

Teekay Petrojarl Floating Production UK Limited
Annual report and financial statements
31 December 2021

Teekay Petrojarl Floating Production UK Limited
Annual report and financial statements

Registered Number 02436350
31 December 2021



CONTENTS

Page

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	4
Independent auditor's report to the members of Teekay Petrojarl Floating Production UK Limited	5
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Notes	11

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2021.

Principal activities and review of the business

The Company's principal activities during the year were decommissioning the Banff field where it conducted the business of Floating, Production, Offloading and Storage (or FPSO), and recycling the Petrojarl Banff FPSO unit for Canadian Natural Resources (or CNR).

In April 2021, the Company and CNR International (U.K.) Limited (or CNRI), on behalf of the Banff joint venture, entered into a Decommissioning Services Agreement (or DSA), whereby the Company engaged CNRI to assume full responsibility for the Company's remaining Phase 2 obligations. The DSA was subject to certain conditions precedent that needed to be satisfied by 1 June 2021 (or any agreed extension thereto), failing which the DSA could have been terminated by either party. On 27 May 2021, all conditions precedent of the DSA that needed to be satisfied by 1 June 2021, were met. As such, the Company was deemed to have fulfilled its prior decommissioning obligations associated with the Banff field and it derecognized the Asset Retirement Obligation (or ARO) and its associated receivable, resulting in a \$33.0 million gain being recognized during the year ended 31 December 2021. The Company recycled the FPSO unit at an EU-approved shipyard until the second half of 2022, and also recycled the subsea equipment following removal from the field (or Phase 2) during 2021.

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

	2021	2020	Variance
	\$000	\$000	%
Turnover	-	41,094	(100)
Operating profit (loss)	25,707	(24,226)	(206)
Profit (loss) before taxation	26,885	(24,214)	(211)
Shareholders' funds (deficit)	1,013	(25,844)	(104)

Company turnover has decreased 100% from the prior year, due to the cessation of production on the Banff field in June 2020.

Principal risks and uncertainties

The Company is exposed to financial risks arising from its operations. In addition to the risks relating to operating costs, the key financial risks include foreign currency risk, credit risk and liquidity risk.

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

Foreign currency risk

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

Credit risk

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

Liquidity risk

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

STRATEGIC REPORT (CONTINUED)

Business environment

The UK market for FPSOs is a competitive market with a few specialized vendors for operations in a harsh environment. The customers are the operators and owners of the oil field licenses. The Company meets competition from other third-party vendors and from the operators and owners of the oil field as they can choose to own and run a FPSO themselves.

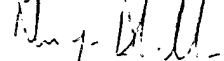
Future development

The Company recycled the Petrojarl Banff FPSO unit at an EU-approved shipyard. The recycling process took approximately 15 months until the second half of 2022, during which time the Company performed on-site supervision to ensure the unit was green recycled in compliance with applicable EU regulations and internal vessel recycling policies.

Going concern

The directors have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.2 to the financial statements

By order of the Board



Niranjan Arvind Dhurandhar

Director

Date: 5 December 2022

First Floor Templeback

10 Temple Back

Bristol

BS1 6FL

United Kingdom

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2021.

Results and dividends

The Company recorded a profit after taxation of \$26,857,000 (2020 - loss after taxation of \$24,197,000). The directors propose that no dividend be paid (2020 - \$nil).

Directors

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

Anne Elizabeth Liversedge
Niranjan Arvind Dhurandhar

Financial instruments

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

Charitable and political contributions

The Company made no charitable donations or political contributions during the current or prior year.

Disclosure of information to auditor

The directors who held office at the date of approval of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

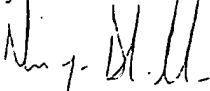
Other information

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Niranjan Arvind Dhurandhar

Director

Date: 5 December 2022

First Floor Templeback

10 Temple Back

Bristol

BS1 6FL

United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. As explained in note 1.2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY PETROJARL FLOATING PRODUCTION UK LIMITED

Opinion

We have audited the financial statements of Teekay Petrojarl Floating Production UK Limited ("the Company") for the year ended 31 December 2021 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1.2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading board meeting minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because transactions are not complex and there is no significant judgment involved in revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account code combinations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY PETROJARL FLOATING PRODUCTION UK LIMITED (CONTINUED)

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law and environmental legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY PETROJARL FLOATING PRODUCTION UK LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

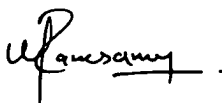
Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Mounessen Ramsamy (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3rd Floor Saltire Court,
20 Castle Terrace,
Edinburgh,
EH1 2EG.

Date: 8 December 2022

Profit and loss account

for the year ended 31 December 2021

	Notes	2021 \$000	2020 \$000
Turnover	2	-	41,094
Operating expenses		(7,770)	(64,236)
Gross loss		(7,770)	(23,142)
Administrative expenses	3	527	(1,084)
Asset retirement obligation extinguishment gain	10	32,950	-
Operating profit (loss)		25,707	(24,226)
Interest receivable and other income	6	1,179	12
Profit (loss) before taxation		26,886	(24,214)
Tax (charge)/credit on profit/(loss)	7	(29)	17
Profit (loss) for the financial year		26,857	(24,197)

The Petrojarl Banff FPSO unit ceased production on the Banff field in June 2020.

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

Notes on pages 11 to 20 form part of the financial statements.

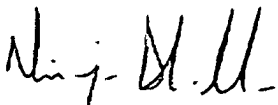
Balance Sheet

As at 31 December 2021

	Notes	2021 \$000	2021 \$000	2020 \$000	2020 \$000
Current assets					
Debtors (including \$nil (2020: \$9,340,000) due after more than one year)	8	11,897		90,087	
Cash at bank and in hand		522		434	
		<u>12,419</u>		<u>90,521</u>	
Current liabilities					
Creditors: amounts falling due within one year	9	(11,406)		(73,077)	
Other provisions	10	-		(43,288)	
		<u>(11,406)</u>		<u>(116,365)</u>	
Net assets (current liabilities)			<u>1,013</u>		<u>(25,844)</u>
Capital and reserves					
Called up share capital	11	409,442		409,442	
Profit and loss account		(408,429)		(435,286)	
Shareholders' funds (deficit)		<u>1,013</u>		<u>(25,844)</u>	

Notes on pages 11 to 20 form part of the financial statements.

These financial statements were approved by the board of directors on 5 December 2022 and are signed on their behalf by:



Niranjan Arvind Dhurandhar
Director

Company registered number: 02436350

Statement of changes in equity

for the year ended 31 December 2021

	<i>Called up Share capital</i>	<i>Profit and Loss account</i>	<i>Total Equity</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Balance as at 1 January 2020	409,442	(411,089)	(1,647)
Total comprehensive loss for the period			
Loss for the financial year	-	(24,197)	(24,197)
Total comprehensive loss for the period	-	(24,197)	(24,197)
Balance at 31 December 2020	409,442	(435,286)	(25,844)

	<i>Called up Share capital</i>	<i>Profit and Loss account</i>	<i>Total Equity</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Balance as at 1 January 2021	409,442	(435,286)	(25,844)
Total comprehensive income for the period			
Profit for the financial year	-	26,857	26,857
Total comprehensive profit for the period	-	26,857	26,857
Balance at 31 December 2021	409,442	(408,429)	1,013

Notes on pages 11 to 20 form part of the financial statements.

Notes to the financial statements

1. Accounting policies

Teekay Petrojarl Floating Production UK Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK. The registered office of this company is First Floor Templeback, 10 Temple Back, Bristol, BS1 6FL, United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is USD.

The Company is a wholly owned subsidiary of TPO AS, which is incorporated in Norway. The ultimate parent undertaking and parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Teekay Corporation, which is incorporated in the Republic of the Marshall Islands.

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 16.

1.1 Measurement convention

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

1.2 Going concern

The directors have not prepared the financial statements on a going concern basis.

The Company recycled the Petrojarl Banff FPSO unit at an EU-approved shipyard, which completed in the second half of 2022. As the directors intend to liquidate the company following the completion of the green recycling of the Petrojarl Banff FPSO and following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis.

1.3 Foreign currency

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

Notes (continued)

1. Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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

Floating production vessel	3-20 years
----------------------------	------------

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

The carrying amount of tangible fixed assets is derecognized on disposal; or when no future economic benefits are expected from its use or disposal.

1.5 Expenses

Operating lease

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

Interest receivable and Interest payable

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

Interest receivable and similar income including net foreign exchange gains are recognised in the profit and loss account.

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

1.6 Turnover

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

Notes (continued)

1. Accounting policies (continued)

1.7 Taxation

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

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.8 Non-derivative financial instruments

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

Trade debtors

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

Trade creditors

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

1.9 Provisions

Provisions are recognised when:

- the Company has an obligation at the reporting date as a result of a past event;
- it is probable that the Company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Initial recognition of the provision is measured at the best estimate of the amount required to settle the obligation at the reporting date. Subsequent to the initial recognition the provision is reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation at that reporting date. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in the profit or loss account in the period it arises.

Notes (continued)

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.11 Derecognition of current assets and liabilities

Debtors

The Company derecognises a debtors when:

- the contractual rights to the cash flows from the debtors expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the debtors are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the debtors.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Creditors and Other provisions

The Company derecognises a creditors and other provisions when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a creditors and other provisions when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new creditors and other provisions based on the modified terms is recognised at fair value. On derecognition of a creditors and other provisions, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2. Turnover

	2021	2020
	\$000	\$000
Day rate and operation of FPSO	-	41,094

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

3. Expenses and auditor's remuneration

Operating profit is stated after charging/(crediting):	2021	2020
	\$000	\$000
Operating lease rentals – bareboat lease (note 12)	-	15,628
Asset retirement obligation extinguishment gain (note 10)	32,950	-
Auditor's remuneration – audit services	30	38
Exchange loss	-	7,844

Notes (continued)

4. Directors' emoluments

The current directors are employees of the Teekay group and their directors' emoluments cannot be separately identified from their compensation as employees. The management charges of nil (2020: \$2,655,537) in respect of Production Support Service fees have been made by Altera Infrastructure Production AS and Altera Production UK Ltd and included directors' remuneration which was not possible to identify separately.

5. Staff costs

The Company employed no staff during the current and previous years.

6. Interest receivable and other income

	2021 \$000	2020 \$000
Exchange gain	1,179	-
Bank interest	-	12
	<u>1,179</u>	<u>12</u>

7.a Taxation

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

	2021 \$000	2020 \$000
Current tax		
Current year	-	-
Adjustments for prior periods	29	(17)
Total current charge/(credit)	<u>29</u>	<u>(17)</u>
Deferred tax expense	-	-
Total tax charge/(credit)	<u>29</u>	<u>(17)</u>

Notes (continued)

7.b Reconciliation effective tax rate

Factors affecting the tax (credit)/charge for the current year

The current tax (credit)/charge for the year is lower (2020: higher) than the standard rate of corporation tax in the UK, 19.00 % (2020: 19.00 %). The differences are explained below:

	2021	2020
	\$000	\$000
Profit/(loss) for the year	26,857	(24,197)
Total tax (charge)/credit	(29)	17
Profit/(loss) before taxation	<u>26,886</u>	<u>(24,214)</u>
Current tax at 19.00 % (2020: 19.00 %)	5,108	(4,601)
Effects of group relief not paid	592	269
Adjustment in respect of non-taxable income	(5,700)	4,332
Adjustment in respect of previous year	29	(17)
Total tax charge/(credit) included in profit/(loss) (note 7.a)	<u>29</u>	<u>(17)</u>

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax balances at 31 December 2021 have been calculated based on 25% (2020: 19%), reflecting the expected timing of reversal of the related timing differences.

7.c Factors affecting current tax charge

The company has carried forward tax losses and other timing differences as shown below that are available to be offset against future profits.

	2021	2020
	\$000	\$000
Depreciation in advance of capital allowances	16,510	12,278
Other timing differences	-	6,450
Unrelieved tax losses	60,798	45,726
	<u>77,308</u>	<u>64,454</u>

Deferred tax assets have not been recognised in relation to these losses and other timing differences as they do not satisfy the recognition criteria for deferred tax assets. These assets would be realised if sufficient taxable profits were to be generated in the future against which the losses and other timing differences could be offset.

Notes (continued)

8. Debtors

	2021 \$000	2020 \$000
Trade debtors	199	1,199
Amounts owed by group undertakings (note 13)	11,240	76,871
VAT recoverable	8	351
Corporation Tax	450	477
Prepayments and accrued income	-	1,849
Amounts recoverable on contracts (note 10)	-	9,340
	<u>11,897</u>	<u>90,087</u>
	2021 \$000	2020 \$000
Due within one year	11,897	80,747
Due after more than one year	-	9,340
	<u>11,897</u>	<u>90,087</u>

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

9. Creditors: amounts falling due within one year

	2021 \$000	2020 \$000
Trade creditors	51	21,663
Amounts owed to group undertakings (note 13)	8,565	40,999
Accruals and deferred income	1,167	10,239
Sales tax payable	1,623	176
	<u>11,406</u>	<u>73,077</u>

Notes (continued)

10. Provision for liabilities and charges

Abandonment provision	2021	2020
	\$000	\$000
At 1 January	43,288	57,545
Unwinding of discount	15	2,196
Exchange loss	407	3,110
Costs incurred	(1,420)	(17,771)
Reduction in estimate	-	(1,792)
Compensation received	(9,340)	-
Asset retirement obligation extinguishment gain	(32,950)	-
At 31 December	-	43,288

Provisions for abandonment costs

In accordance with the contract between the Company and CNR, the Company recognised an asset removal obligation (or ARO). Subsequent to the initial recognition of the ARO, a finance cost was recorded relating to the unwinding of the discount (the obligation increases in each period due to the passage of time) on the ARO. The estimated future costs of removal were reviewed annually and adjusted as appropriate.

The agreement between the company and CNR stated that the Company was responsible for the removal of the subsea equipment and for cleaning up the seabed in accordance with the abandonment approval to be granted by the UK Department of Trade and Industry, unless CNR exercised its option to acquire the subsea equipment. If CNR did not exercise the option to acquire the subsea equipment, compensation was to be paid to the Company. As such, the Company recognised a receivable from CNR for the estimated abandonment work. As at 31 December 2020, the earned refund from CNR for the abandonment work was estimated to be \$9,340,000.

In April 2021, the Company and CNR International (U.K.) Limited (or CNRI), on behalf of the Banff joint venture, entered into a Decommissioning Services Agreement (or DSA), whereby the Company engaged CNRI to assume full responsibility for the Company's remaining Phase 2 obligations. The DSA was subject to certain conditions precedent that needed to be satisfied by 1 June 2021 (or any agreed extension thereto), failing which the DSA could have been terminated by either party. On 27 May 2021, all conditions precedent of the DSA that needed to be satisfied by 1 June 2021 were met. As such, Teekay was deemed to have fulfilled its prior decommissioning obligations associated with the Banff field and the Company derecognized the ARO and its associated receivable, resulting in a \$33.0 million gain being recognized during the year ended 31 December 2021.

Notes (continued)

11. Called up share capital

	2021	2020
	\$000	\$000
<i>Allotted, called up and fully paid</i>		
251,038,096 ordinary shares of £1 each	409,442	409,442

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

12. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	<i>Vessels on bareboat charter contracts</i>	
	2021	2020
	\$000	\$000
Within one year	-	-
In two to five years	-	-

During the year \$nil was recognised as an expense in the profit and loss account in respect of operating leases (2020: \$15,627,668).

13. Related parties

	<i>Sales to</i>		<i>Expenses incurred with</i>	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Banff LLC	-	-	-	(15,628)
Teekay Shipping Ltd	-	-	(251)	-
Ugland Stena Storage AS	-	468	-	-
	-	468	(251)	(15,628)

Notes (continued)

13. Related parties (continued)

	<i>Receivables outstanding</i>		<i>Creditors outstanding</i>	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Teekay Corporation	8,349	63,959	-	-
TPO AS	-	11,394	(7,843)	-
Teekay Shipping Ltd	-	-	-	(25,947)
Banff LLC	-	-	-	(13,793)
Teekay Hummingbird Production Ltd	2,891	1,518	-	-
Teekay Shipping (UK) Ltd	-	-	(683)	(806)
Teekay Shipping (Glasgow) Ltd	-	-	-	(144)
Teekay Services Ltd	-	-	(39)	-
Ugland Stena Storage AS	-	-	-	(309)
	11,240	76,871	(8,565)	(40,999)

14. Ultimate parent company

The Company is a subsidiary undertaking of Teekay Corporation which is the ultimate parent company incorporated in the Republic of the Marshall Islands.

The largest group in which the results of the Company are consolidated as at 31 December 2021 is that headed by Teekay Corporation, incorporated in the Republic of the Marshall Islands. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from their offices located at 4th Floor Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08 Bermuda.

15. Subsequent events

No subsequent events to disclose.

16. Accounting estimates and judgements

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

The accounting policies set out in note 1 have been applied consistently throughout the periods presented in these financial statements. The key areas in the financial statements of estimates and judgements are deferred tax asset recognition. This area is judgemental as recognition of the tax asset is dependent on future taxable results in the company. Management has examined budgets and plans for the coming periods when assessing the estimates.