million (2010: nil) mainly relates to cost associated to the Company's bonds and associated swaps. The Board has evaluated that mitigating the underlying economic risk relating to cash flows as being of high importance to its stakeholders and expects that by synchronizing its debt service with its revenue base, the swapped position provides an effective hedge for the Company's overall cash flow position. However, the concept of using swaps to convert the three nominal bond series into a synthetic NOK denominated inflation linked bond as further outlined in Note 8 of the financial statements, creates an accounting mismatch that in the current year adversely impacts the Company's net financial results.

The Company's tax expense for 2011 was NOK 459 million (2010: nil). The effective tax rate for the year (108%) was higher than the corporate tax rate (28%) plus the petroleum tax rate (50%) at 78% mainly due to relatively more revenue than expense qualifying for the petroleum tax element as well as depreciation of permanent differences, partly offset by the uplift.

Net loss for the year amounted to NOK 34 million (2010: loss of 2 million).

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At 31 December 2011, total assets amounted to NOK 6,441 million (2010: NOK 14 million), of which the investment in Gassled amounted to NOK 4,856 million (2010: NOK 14 million). Cash and cash equivalents amounted to NOK 552 million (2010: nil).

The differences in comparable figures from 2010 relate to the acquisition of the 8.036% interest in Gassled which for accounting purposes became effective on 1 June 2011 and to related operational and financial activities.

Capital and financing

Net cash flow for 2011 was positive NOK 552 million. Cash flow from operating activities amounted to NOK 415 million. Cash flow to investing activities amounted to NOK 4,715 million and cash flow from financing activities amounted to NOK 4,851 million. A detailed cash flow statement is included in the financial statements.

On 9 June 2011, the Company issued four series of bond loans which are listed on the Oslo Stock Exchange. The bonds are at the date of this report rated 'A-' by Standard & Poor's. The bonds were issued to part finance the Gassled acquisition and mature in 2027. The various bond series comprise a NOK 300 million index linked tranche, a NOK 550 million nominal tranche, a GBP 165 million nominal tranche and a USD 265 million nominal tranche.

Through the Company's investment in Gassled, it receives an inflation adjusted revenue stream which is mainly NOK denominated. In order to synchronize its debt service to its revenue base, the Company entered into three swap arrangements to exchange its nominal debt liabilities into a NOK denominated inflation linked debt service. These swap arrangements match the structure of the bonds perfectly and are expected to provide an effective hedge of the currency and cash flow risks underlying the nominal bond series.

On 11 April 2011, the Company entered into loan agreements with its shareholders with total proceeds of USD 21 million and EUR 3 million respectively. In addition, in the interim period between the completion date of the acquisition of the interest in Gassled and the release of the proceeds under the four series of bond loans, the Company entered into loan agreements with its shareholders for total proceeds of USD 107 million, NOK 354 million, and EUR 17 million. On 11 August 2011, shareholder loans of USD 128 million and EUR 20 million were repaid including incurred interest. In October, the Company made a partial repayment of NOK 98 million on the NOK shareholder loan. At balance sheet date, shareholder loans including accrued interest of NOK 260 million remained outstanding.

On 3 February 2011, the Company carried out a share issue with total proceeds of NOK 6 million. On 3 June 2011, the Company carried out a share issue with total proceeds of NOK 893 million. The shares in both issues were subscribed at par value by the Company's only existing shareholder; Njord Gas Infrastructure Holding AS.

Risk management and internal control

The Board of Directors shall ensure that the Company has good internal control functions and appropriate systems for risk management tailored to its operations and in accordance with the Company's core values, ethical guidelines and social responsibility policy. A review of the Company's most important risk areas and its internal control functions is conducted by the Board at minimum on an annual basis.

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The Board has established three sub-committees to assist the Board to meet its responsibilities in relation to specific areas:

Health, Safety & Environment Committee ('HSEC')

The HSEC reviews the Company's HSE performance and the effectiveness of the health safety policy and environment policy in order to assist the Board to meet its oversight responsibilities in relation to the Company's health, safety and environment performance.

Audit & Risk Committee ('AC')

The AC reviews the effectiveness of the Group's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks in order to assist the Board to meet its oversight responsibilities in relation to the Group's financial reporting, internal control, risk management and legal and regulatory compliance.

The auditor meets with the AC without any member of the Company being present at least once each year.

Human Resources & Compensation Committee ('HRC')

The HRC reviews the Company's remuneration policies and practices and oversees the organizational development and practices in order to assist the Board in ensuring the establishment of human resources and compensation policies and practices which is fair, responsible and create value for the owners.

Risks

The Company's activities expose it to a variety of financial risks, including market risks, credit risks and liquidity risks. The Company's risk management program includes focusing on the unpredictability of financial markets and seeks to minimize potential adverse effects of such risks on its financial performance. The Company will therefore continue to manage its currency and cash flow exposures through certain derivative financial instruments for its long term exposures in accordance with market practice and to maintain flexibility in its liquidity base by keeping committed credit lines available.

The Company was incorporated on 25 January 2010 and has a limited operating history. The acquisition of the ownership share in Gassled was completed in June 2011. Most of the Gassled assets are mature assets with a long operation history and stable management by Gassco. However, no assurance can be given that this trend will continue or that future results will correspond to the previous performance of the Gassled assets. Although the Company has taken out insurances against certain risks and losses, not all operating risks are insurable and the coverage is subject to exclusions and limitation. The occurrence of any events that affect Gassled operations and are not fully covered by insurance could have a material adverse effect of the Company's financial condition.

The Company has no significant assets except for those relating to the ownership share in Gassled. The operations, licenses and tariff system of Gassled are regulated by the Norwegian Ministry of Petroleum. The tariff regulations are designed to cover actual operating costs and capital costs for the facilities as well as a reasonable return on capital invested. The Norwegian government has for over 20 years maintained stable and predictable framework conditions for the oil and gas industry, but no guarantee can be given that the framework and/or the tariff basis will remain unchanged. A significant decrease in future bookings and/or

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an adverse change to the regulatory system under which Gassled operates may significantly reduce the Company's future cash flows.

While the regulatory framework seeks to preserve the income of each Gassled participant in the event that it does not invest in additions of new gas transport assets into Gassled, there can be no assurance that such additions will not affect the Company's income. The Company may require additional capital in the future due to unforeseen events, for participation in expansion projects to the Gassled pipeline system and/or other business opportunities that may be presented to it.

The clients of the Joint Venture are generally oil companies with a strong financial basis, but – as with suppliers and customers in general – there is always a risk that unforeseen financial difficulties or contractual disagreements may arise which could have adverse effects on the financial condition of the Company.

Health, safety and environment

At the date of this report, the Company has six employees. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment occurred in 2011.

There was no sick leave during the year and the working environment is considered good. The Board and the management continue to focus on equal positions and opportunities for men and women among its employees and Board members. 50% of the employees are women. At present there are no female members of the Board of Directors.

External environment

The Company together with its Joint Venture partners works actively on measures that can reduce any negative impact on the environment.

Annual results and year-end appropriations

The Board proposes the following appropriation of the annual loss of NOK 34,721,438 in Njord Gas Infrastructure AS:

Loss transferred from other equity:	NOK 34,721,438
Total appropriation:	NOK 34,721,438

At balance sheet date, the Company had total equity of NOK 877,635,822 of which none were unrestricted.

Stavanger, 27 April 2012
The Board of Directors of Njord Gas Infrastructure AS



Tore I. Sandvold
Chairman



Gautier M.J.F. Chatelus
Director



Paul J. Moy
Director



Mark A. Gilligan
Director



Dan-Jarle Flølo
CEO

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Income statement

<i>NOK thousands</i>	Note	Year ended 31 December 2011	Period ended 31 December 2010
Transportation and processing revenue	5	1 150 762	0
Operating expense			
Transportation and processing expense		-256 298	0
Depreciation	10	-164 507	0
Employee benefit expense	6	-2 119	0
Other operating expense	7	-12 112	-2 045
Total operating expense		-435 036	-2 045
Net operating income/(loss)		715 726	-2 045
Net financial income/(expense)	8	-291 248	7
Net income/(loss) before taxes		424 478	-2 038
Income tax (expense)/credit	9	-459 199	0
Net income/(loss) for the period		-34 721	-2 038

Statement of comprehensive income

<i>NOK thousands</i>	Year ended 31 December 2011	Period ended 31 December 2010
Net income/(loss) for the period	-34 721	-2 038
Total comprehensive income/(loss)	-34 721	-2 038

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Statement of financial position

<i>NOK thousands</i>	Note	As at 31 December 2011	As at 31 December 2010
Assets			
<i>Non-current assets</i>			
Gas transportation and processing facilities	10	4 718 391	14 138
Buildings	10	124 939	0
Construction in progress	10	12 630	0
Other fixtures & equipment	10	368	0
Asset retirement reimbursement	11	368 175	0
Other financial assets	12	393 127	0
Loan to parent company	19	110	0
Total non-current assets		5 617 739	14 138
<i>Current assets</i>			
Asset retirement reimbursement	11	30 450	0
Trade and other receivables	13	240 648	0
Cash and cash equivalents	14	551 717	187
Total current assets		822 815	187
Total assets		6 440 555	14 326
Equity and liabilities			
<i>Equity</i>			
Share capital	15	914 395	100
Retained earnings		-36 759	-2 038
Total equity		877 636	-1 938
Not registered capital		0	15 000
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Deferred tax liabilities	9	104 074	0
Loan from parent company	19	0	111
Shareholder loans	16/18	259 531	0
Bond loans	16/18	4 131 394	0
Asset retirement obligation	11	369 858	0
Total non-current liabilities		4 864 856	111
<i>Current liabilities</i>			
Asset retirement obligation	11	30 450	0
Current taxes	9	298 707	0
Other financial liabilities	12	43 212	0
Bond loans	16/18	207 260	0
Trade and other payables	17	118 434	1 153
Total current liabilities		698 063	1 153
Total liabilities		5 562 919	1 263
Total equity and liabilities		6 440 555	14 326

Stavanger, 31 December 2011/27 April 2012
The Board of Directors of Njord Gas Infrastructure AS



Tore I. Sandvold
Chairman



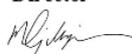
Gautier M. J. F. Chatelus
Director



Dan-Jarle Flølo
CEO



Paul J. Moy
Director



Mark A. Gilligan
Director

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Statement of changes in equity

<i>NOK thousands</i>	Nominal share capital	Retained earnings	Total equity
Total equity at incorporation 25 January 2010	100	0	100
Total comprehensive income/(loss), period	0	-2 038	-2 038
Total equity as at 31 December 2010	100	-2 038	-1 938

<i>NOK thousands</i>	Nominal share capital	Retained earnings	Total equity
Total equity as at 1 January 2011	100	-2 038	-1 938
Total comprehensive income/(loss), year	0	-34 721	-34 721
Increase in share capital (1)	914 295	0	914 295
Total equity as at 31 December 2011	914 395	-36 759	877 636

(1) Proceeds of NOK 15,000 thousands was received in 2010 for share capital not registered until 2011

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Statement of cash flow

<i>NOK thousands</i>	Note	Year ended 31 December 2011	Period ended 31 December 2010
<i>Cash flows from operating activities</i>			
Net income/(loss) before taxes		424 478	-2 038
Depreciation	10	164 507	0
Foreign exchange and other gains and losses		296 359	0
Changes in trade and other receivables	13	-299 685	0
Changes in trade and other payables	17	166 633	1 153
Tax payments	9	-338 510	0
Net cash flow used in operating activities		415 464	-885
<i>Cash flows from investing activities</i>			
Investment costs - acquisition of joint venture	4/10	-4 639 170	-14 138
Investment in property plant and equipment	10	-75 751	0
Net cash flow used in investing activities		-4 714 920	-14 138
<i>Cash flows from financing activities</i>			
Proceeds from increase in capital	15	899 295	100
Proceeds from issue of capital, not registered	15	0	15 000
Proceeds from issue of bond loans, net of costs	16/18	3 712 504	0
Proceeds from issue of shareholder loans	16/18	1 196 461	0
Repayment of shareholder loans	16/18	-957 054	0
Loan to parent company	19	-110	0
Loans from parent company	19	0	111
Repayment of loan from parent company	19	-111	0
Net cash flow used in financing activities		4 850 985	15 211
Net change in cash and cash equivalents		551 529	187
Cash and equivalents at start of the period		187	0
Cash and equivalents at end of the period	14	551 717	187
Interest paid		-74 739	0

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Notes to the accounts

Note 1 - General information

Njord Gas Infrastructure AS (“the Company”) is a limited liability company incorporated and domiciled in Norway, with its main office in Stavanger. The Company holds an 8.036% interest in Gassled, which owns the Norwegian gas transport infrastructure.

The Company’s presentation currency is Norwegian Kroner (“NOK”). All amounts in the financial statements are stated in NOK thousands unless stated otherwise.

The financial statements were authorized for issue by the Board of Directors on 27 April 2012.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis for preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis with some exceptions, as detailed in the accounting policies set out below.

2.2 Investments in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control. The Gassled joint venture (the “Joint Venture”) is not a separate legal entity. However, the ownership of the integrated set of assets and liabilities is regulated by a contractual agreement giving the Company the rights to its share of the respective assets and liabilities.

The Company has accounted for the investment in Gassled as an asset acquisition based on the “joint control” concept under IAS 31. The Company’s view is that no individual partner can be considered to control the assets.

Interests in jointly controlled assets are recognized by including the Company’s share of assets, liabilities, income and expense on a line-by-line basis. At balance sheet date, the interest in the joint venture is included in the following lines in the statement of financial position; gas transportation and processing facilities, buildings, construction in progress and other fixtures & equipment, in addition to working capital assets and liabilities.

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2.3 Foreign currency

The functional currency of the Company is NOK. Monetary assets and liabilities denominated in other currencies are translated at exchange rates prevailing at balance sheet date. Foreign currency revenues and expenses are translated at exchange rates prevailing at transaction date. Realized and unrealized gains and losses resulting from foreign exchange are recognized in the income statement as incurred.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over expected useful life. If individual parts of property, plant and equipment have different useful lives they are accounted for and depreciated separately.

2.5 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether any indication of impairment exists. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

2.6 Asset retirement obligation

Provisions for asset retirement obligations are recognized when the Company has an obligation (legal or constructive) to dismantle and remove gas transportation and processing facilities. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

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In accordance with underlying agreements, the majority of the future asset retirement costs will be reimbursed from the companies utilizing the gas transportation system for transportation of gas (the ‘Shippers’). To the extent that an asset retirement obligation recognized in the balance sheet may be reclaimed by the Shippers, it will therefore result in a corresponding receivable from the Shippers. Any part of the provision for asset retirement obligations that are to be borne by the Company is capitalized as a part of the asset cost and depreciated over the assets expected useful life.

The liability and the corresponding receivable are accreted for the change in its present value each reporting period. Accretion expense and income related to the time value of money are classified as part of financial expense and are presented net in the income statement.

The provision and the discount rate are reviewed at each reporting period.

2.7 Financial instruments at fair value through profit or loss

Derivatives

Derivative instruments are classified as financial assets or liabilities at Fair Value Through Profit or Loss (“FVTPL”). The carrying value of derivative instruments at FVTPL represents the instrument’s fair market value. Any gains or losses arising on re-measurement recognized in the income statement as incurred.

The net gain or loss recognized in profit or loss incorporates transaction cost and interest expense incurred on the financial liability.

2.8 Financial assets

Short term receivables are initially recognized at fair value plus any transaction costs. The receivables are subsequently carried at amortized cost using the effective interest method (if the amortization effect is material). The carrying amount of the asset is reduced by any impairment losses.

2.9 Financial liabilities

Financial liabilities, other than those recognized at FVTPL, are initially recognized at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortized cost with any difference between cost and redemption being recognized in the statement of income over the expected duration of the loan.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from gas transportation and gas processing is recognized as earned in line with underlying agreements.

2.12 Taxes

Income taxes for the period comprise tax payable and changes in deferred tax. The tax rates and tax laws used to compute tax are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

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Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realized or the liabilities are settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

2.13 Segment reporting

The Company only operates within one business segment and one geographical area and therefore does not report segment information.

2.14 Cost of equity transactions

Transaction costs directly linked to an equity transaction are recognized directly in equity, net after tax.

2.15 Cash flow statement

The cash flow statement is prepared by using the indirect method.

2.16 New and amended standards and interpretations

The following new and amended standards and interpretations are effective for the accounting periods starting 1 January 2011, but the adoption did not have any impact on the Company's financial statements:

- IAS 24 Related party transactions (amendment)
- IAS 32 Financial instruments: Presentation (amendment)
- IFRIC 14 Prepayments of a minimum funding requirement (amendment)
- IFRIC 19 Extinguishing financial liabilities with equity instruments
- Improvements to IFRS, issued May 2010

IFRS and IFRIC issued but not adopted by the Company

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company are listed below. Except for the amendment to IFRS 7 none of the items below has yet been adopted by EU.

It is assessed that none of the standards, amendments and interpretation to existing standards will have material impact on the financial statements as they currently are presented, however they may have impact in the future.

IAS 1 Financial statement presentation – Presentation of items of other comprehensive income (amendment)

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment may affect presentation only and

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therefore has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income taxes – Recovery of underlying assets (amendment)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee benefits (amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate financial statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in associates and joint ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 - Amendment: Offsetting financial assets and financial liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Financial instruments: Disclosures - enhanced de-recognition disclosure requirements (amendment)

The amendment requires additional disclosure about financial assets that have been transferred but not de-recognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been de-recognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in de-recognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those de-recognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

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IFRS 7 Financial instruments - amendment: New disclosure requirements - Offsetting of financial assets and financial liabilities

The IASB has introduced new disclosure requirements regarding the effect of netting arrangements. The amendment becomes effective for annual periods beginning on or after 1 July 2013.

IFRS 9 Financial instruments: Classification and measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. According to IASB the standard is effective for annual periods beginning on or after 1 January 2013. EU has not yet decided on effective date. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Company's financial assets and financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated financial statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Ventures*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Currently it is assessed that the application of this new standard not will impact the financial position of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of involvement with other entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping cost in the production phase of a surface mine

IFRIC 20 is not relevant for the financial statements of the Company.

Note 3 – Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under current circumstances.

i. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Income taxes

The Company is mainly subject to income taxes under the Norwegian Petroleum Tax jurisdiction. Judgment is required in determining the provision for income taxes. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The accounting of deferred income tax asset relies upon management's judgment of the Company's ability to generate future positive taxable income in each respective jurisdiction.

Removal cost

Estimating the costs of decommissioning/removal activities are challenging and relevant risks and uncertainties as well as potential changes to technology and regulations need to be considered. Most of the removal activities are expected to take place many years into the future and removal technology and cost are constantly changing. The estimates include assumptions of both required duration and rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, estimating decommissioning obligations involves significant judgment.

The Company has based its estimated cost on indicated cost expectations prepared by the operator of Gassled. The discount rate is based on market quoted swap rates for each currency group and additionally includes an estimate for inflation and a risk premium. The estimates for inflation are based on management's best estimate. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the provisions in the period in which such determination is made. The obligations may be reclaimed by the Shippers (ref. Note 2.6), and any potential changes to the provisions will therefore not impact the income statement.

Fair value of bond loans and derivative financial instruments

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. The Company uses FVTPL to account for its nominal bond loan series and related swap instruments. Due to the terms and structure of the derivatives and the bond loan, the measurement of fair value is complex, and requires substantial judgment.

The Company calculates the fair value of its FVTPL financial instruments by applying conventional bond and swap valuation techniques based on market quoted swap rates and

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management's best estimate of market expectations for future inflation. Changes in the combined fair values of the bonds and swaps are impacted by changes in Norwegian interest rate and changes in expectations for future Norwegian consumer price inflation ("CPI"). The fair value of the nominal bond loan series may additionally be impacted by changes to assumed credit risk. For 2011, none of the fair value loss on the bond is attributable to changes in credit risk. The estimated loss position of the swaps at inception is recognized as a financial asset and amortize linearly until maturity date.

i. Critical judgments in applying the Company's policies

Assumptions applied for the purpose of estimating the fair value of the Company's nominal bond loan series and related swaps include expectations for future Norwegian interest rate and future CPI. For the swapped position of the Company, an increase in Norwegian interest rates will have a favorable impact on the Company's income statement. An increase in CPI will have an adverse impact on the Company's income statement. For example:

If expectations for future Norwegian interest rates (all other variables held constant) at 31 December 2011 had been:

- 50bps higher, then profit before tax would have been NOK 157.9 million higher.
- 50bps lower, then profit before tax would have been NOK 166.6 million lower.

Management's estimate of CPI as applied in relation to these financial statements is 1.75%. *If expectations for future CPI (all other variables held constant) at 31 December 2011 had been:*

- 25bps higher, then profit before tax would have been NOK 77.4 million lower.
- 25bps lower, then profit before tax would have been NOK 75.8 million higher.
- 50bps higher, then profit before tax would have been NOK 156.5 million higher.
- 50bps lower, then profit before tax would have been NOK 150.0 million lower.

Note 4 - Acquisition of interest in Gassled

On 16 June 2011, the Company completed its acquisition of an 8.036% interest in Gassled, the Norwegian offshore gas transmission system, from ExxonMobil and Production Norway AS.

As further described in the accounting principles, it is assessed that this transaction does not represent a business combination, and it is therefore treated as an asset purchase. The consideration and transaction costs have consequently been allocated between identifiable assets acquired and liabilities incurred.

Assets and liabilities recognized at acquisition comprise i) gas transportation and processing facilities, ii) buildings, iii) other fixtures & equipment, iv) construction in progress as well as working capital interests.

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Note 5 - Segment information

The Company operates within one business segment; namely its investment in gas the transportation infrastructure connected to the North Sea. The Company does therefore not separate its activities into different operating or geographical segments.

Specification of major customers

Approximately 73% of the Company's revenue in 2011 was from a national oil company with investment grade credit rating. Estimated total revenue attributable to this customer during 2011 was NOK 842 million.

Note 6 - Employee benefit expense

Specification of employee expense

<i>NOK thousands</i>	2011	2010
Payroll expense	1 659	0
Social security tax	246	0
Pensions	153	0
Other personnel expense	61	0
Total employee benefit expense	2 119	0

Total number of man-years (rounded)	1	0
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Pensions

The Company has a defined contribution pension plan for its employees, which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

See information in Note 19 "Related parties" regarding remuneration of key management.

Note 7 - Other operating expense

Specification of other operating expense

<i>NOK thousands</i>	2011	2010
Legal fees	1 010	0
Consulting fees/temporary staff ¹⁾	8 486	1 679
Lease expenses and other office costs	540	0
IT expense	366	0
Recruiting costs	996	0
Other operating expense	713	366
Total operating expense	12 112	2 045

(1) See Note 19 "Related parties" disclosure

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Specification of auditor's fees

<i>NOK thousands</i>	2011	2010
Statutory audit	228	0
Other assurance services	11	0
Tax advisory services	0	0
Other advisory services	47	0
Total auditor's fees (incl. VAT)	286	0

Note 8 - Finance income and expense

<i>NOK thousands</i>	2011	2010
Interest income	7 569	7
Net gain on derivative instruments (swaps)	349 810	0
Net currency translation effects	373	0
Total finance income	357 752	7
Interest expense	32 109	0
Fair value loss on bond loans at FVTPL	589 309	0
Other financial expenses	27 581	0
Total finance expense	649 000	0
Net financial income/(expense)	-291 248	7

The majority of the Company's revenues are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt exposure to its cash flows from operations (ref. Note 18), the Company has entered into three series of swap arrangements (ref. Note 12). Each series of swaps replicate perfectly the three nominal bond series so that the Company effectively has swapped all of its nominal bond positions into a NOK denominated inflation linked position.

It is the management's expectation that the concept of converting the three nominal bond series into a synthetic NOK denominated inflation linked position provides an effective hedging of the Company's overall cash flow position. However, the synthetic position creates an accounting exposure/mismatch that is distinct and separate from the underlying economic exposure of the Company and that would not arise for a conventional NOK denominated inflation linked bond position recognized at amortized cost.

Market expectations for swap rates have reduced over the period since inception which in the current year causes a net adverse impact on the Company's financial statements, although it does not reflect the underlying exposure of the Company's operations overall. This is due to the FVTPL approach applied for the recognition of the bonds and swaps which requires the Company to value the financial instruments marked-to-market. The full unrealized change in fair value of the financial instruments is recognized in the income statement immediately. In reality however, those exposures are matched against the operating cash flows which will be recognized in the income statement as incurred.

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Note 9 - Current taxes

Income taxes recognized in the income statement

<i>NOK thousands</i>	2011	2010
Tax payable	355 125	0
Change in deferred tax	104 074	0
Total income tax expense recognized in the income statement	459 199	0

Reconciliation of income tax

<i>NOK thousands</i>	2011	2010
Profit/(loss) before income tax	424 478	-2 038
Expected income tax at nominal tax rate (28%)	118 854	-571
Expected petroleum tax (50%)	212 239	-1 019
Permanent differences	55 899	0
Financial items	130 457	-4
Onshore items	-37 501	0
Uplift	-19 897	0
Change in valuation allowance and changes related to prior years	-851	1 593
Total income tax expense recognized in the income statement	459 199	0
Effective income tax rate	108.2 %	0.0 %

Specification of tax effects on temporary differences, tax losses and uplift carried forward

<i>NOK thousands</i>	2011	2010
Property, plant and equipment	136 241	0
Loans and swap contracts	-24 597	0
Tax losses carried forward	-7 570	-1 593
Total deferred tax liabilities/(assets)	104 074	-1 593
Valuation allowance for deferred tax assets	0	1 593
Total deferred tax assets/(liabilities) recognized	104 074	0

Deferred tax is calculated based on tax rates applicable at balance sheet date. Ordinary income tax is 28%, to which is added a special petroleum tax for oil and gas companies at the rate of 50%, giving a total tax rate of 78%.

Tax payable

<i>NOK thousands</i>	2011	2010
Tax payable recognized on acquisitions (1)	282 092	0
Tax payable recognized in the income statement	355 125	0
Tax paid	-338 510	0
Total tax payable	298 707	0

(1) The tax payable recognized on acquisition relates to the activity from the investment in Gassled in the period 1 January - 31 May 2011. The effective date for tax purposes for the investment was 1 January 2011, while the transaction date for accounting purposes was 1 June 2011.

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Note 10 - Property, plant and equipment

<i>NOK thousands</i>	Gas transportation and processing facilities	Buildings	Constructio n in progress	Other fixtures & equipment	Total
Cost					
Cost at 1 January 2011 (1)	14 138	0	0	0	14 138
Additions through acquisition of interest in Gassled	4 797 445	124 758	8 743	0	4 930 946
Additions since acquisition of interest	67 103	4 388	3 887	373	75 751
Disposals	0	0	0	0	0
Cost at 31 December 2011	4 878 685	129 146	12 630	373	5 020 835
Depreciation and impairment					
Accumulated at 1 January 2011	0	0	0	0	0
Depreciation for the year	-160 295	-4 207	0	-6	-164 507
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated at 31 December 2011	-160 295	-4 207	0	-6	-164 507
Carrying amount at 31 December 2011	4 718 391	124 939	12 630	368	4 856 328
Depreciation plan	Linear	Linear	Linear	Linear	
Estimated useful life (years)	17.6 (2)	17.6 (2)	17.6 (2)	17.6 (2)	

(1) In 2010, incurred acquisition related costs were capitalized pending the completion of the acquisition

(2) Depreciation over 17.6 years corresponds to the end of the current license periods

Planned investments

The figures in the table below are based on the Company's share of the investments in the four year plan of the Joint Venture. The amounts are based on estimated cost and time for non-discretionary projects and do not necessarily represent committed liabilities.

<i>NOK thousands</i>	2012	2013	2014	2015
Investments	196 000	171 000	99 000	75 000

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Note 11 - Asset retirement obligation and reimbursement

Provisions have been made for estimated costs for abandonment of gas transportation assets and processing facilities. However, in line with underlying agreements, the majority of these expected future expenses are reimbursable by the users of the system; the Shippers. This is reflected in the financial statements by the recognized reimbursement assets that correspond to the recognized liabilities (to the extent applicable).

The expense in relation to asset retirement is expected to incur over the next 40 years.

<i>NOK thousands</i>	2011	2010
Asset retirement reimbursement, non-current	368 175	0
Asset retirement reimbursement, current	30 450	0
Total asset retirement reimbursement	398 625	0

<i>NOK thousands</i>	2011	2010
Asset retirement obligation	368 175	0
Asset retirement obligation (1)	1 683	0
Total non-current asset retirement obligation	369 858	0
Asset retirement obligation	30 450	0
Total current asset retirement obligation	30 450	0
Total provision, asset retirement obligation	400 308	0

(1) The non-reimbursable portion of the provision is recognized as an asset cost (ref. Note 10)

Note 12 - Other financial assets

<i>NOK thousands</i>	2011	2010
Fair value on derivative financial instruments	170 537	0
Loss on derivative instruments at inception	179 377	0
Less current position (a net liability)	43 212	0
Other financial assets	393 127	0

The Company has entered into a series of swap arrangements that are matched perfectly to each nominal bond tranche (timing, payment structure, maturity) so that the Company effectively has exchanged its economic exposure to local currency denominated nominal debt service for NOK denominated inflation linked debt service (see table on following page).

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Bond loan/swaps	Company pays to swap providers	Company receives from swap providers	Maturity
USD nominal	NOK inflation linked interest and principal	USD nominal interest and principal	30 Sept. 2027
GBP nominal	NOK inflation linked interest and principal	GBP nominal interest and principal	30 Sept. 2027
NOK nominal	NOK inflation linked interest and principal	NOK nominal interest and principal	30 Sept. 2027

The purposes of the swap arrangements

1) Reduce bond loan currency risk

After taking into account the swaps, the Company is only exposed to debt service in NOK so that its debt service obligations are not impacted by movements in USD and GBP versus the NOK.

2) Match debt service with the NOK inflation linked cash flows of Gassled

Through the Company's investment in Gassled, it receives an inflation adjusted revenue stream that is mainly NOK denominated. By entering into the swap arrangements, the Company has effectively exchanged its nominal bond debt liabilities (NOK nominal bond loan, USD nominal bond loan, GBP nominal bond loan) for NOK denominated inflation linked debt service to match the underlying inflation linked NOK denominated cash from operations.

Loss on derivative instruments at inception

The fair value of the swap contracts has been calculated by valuation techniques that incorporate all factors that market participants would consider in setting a price. At initial recognition the best estimate of a fair value gave rise to a loss at inception of NOK 186,056 thousands. Consistent with IAS 39, this loss is not recognized in the income statement at initial recognition. The loss at inception is capitalized, and will be reflected in the income statement on a linear basis over the duration of the swaps. The remaining balance of the loss at inception was NOK 179,377 thousands at balance sheet date.

The loss reflects credit charges from the swap counterparties and the fact that there is a limited market for such transactions.

Note 13 - Trade and other receivables

<i>NOK thousands</i>	2011	2010
Trade receivables	168 750	0
Working capital, Joint Venture	47 973	0
Prepaid expenses	23 925	0
Trade and other receivables	240 648	0

Trade receivables

All of the Company's trade receivables are receivable from solid oil and gas companies. No allowance for doubtful debts has been made, and no loss has been recognized during the year. Trade receivables are non-interest bearing.

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Age of receivables

	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days	> 90 days
2011	168 750	168 750	0	0	0	0

Note 14 - Cash and cash equivalents

<i>NOK thousands</i>	2011	2010
Bank deposits - NOK	551 546	187
Bank deposits - USD	2	0
Bank deposits - EUR	163	0
Bank deposits - GBP	6	0
Cash and cash equivalents	551 717	187

Restricted cash included in the above:

Customary withholding tax in relation to employee benefits	211	0
Debt service requirements	198 803	0

All cash and cash equivalents are bank deposits.

Note 15 - Share capital

<i>Movements in share capital</i>	Number of shares	Share capital (NOK thousands)
Issued at incorporation, 25 January 2010	1 000	100
End balance at 31 December 2010	1 000	100
Capital increase during the year (1)	9 142 950	914 295
End balance at 31 December 2011	9 143 950	914 395

(1) Proceeds of NOK 15,000 thousands was received in 2010 for share capital not registered until 2011

The share capital is denominated in NOK, and the nominal value per share as of 31 December 2011 was NOK 100. All issued shares are of equal rights. No potential shares, such as share options, were issued as of 31 December 2011.

Shareholders as of 31 December 2011

	Shares	Ownership
Njord Gas Infrastructure Holding AS	9 143 950	100 %
Total number of shares	9 143 950	100 %

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Dividends paid and proposed

No dividend was paid in 2011, and no dividend has been proposed as at the date of authorization of the financial statements.

Note 16 - Shareholder loan and bond loans

To finance the acquisition of the interest in Gassled, the Company has entered into several loan agreements. The bond loans were issued on 9 June 2011 and were listed on the Oslo Stock exchange on 20 June 2011. Interest is paid semi-annually. The table below summarizes the contracts, and the carrying amounts are provided in Note 18.

Loan	Nominal amount	Interest rate	Maturity	Category
NOK real bond loan (1)	NOKm 300	4.3000%	30 Sept. 2027	Amortized cost
NOK nominal bond loan (2)	NOKm 550	6.1525%	30 Sept. 2027	FVTPL
GBP nominal bond loan (3)	GBPm 165	5.2410%	30 Sept. 2027	FVTPL
USD nominal bond loan (4)	USDm 265	5.1000%	30 Sept. 2027	FVTPL
NOK shareholder loans	NOKm 254.6	6.0000%	30 Sept. 2028	Amortized cost

(1) *Series 1 - NOK Index Linked Bond Issue 2011/2027 - ISIN NO 001 060768.2*

(2) *Series 2 - NOK Senior Secured Bond Issue 2011/2027 - ISIN NO 001 060769.0*

(3) *Series 3 - GBP Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061111.4*

(4) *Series 4 - USD Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061112.2*

Guarantee

Njord Gas Infrastructure Holding AS, the parent company, has provided a guarantee for all of the Company's obligations and liabilities under the Company's loan arrangements.

Assets pledged as security

The Company has entered into market conventional security arrangements in relation to its lenders and swap providers on a first priority basis over its assets; inter alia its ownership share in Gassled and related insurances and receivables. The carrying values of the secured assets were NOK 6.4bn at balance sheet date.

Undrawn credit facilities

The Company has available to it, subject to customary conditions precedent, a NOK 250 million revolving credit facility. The facility is subject to a floating interest charge and expires on 1 June, 2014. No drawdown was made under the credit facility by balance sheet date.

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Note 17 - Trade and other payables

<i>NOK thousands</i>	2011	2010
Working capital Joint Venture	105 005	0
Other accruals and provisions	3 158	0
VAT payable	9 146	0
Trade payables	617	1 153
Salary related provisions	508	0
Total trade and other payables	118 434	1 153

Terms and conditions for trade and other payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

All other payables are scheduled to be settled as they fall due.

Note 18 - Financial instruments and risk management

Financial instruments by category

NOK thousands

At 31 December 2010

Financial assets	Loans and receivables	Total carrying amount
Cash and cash equivalents	187	187
Total	187	187
Financial liabilities	Amortized cost	Total carrying amount
Trade payables	1 153	1 153
Total	1 153	1 153

At 31 December 2011

Financial assets	Loans and receivables	Fair value through profit or loss	Total carrying amount
Derivative financial instruments (1)	0	393 127	393 127
Trade receivables (2)	168 750	0	168 750
Cash and cash equivalents	551 717	0	551 717
Total	720 467	393 127	1 113 594

(1) The capitalized loss at inception is included as part of the financial instrument (ref. Note 12)

(2) Other receivables are not included

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Financial liabilities	Amortized cost	Fair value through profit or loss	Total carrying amount
Trade payables (1)	617	0	617
Bond loans (2)	306 584	4 032 070	4 338 654
Shareholder loans	259 531	0	259 531
Derivative financial instruments	0	43 212	43 212
Total	566 731	4 075 282	4 642 014

(1) Other payables are not included

(2) Three of the four bond loans are recognized at FVTPL

Fair value of financial instruments

The fair value of financial instruments that is recognized at fair value through profit and loss in the financial statements is provided in the table "financial instruments by category" above. The carrying amounts of financial instruments recognized at amortized cost in the financial statements approximate their fair values except as detailed below.

<i>NOK thousands</i>	Carrying amount at amortized cost	Fair value
NOKm 300 real bond loan	306 584	328 964
Shareholder loans	259 531	285 651

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

For 2010, no financial instruments were recognized at fair value. At balance sheet date in 2011, the following instruments were recognized at fair value:

<i>NOK thousands</i>	Level 1	Level 2	Level 3
Assets			
Derivative financial assets	0	0	393 127
Liabilities			
Bond loans recognized at FVTPL	0	0	4 032 070
Derivative financial liability	0	0	43 212

- Level 1 - Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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In relation to the Level 3 financial assets, a gain of NOK 349,810 thousand was recognized during the year (ref. Note 12). The Company still holds this asset at balance sheet date. In relation to the Level 3 financial liability, a loss of NOK 589,309 thousand was recognized during the year (ref. Note 8). The Company still holds this liability at balance sheet date.

Financial risk management

Overview

The Company is exposed to a variety of risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Company's exposure to each of the above mentioned risks, and the Company's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Company's capital management is provided.

Market risk from financial instruments

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: market risk (e.g. interest rate risk and currency risk), commodity price risk and other price risk. The Company's financial instruments are mainly exposed to interest rate and currency risks.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest risk arises from long-term borrowings. Borrowings issued at variable rates expose it to cash flow risk. Borrowings issued at fixed rates expose it to fair value interest rate risk.

All of the Company's revenues are from its investment in the Joint Venture, the majority of which are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt service with its revenue base, the Company's policy is to maintain its borrowing exposures in NOK denominated inflation linked instruments. Three out of four of the Company's bond loan series are denominated in nominal NOK, GBP and USD (ref. Note 16). In order to reduce its cash flow risk, the Company has entered into three series of swap arrangements (ref. Note 12) that effectively swaps the nominal currency bond positions into NOK denominated inflation linked positions. Quantitative data on the sensitivities of the Company's net position is included in Note 3.

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is primarily exposed to foreign exchange risk arising from various currency exposures with respect to the USD, EUR and GBP in relation to its debt obligations as well as from certain commercial transactions. As described above, the Company has entered into swap arrangements to hedge its currency exposures arising from its debt obligations (ref. Note 12).

For operational transactions denominated in foreign currencies, the Company's policy is to exchange into foreign currency as required on a spot basis.

Accounting risk/mismatch

The majority of the Company's revenues are NOK denominated and subject to annual

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inflation adjustments. In order to synchronize its debt exposure to its cash flows from operations (ref. Note 18), the Company has entered into three series of swap arrangements (ref. Note 12). Each series of swaps replicate perfectly the three nominal bond series so that the Company effectively has swapped all of its nominal bond positions into a NOK denominated inflation linked position.

It is the management's expectation that the concept of converting the three nominal bond series into a synthetic NOK denominated inflation linked position provides an effective hedging of the Company's overall cash flow position. However, the synthetic position creates an accounting exposure/mismatch that is distinct and separate from the underlying economic exposure of the Company and that would not arise for a conventional NOK denominated inflation linked bond position recognized at amortized cost.

Market expectations for swap rates have reduced over the period since inception which in the current year causes a net adverse impact on the Company's financial statements, although it does not reflect the underlying exposure of the Company's operations overall. This is due to the FVTPL approach applied for the recognition of the bonds and swaps which requires the Company to value the financial instruments marked-to-market. The full change in value of the financial instruments is recognized in the income statement immediately. In reality however, those exposures are matched against the operating revenues which will be recognized in the operating income as incurred.

Credit risk

The carrying amounts of financial assets represent the Company's maximum credit exposure. Except for derivative instruments and cash and cash equivalents, the Company is only exposed to credit risk related to receivables owned through the Joint Venture. Receivables owned through the Joint Venture are receivable from large, solid oil and gas companies. The counterparty to the cash and cash equivalents and the derivative instruments are large banks with solid credit ratings. The Company monitors the credit ratings of its main counterparties on a regular basis.

Maturities of liabilities

As per 31 December 2010, all of the outstanding liabilities had contractual maturities within 3 months, with the exception of a long term loan of NOK 110 thousand from the parent company which was settled during 2011.

The following table details the contractual maturities for the Company's financial liabilities as per 31 December 2011. The table includes amounts for both principal and interest payments. The contractual amounts were estimated based on an assumption of no inflation beyond known adjustments and closing exchange rate at balance sheet date.

Per 31 December 2011

<i>NOK thousands</i>	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	-1 153	0	0	0	-1 153
Bond loans, interest and principal	-104 164	-108 563	-1 303 583	-4 634 357	-6 150 667
Derivative financial instruments	6 744	-44 488	-203 330	705 080	464 005
Shareholder loans	0	0	0	-259 531	-259 531
Total liabilities	-98 573	-153 051	-1 506 913	-4 188 807	-5 947 345

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Capital management

A key objective in relation to capital management is to ensure that the Company maintains a sufficient capital structure in order to support its business development and to maintain a strong credit rating. The Company evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Company's financial commitments. In order to maintain or adjust the capital structure, the Company may issue new shares or bonds or return capital to shareholders.

The Company maintains and monitors its cash flow forecasting to ensure it has sufficient cash to meet operational needs and financial obligations. Such forecasting takes into consideration the Company's debt financing plans and compliance. The Company also has committed credit lines available to it (ref. Note 16).

The Company's debt facilities are subject to customary covenant requirements. The Company has not been in breach of any such requirements during the year.

Note 19 - Related party disclosure

Purchases from related parties

NOK thousands

Related party	Year ended 31 December 2011	Period ended 31 December 2010
UBS Int. Infrastructure Fund Holding Coöperatie UA (1)	1 151	0
CDC Infrastructure SA	432	0
Sandvold Energy AS (100% owned by the Chairman of the Board) (2)	4 381	0

Amounts above are exclusive of VAT

(1) UBS Limited, was one of two banks that were engaged by the Company to be joint lead arrangers on its bond offering. UBS Limited is a group company to UBS International Infrastructure Fund GP Cayman LTD which acts as General Partner of the partnerships of UBS International Infrastructure Fund. The partnerships of UBS International Infrastructure Fund own 100% of UBS International Infrastructure Fund Holding Coöperatie UA, which in turn owns 82% of the share capital of the Group. Following a successful bond issuance on 9 June 2011, UBS Limited was paid a fee of NOK 13,575 thousands. UBS Limited is also one of two banks that are counterparties to the Company's swaps arrangements (ref. Note 12).

(2) NOK 2,522 thousand relates to one-off payments for consultancy services in relation to the acquisition of the Company's ownership in Gassled.

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Balances with related parties

Information regarding loans from related parties is provided in Note 16 and 18. Information regarding other balances with related parties is provided below.

NOK thousands

Related party (1)	As at 31 December 2011	As at 31 December 2010
Trade payables		
CDC Infrastructure SA	432	0
Sandvold Energy AS (100% owned by the Chairman of the Board)	218	0
Non-current assets/(liabilities)		
Njord Gas Infrastructure Holding AS	110	-111

(1) Information about shareholder loan is provided in Note 16. Information about derivative financial instruments is provided in Note 12.

Compensation to key management

NOK thousands

Position	Salary	Pension contribution	Other remuneration	Total 2011	Total 2010
CEO (1)	597	18	4	618	0
Finance Director (2)	0	0	5	5	0
Technical Director (3)	536	8	4	548	0
Total	1 133	26	12	1 171	0

(1) The CEO was employed from 1 September 2011

(2) The Finance Director was employed from 1 January 2012

(3) The Technical Director was employed on a 60% basis from 1 August 2011. Prior to his employment, the Technical Director was engaged by the Company on a consultancy basis.

Compensation to Board of Directors

NOK 75 thousands was recognized as remuneration of the Chairman in 2011. NOK 75 thousands for remuneration of the Chairman for 2010 was recognized in 2011.

Note 20 - Operating leases

The Company has entered into an operating lease for office facilities.

Operating expense related to lease agreements accounted for as operating leases

<i>NOK thousands</i>	2011	2010
Office rental	415	0
Other	7	0
Total	422	0

Njord Gas Infrastructure AS

Future minimum lease payments under office rentals

<i>NOK thousands</i>	2011	2010
Within 1 year	420	0
1 to 5 years	338	0
After 5 years	0	0
Total	758	0

Note 21 - Capital commitments

Capital commitments

Information regarding the Company's share of planned investment in gas transportation and processing facilities is provided in Note 10.

Note 22 - Events after balance sheet date

There are no events after balance sheet date that has been assessed to have a material impact on the Company's financial situation, or other events that could materially affect economic decisions that a rational reader may make on the basis of the financial statements.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2011 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and income statement of the Company.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties facing the Company.

Stavanger, 31 December 2011/27 April 2012
The Board of Directors of Njord Gas Infrastructure AS



Tore I. Sandvold
Chairman



Paul J. Moy
Director



Gautier M. J. F. Chatelus
Director



Mark A. Gilligan
Director



Dan-Jarle Flølo
CEO

To the Annual Shareholders' Meeting of
Njord Gas Infrastructure AS

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Njord Gas Infrastructure AS, which comprise the statement of financial position as at 31 December 2011, the statements of income and cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Njord Gas Infrastructure AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

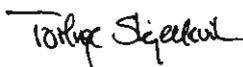
Report on other legal and regulatory requirements*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Managing Director have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 27. April 2012
ERNST & YOUNG AS



Tor Inge Skjellevik
State Authorised Public Accountant (Norway)