

**GOLAR MAZO  
MINUTES OF MEETING  
Operating Cost Settlement Meeting for year 2006  
London, March 21–22 2007**

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**Attendees:**

**Charterers:**

Mr. T. Meidharma, Mr. A. Basuki, Mr Sumarwata, Mr. M Daham, Mr. P. Fivé, Mr. J. Litha.

**Owners/Ship Managers:**

Mr. J Flatseth, Mr T. Christiansen, Mr A. Smith, Mr B. Tienzo, Ms J. Kucharska, Mr DG Lin, Mr. C. Stahre, Mr. S. Ainscough, Mr CS Goh

**PT Bandar Harapan Prima:**

Mr. T. Norman

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**1. Opening Remarks**

Owners welcomed all parties. Charterers reciprocated and thanked Owners for their contribution in arranging the meeting. They noted that the audit report had been received and this would be discussed during the meeting. They also noted that it had been a good year with all cargoes being delivered. It was further noted that 2006 costs were under budget and reasons will be discussed during the meeting.

Owners' ship managers outlined that they have prepared a new presentation format of the accounts and that this would be used for the meeting to discuss the results and address the Charterers' pre-meeting questions.

**2. Total Operating Costs**

Total operating expenditure for the year 2006 was US\$2,991,986 and US\$353,429 under budget. The main under spend was due to lower than budgeted expenditure in the categories of Maintenance & Repairs, Spares and Consumables, resulting in a total saving of US\$478,924. This saving was offset by the over spend of US\$101,611 in the manning costs and US\$23,884 in insurance costs.

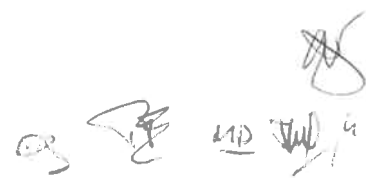
**2.1 Manning Costs US\$101,611 over budget**

Manning costs of US\$2,078,911 were incurred for the year resulting in an adverse variance of US\$101,611. This variance was predominantly due to the increased wages (for both Europeans and Indonesians) and the increased number of crew (overlapping for familiarization), particularly during April to July. There is also a corresponding increase in taxes, as a result of this. In addition to this, due to the increase in the number of crew changes during the year (103 for 2006 compared to 78 for 2005) and their increased average cost of approximately US\$200 per change, Joining and Repatriation costs were over budget by US\$56,881 for the year. The increase in the number of changes is mainly due to the 9 month cyclic nature of the Indonesian Ratings rotations.

It was suggested by Owners that the leave pay be incorporated under Wages as opposed to being separated. Charterers requested that these two items be kept separate in order that costs can be compared and monitored accordingly.

Charterers queried if the costs relating to the additional European Cargo Officer that was onboard during part of the year were for Charterers' cost or Owners' cost. Owners explained that in this particular case there was approximately a 6 week familiarization period. As per the meeting minutes from November 2006, it had been agreed that these costs should be borne by the Charterer. However, after further discussions, it was agreed that from 2007 onwards, overlapping for familiarization of European Officers would be for Charterers account for up to a maximum of 3 weeks. Any overlapping time utilized thereafter would be considered as onboard training which would be for the Owners account.

It was confirmed by Owners that training costs for European officers has not been recharged to Charterers as this is for Owners costs.



**2.1.1 European Officer Costs US\$70,901 over budget**

European officer costs of US\$1,370,902 were incurred for the year, resulting in an over spend of US\$70,901. The main over spend was incurred on wages (US\$56,944 over budget) and taxes (US\$32,988 over budget). This was predominantly due to the higher than expected salary increases. Where a 6 – 19% increase was paid across various ranks (effective from July 2006) only a flat rate of 3% increase had been budgeted for 2006.

**2.1.2 Indonesian Crew Costs US\$30,709 over budget**

The main contributors to the over spend was an increase in wages (US\$27,328 over budget), Joining & Repatriation (US\$44,720 over budget) and payroll burden costs (US\$20,899 over budget). This is partially offset by savings on crew taxes (US\$15,057 under budget) and overtime (US\$21,081 under budget).

**Indonesian Officer Costs US\$7,524 over budget**

Wages were US\$34,638 over budget for the year, as a result of the continuation of the Indonesianization project to replace European Officers onboard.

In addition to this Joining & Repatriation costs were US\$17,148 over budget, again due to the increase in rotations.

This over spend is partially offset by the savings on overtime (US\$28,524 under budget) and training costs (US\$8,376 under budget).

It was noted that although overtime costs were under budget, these costs were still high when compared to Wages. Owners confirmed that this was due to classification of overtime per contracts/union agreements (eg Saturdays & Sundays are calculated as overtime). It was also noted that budget and actual cost categories for wages and overtime do not match and this should be investigated.

**Indonesian Ratings Costs US\$23,185 over budget**

The over expenditure is predominantly due to increased joining and repatriation costs of US\$57,172 (US\$27,572 over budget) and payroll burden costs of US\$103,999 (US\$30,899 over budget). It was noted by Owners that the payroll burden costs booked under Ratings includes costs related to Officers and in effect the over spend for this item is only US\$20,899 for Indonesian crew as a whole. It was agreed that going forward the budget allocated for payroll burden costs for Indonesian officers should be included with Indonesian Ratings.

It was confirmed that the training costs are allocated to Golar Mazo as and when they take place whilst the crew are on Golar Mazo payroll (training during leave period following service on Golar Mazo). Thus any training costs incurred whilst the crew member is on another vessel payroll is carried by the Owner (ie the other vessel's account) and not Golar Mazo.

Owners also confirmed that Barwil Hub costs have been excluded.

**2.2. Maintenance & Repairs US\$162,621 under budget**

Maintenance and repairs costs of US\$27,479 were incurred for the year, resulting in a favourable variance of US\$162,621. This is predominantly due to the credits issued under surveys costs of US\$131k relating to costs from 2003 – 2005 that were previously incorrectly recharged to Charterer, as discussed and minuted in March 2006.

**Hull Part US\$16,914 under budget**

Only US\$7,086 was incurred during the year. The main saving was on lifesaving and protection equipment which was US\$16,322 under budget. This is due to work that was originally scheduled for November 2006, but because the drydock was brought forward to April 2007, it was decided to postpone this work to be done at the same time as drydock.



**Cargo Equipment Part US\$28,332 over budget**

Expenditure of US\$10,739 was incurred on cargo equipment for NGSCo Contingency stock (emergency equipment) annual fee. Owners noted that as previously discussed they were still investigating the possibility of terminating this contract, but at this stage do not have an alternative solution. Charterers requested that Owners keep Golar Mazo in the scheme (presumably at the same rate) for another year so that the matter can be discussed further and an alternative supplier/solution can be found.

In addition to this US\$44,093 was incurred on cargo instrumentation on the Foxboro system resulting in this item being US\$24,093 over budget. This resulted in this section being over budget by US\$28,332 for the year.

**Electrical Part US\$7,394 under budget**

Only radio & communication equipment was over spent by US\$6,636 for the year. This was primarily due to the purchase and installation of a new display unit for the Norcontrol XC-Band radar (US\$8,954) and the purchase of additional service licenses as required for navigational equipment that had been unbudgeted.

Owners noted that the Telemar (maintenance service contractor) annual costs of approximately \$14k should have been split between radio & communication equipment and nautical equipment/navigational aids. However, the category total remains the same.

This over spend is offset by the savings of US\$8,560 on the electrical distribution system.

**Machinery Part US\$20,244 under budget**

Main expenditure incurred was us\$11,100 on Transmission and Foils for propeller polish and underwater inspection due to antifouling condition check. This resulted in this item being US\$3,100 over budget. This over spend is offset by savings in the other line items, particularly Automation, Sensors & Alarm systems that had a saving of US\$13,627.

**Other US\$146,400 under budget**

The saving in this category is predominantly due to the credits relating to SEP/ISM costs that have been credited back to Charterer from 2003 – 2005 (refer March 2006 minutes). This was a credit of US\$131,843 resulting in Suveys/Class being under budget by US\$70,085 and SEP/ISM being under budget by US\$67,344.

**2.3 Spares US\$209,184 under budget**

Expenditure for the year was US\$168,016 resulting in this item being under budget by US\$209,184. This is due to savings in all categories.

**Hull Part US\$7,758 under budget**

Main expenditure was on Ventilation of US\$28,899 (over budget by US\$399). Bilge & Ballast of US\$25,634 (over budget by 3,634) of which US\$22k was spent on 3 non-returnable valves for ballast pumps. Fire Fighting & Detection of US\$18,504 (over budget by US\$6,004) of which US\$14,800 was spent on spares for the water mist fire fighting protection system.

**Cargo Part US\$31,328 under budget**

This category incurred expenditure of US\$25,172 for the year resulting in a favourable variance of US\$31,328. Main expenditure was on Cargo Instrumentation of US\$11,408 for sensors (US\$5,245) and a further US\$2,300 on the Whessoe tank level system.

**Electrical Part US\$31,994 under budget**

No major expenditure was incurred.

**Machinery Part US\$97,514 under budget**

US\$69,186 was incurred in this section resulting in a favourable variance of US\$97,514. One of the main expenditures was on Boilers (US\$16,009 incurred) for the purchase of boiler ignitors (US\$4,470) and oil sprayer atomizer (US\$6,360). On the Cooling Systems US\$22,225 was incurred mainly for the replacement cells for the Chloropak system.

**Other Part US\$40,589 under budget**

This category was under budget due to the recovery of costs from MHI Nagasaki in settlement of the guarantee claim of US\$40k.



**2.4 Stores & Consumables US\$107,119 under budget**

Total costs incurred for the year amounted to US\$194,381 with all categories coming in under budget.

**Hull Part US\$7,521 under budget**

Main expenditure incurred was on galley stores (US\$10,960) resulting in this item being over budget of US\$7,960 due to purchases made in compliance with environmental regulations. In addition to this, US\$46,366 was incurred on paint, mainly due to the general increase in prices, resulting in this item being over budget by US\$16,366. These over –runs are partially offset by the saving on general deck stores which was under budget by US\$24,442.

US\$21,380 was incurred on the Lifesaving & Protection equipment primarily being US\$9k on general lifesaving equipment and US\$7.5k on a new outboard engine for the rescue boat.

**Cargo Part US\$9,099 under budget**

Under spend mainly due to credits reallocation under the Nitrogen item (US\$4,716 credits) resulting in this item seemingly being under budget by US\$5,216.

**Electrical Part US\$15,168 under budget**

US\$22,932 was incurred for the year primarily on nautical equipment (US\$8,828 incurred, US\$5,672 under budget) and electrical consumables (US\$7,440 incurred, US\$6,160 under budget).

**Machinery Part US\$66,071 under budget**

Expenditure incurred totaled US\$72,029 resulting in an under spend of US\$66,071. This under spend is partly due to no costs being incurred under Boilers, Cleaning equipment and Cooling water systems, which had resulted in a total saving of US\$18K. Other significant savings were US\$17,216 on general engine stores and US\$15,573 on lube oils.

**Other Part US\$9,259 under budget**

No expenditure is included under freight costs as this is included under spares freight costs, resulting in a saving of US\$6k for this item. US\$7,332 was incurred on office equipment, but this item remained under budget by US\$2,168.

It was agreed that going forward freight costs budget under stores should be included with that under spares.

**2.5 Insurances US\$23,884 over budget**

Insurances were over budget due to increased premiums at renewals during the year.

Owners confirmed that they have transferred the P&I cover from UK P&I Club to Gard from February 2006.

**3. Audit Report**

Charterers presented Owners with a copy of the 2006 audit report. Owners confirmed that in the audit process the auditors have checked and confirmed all adjustments made in order to adjust the full accrual based accounts down to the "cash modified" basis as per the Charterparty agreement. It was also noted that "Other Costs" component was not audited.

A query was raised as to whether invoices received and/or paid in January 2007 relating to 2006 costs were included in the 2006 results by the auditors. Charterers to take up this query with their auditors, KPMG, to clarify that the correct method of adjusting to a cash basis has been applied and also request details of adjustments reported in 2006.

**4. Indonesianization Project**

Owners presented an updated plan for the Indonesian Senior Officer programme. At present there is one 2<sup>nd</sup> Engineer onboard. Additionally there are two officers in training (one Chief Officer, one Cargo Engineer).



Two Indonesian Officers are presently upgrading certificates to Class 1 to allow promotion to Senior Officer rank.

The progress of the plan will be updated regularly.

It has also been agreed to discuss in Q2/2007 the impact of the Golar Spirit possible decommissioning (mid 2007) on the Indonesian Manning of Golar Mazo.

**5. Operational Cost Settlement**

The agreed deduction to be made to the May 2007 charterhire invoice is US\$373,942. The calculation is attached.

**6. Next Meeting**

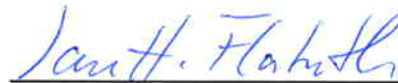
The November 2007 meeting to discuss the 2008 budget has been tentatively scheduled to be held in Asia.

**Pertamina  
LNG Transportation Dept – JMG  
For Charterers**



**Tammy Meidharma  
General Manager**

**Golar Management (UK) Limited  
For Owners**



**Jan Flatseth  
General Manager**



**FARAWAY MARITIME SHIPPING COMPANY**  
**2006 OPERATING COST SETTLEMENT**

	Year to Date		Variance	
	Actual	Budget	Variance	%
Manning European Officers	1,370,902	1,300,000	(70,902)	(5.45)
Manning Indonesian Officers	200,524	193,000	(7,524)	(3.90)
Manning Indonesian Crew	507,485	484,300	(23,185)	(4.79)
Maintenance and Repairs	27,479	190,100	162,621	85.55
Spares	168,016	377,200	209,184	55.46
Consumables	194,381	301,500	107,119	35.53
Insurance	523,199	499,315	(23,884)	(4.78)
Other Costs	2,404,768	2,404,768	0	0.00
<b>Totals :</b>	<b>5,396,754</b>	<b>5,750,183</b>	<b>353,429</b>	<b>6.15</b>

Adjustments:

<b>AGREED (OVER)/UNDER SPEND for 2006</b>	<u>353,429</u>
Interest #	20,513
<b>TOTAL (OVER)/UNDER SPEND INCLUDING INTEREST</b>	<u><u>373,942</u></u>

**FARAWAY MARITIME SHIPPING COMPANY  
OPERATING COSTS OVER/UNDER INTEREST CALCULATION**

*Interest on settlement has been calculated in accordance Schedule III (para 2.5.3) of the Time Charter Party Contract.*

Months	1m LIBOR	Interest rate (1m LIBOR +1%)	Amount (under budget)	Total
30 June 2006	5.33438	6.33438	353,429	1,865.63
27 July 2006	5.39063	6.39063	353,429	1,882.20
31 August 2006	5.33000	6.33000	353,429	1,864.34
30 September 2006	5.32188	6.32188	353,429	1,861.95
31 October 2006	5.32000	6.32000	353,429	1,861.39
30 November 2006	5.35000	6.35000	353,429	1,870.23
30 December 2006	5.32188	6.32188	353,429	1,861.95
31 January 2007	5.32000	6.32000	353,429	1,861.39
21 February 2007	5.32000	6.32000	353,429	1,861.39
31 March 2007	5.32000	6.32000	353,429	1,861.39
30 April 2007	5.32000	6.32000 *	353,429	1,861.39
				<b>20,513.25</b>

\* = estimate

Source: [www.bankfacts.org.uk](http://www.bankfacts.org.uk) (Interest rates from British Bankers Association website)

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# FARAWAY MARITIME SHIPPING COMPANY

## SETTLEMENT MEETING - LONDON, UNITED KINGDOM

### Record of Attendance

	21 March 2007	22 March 2007
✓✓ Tammy Meidharma		
✓ Arief Basuki		
✓ Mr Sumarwata		
✓✓ John Litha		
Patrick Fivé		
✓✓ Trygve Norman		
✓ Jan Flatseth		
✓ Tom Christiansen		
✓ Brian Tienzo		
✓✓ Alasdair Smith		
✓ Jo-Ann Kucharska		
✓ Stephen Ainscough		
Conny Stahre		
✓ Chye-Seng Goh		
✓✓ Mr DG Lin		
✓ MR. MARZUKI D.		