Teekay Petrojarl Floating Production UK Limited

Annual report and financial statements

Registered Number 2436350

31 December 2019

Contents **Page**

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activities and review of businesses
The Company's principal activities during the year were the business of FPSO vessel operations of Petrojarl Banff for Canadian Natural Resources (CNR).

	2019	2018	Variance
	$000	$000	%
Turnover	**83,464**	108,620	(23)
Operating (loss)/profit	**(25,304)**	29,875	(185)
(Loss)/profit before taxation	**(25,207)**	30,000	(184)
Shareholders' (deficit)/funds	**(1,647)**	23,197	(107)

Company turnover has decreased 23% from the prior year, primarily due to lower oil price related revenue. The Company increased its estimate of the asset retirement obligation and wrote down property plant and equipment to zero. These are the main reasons for the reduction in operating profit compared to the previous year.

Principal risks and uncertainties
The Company is exposed to financial risks arising from its operations. In addition to the reservoir and OPEX risks, 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 FPSO's is a competitive market with a few specialised 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
CNR terminated the contract for operation of Petrojarl Banff on the Banff and Kyle field and the FPSO stopped production on 1 June 2020. In September the FPSO arrived at Kishorn for lay-up. The vessel stayed in lay-up until it was moved to the recycling yard. Decommissioning from the field was partly performed in 2020 and the rest will be performed in 2021. Once full removal of all subsea equipment is performed there will be very limited activity in the company.

With respect to the ongoing COVID-19 pandemic, 2020 has been a challenging year. Activity on board the FPSO was reduced in order to limit the risk of infections. A strict testing and quarantine regime has been applied prior to mobilisation. The Directors would like to use the opportunity to compliment all crew on board for their flexibility and loyalty during this pandemic which have helped minimise the impact on operations.

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: 31 May 2021

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 2019.

Results and dividends
The Company recorded a loss after taxation of $24,844,000 (2018 - profit after taxation of $29,545,000).
The directors propose that no dividend be paid (2018 - $nil).

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

N. Arvind Dhurandhar (appointed on 16 April 2020)
A. Elizabeth Liversedge (appointed on 16 April 2020)
C. Brett (resigned on 16 April 2020)
T.O. Bye-Andersen (resigned on 16 April 2020)
S. Morten Helland (resigned on 16 April 2020)

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.

Statement by the directors in performance of their statutory duties in accordance with section 172 of the Companies Act 2006

The Companies (Miscellaneous) Reporting Regulations 2018 introduced a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of Teekay Petrojarl Floating Production UK Limited are required to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

Directors' report (continued)

Statement by the directors in performance of their statutory duties in accordance with section 172 of the Companies Act 2006 (continued)

The directors acknowledge and understand their duties and responsibilities, including that, under section 172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:
a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly as between members of the company.

The delivery of the strategy of the Teekay Group, of which the company is a member, requires the Teekay Group to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the Teekay Group's performance and reputation by prudently managing risks inherent in the business. In carrying out this strategy, the directors' duties under section 172 of the Companies Act 2006 have been considered.

The directors strongly believe that effective and meaningful engagement with stakeholders and employees is key to promoting the success of the company. Details of the key stakeholders of the Teekay Group, and therefore the company, and how they engage with them are as follows:

- Teekay's vision is to bring energy to the world with Teekay Spirit. We put safety first, no compromises. We look after each other and make sure everyone gets home safely. We consider people, planet and performance in all our decisions and actions.
- Teekay Corporation's Sustainability report for 2019 can be found on the home page www.teekay.com.
- The operation of Petrojarl Banff was outsourced to Altera Infrastructure Production AS, a company well known to Teekay as it used to be part of the Teekay group. We know the management and the vision and the operating philosphy's are very much aligned with those of Teekay.
- Safety is our first priority – always. We acknowledge that ensuring the health and safety of all the people involved in Teekay and operating contractor is a requisite for our license to operate. We thrive for zero harm to personnel and our commitment to safety is directly linked to the longterm success of Teekay.

Directors' report (continued)

Statement by the directors in performance of their statutory duties in accordance with section 172 of the Companies Act 2006 (continued)

- Teekay recognises that an effective integrity compliance program requires a healthy corporate culture of active ethics that is supported by a strong tone from the top that resonates throughout the organization. At Teekay, we believe 'Everyone is a Leader'. This means that doing business with integrity is embraced by everyone as a shared leadership responsibility.
- As a company that firmly believes in good ethical practices and doing business with integrity, it is important for Teekay to conduct the necessary due dilligence to ensure we work with like-minded companies and in a manner that contributes to society and the environment that we work in.

The directors, both individually and together as a board of Teekay Petrojarl Floating Production UK Limited (the "Board"), consider that the decisions taken during the year ended 31 December 2019 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

The Board is assisted in considering key stakeholders as part of the decision-making process by including stakeholder considerations in board papers as appropriate, and board papers are carefully reviewed and considered by all directors.

By order of the Board

Niranjan Arvind Dhurandhar
Director
Date: 31 May 2021

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 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 1. These financial statements have not been prepared on the going concern basis for the reasons set out in note 1.2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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 statement 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.

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 6, 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.

L Niccolls

Lyn Niccolls (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

8 June 2021

Profit and loss account

for the year ended 31 December 2019

	Notes	2019 $000	2018 $000
Turnover	2	**83,464**	108,620
Cost of sales		**(80,547)**	(77,690)
Gross profit		**2,917**	30,930
Administrative expenses	3	**(1,301)**	(1,055)
Administrative expenses - impairment charge and provision increase	8 & 11	**(26,920)**	-
Operating (loss)/profit		**(25,304)**	29,875
Interest receivable and similar income	6	**97**	125
(Loss)/profit before taxation		**(25,207)**	30,000
Tax credit/(charge) on (loss)/profit	7	**363**	(455)
(Loss)/profit for the financial year		**(24,844)**	29,545

The activities of the Company relate entirely to continuing operations during 2019. The company ceased operations 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 12 to 23 form part of the financial statements.

Balance sheet
as at 31 December 2019

	Notes	2019 $000	2019 $000	2018 $000	2018 $000
Property, plant and equipment					
Tangible assets	8		-		2,388
Debtors:					
Amounts falling due after more than one year	9		-		8,394
Net non-current assets			-		**10,782**
Current assets					
Debtors (including $8,939,000 (2018:$nil) due after more than one year)	9	**78,574**		51,339	
Cash at bank and in hand		**7,689**		824	
		86,263		52,163	
Creditors: amounts falling due within one year	10	**(87,910)**		(8,905)	
		(87,910)		(8,905)	
Net current assets			**(1,647)**		43,258
Total assets less current liabilities			**(1,647)**		54,040
Provisions for liabilities and charges					
Other provisions	11		-		(30,843)
Net (liabilities)/assets			**(1,647)**		23,197
Capital and reserves					
Called up share capital	12		**409,442**		409,442
Profit and loss account			**(411,089)**		(386,245)
Shareholders' (deficit)/funds			**(1,647)**		23,197

Notes on pages 12 to 23 form part of the financial statements.

These financial statements were approved by the board of directors on 31 May 2021 and are signed on their behalf by:

Niranjan Arvind Dhurandhar

Niranjan Arvind Dhurandhar
Director

Company registered number: 2436350

Statement of changes in equity

	Called up Share capital	*Profit and Loss account*	*Total Equity*
	$000	*$000*	*$000*
Balance as at 1 January 2018	409,442	(415,790)	(6,348)
Total comprehensive income for the period			
Profit for the financial year	-	29,545	29,545
Total comprehensive income for the period	-	29,545	29,545
Balance at 31 December 2018	**409,442**	**(386,245)**	**23,197**

	Called up Share capital	*Profit and Loss account*	*Total Equity*
	$000	*$000*	*$000*
Balance as at 1 January 2019	409,442	(386,245)	23,197
Total comprehensive income for the period			
Loss for the financial year	-	(24,844)	(24,844)
Total comprehensive loss for the period	-	(24,844)	(24,844)
Balance at 31 December 2019	**409,442**	**(411,089)**	**(1,647)**

Notes on pages 12 to 23 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 in the next year are discussed in note 17.

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.

During the year ended 31 December 2019, the Company's principal activities were the business of FPSO vessel operations of Petrojarl Banff for Canadian Natural Resources (CNR). However, on 1 June 2020 CNR terminated the contract for the operation of Petrojarl Banff on the Banff and Kyle field and the FPSO stopped production. The FPSO Banff has been decommissioned from the Banff and Kyle field and arrived at Kishorn Port for temporary mooring in September 2020 where the vessel will be prepared for recycling and scrapping. As the directors intend to liquidate the company following the decommissioning of the FPSO and following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis.

The asset retirement obligation was increased as at 31 December 2019 to take into account refinement of the scope of the work, and receipt of tenders from and contracts with service providers post-year-end. The net book value of the floating production vessel has been written down to $nil as at 31 December 2019 following a post-year end decline in the value of steel. It is anticipated that only a negligible scrap value would be attainable following the completion of the decommissioning works on the FPSO.

Notes (continued)

1 Accounting policies (continued)

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.

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.

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.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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.

Notes (continued)

1 Accounting policies (continued)

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.

1.7 Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.8 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.

1.9 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.

Notes (continued)

1 Accounting policies (continued)

1.10 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 settles 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.

2 Turnover

	2019	2018
	$000	*$000*
Dayrate and operation of FPSO	83,464	108,620

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

3 Expenses and auditor's remuneration

Operating profit is stated after charging/(crediting):	2019	2018
	$000	*$000*
Operating lease rentals – bareboat lease	26,549	31,456
Auditor's remuneration – audit services	16	16
Exchange loss/ (gain)	2,768	(2,674)
Compensation from operator for abandonment costs	-	(10)
Depreciation	168	51
Impairment of FPSO hull	2,220	-

4 Directors' emoluments

The current year management charges of $5,807,332 (2018: $5,395,402) in respect of Production Support Service fees have been made by Altera Infrastructure Production AS and Altera Production UK Ltd, and includes the directors' remuneration which is not possible to identify separately.

Notes (continued)

5 Staff costs

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

6 Interest receivable and similar income

	2019	2018
	$000	*$000*
Bank interest	97	125

7.a Taxation

Total tax credit/(charge) recognised in the profit and loss account, is as follows:

	2019	2018
	$000	*$000*
Total current and deferred tax (credit)/charge	(363)	455

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 (2018: lower) than the standard rate of corporation tax in the UK, 19.00 % (2018: 19.00 %). The differences are explained below:

	2019	2018
	$000	*$000*
(Loss)/profit for the year	**(24,844)**	29,545
Total tax credit/(charge)	**363**	(455)
(Loss)/profit before taxation	**(25,207)**	30,000
Current tax at 19.00 % (2018: 19.00 %)	**(4,789)**	5,700
Adjustment in respect of previous periods	**92**	-
Unrecognised deferred tax	**4,334**	(4,350)
Effects of group relief/other reliefs	**-**	(895)
Total tax (credit)/charge included in profit (note 7.a)	**(363)**	455

A reduction in the UK corporate tax rate from 19% to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly.

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.

	2019	2018
	$000	*$000*
Depreciation in advance of capital allowances	**8,590**	9,299
Other timing differences	**4,064**	3,816
Unrelieved tax losses	**41,800**	37,601
	54,454	50,716

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 Tangible fixed assets

	Floating production vessel
	$000
Costs:	
At 1 January 2018	25,470
Impairment	(2,220)
Cost at 31 December 2019	**23,250**
Accumulated depreciation and impairment:	
At 1 January 2018	23,082
Depreciation	168
At 31 December 2019	**23,250**
Net book value:	
At 31 December 2019	**-**
At 31 December 2018	**2,388**

The net book value of the floating production vessel has been written down to $nil as at 31 December 2019 following a post-year end decline in the value of steel.

Notes (continued)

9 Debtors

	2019 $000	2018 $000
Trade debtors	**870**	8,758
Amounts owed by group undertakings	**65,262**	41,457
VAT recoverable	**227**	133
Corporation Tax	**680**	-
Prepayments and accrued income	**2,596**	991
Amounts recoverable on contracts (note 11)	**8,939**	8,394
	78,574	59,733

	2019 $000	2018 $000
Due within one year	**69,635**	51,339
Due after more than one year	**8,939**	8,394
	78,574	59,733

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

10 Creditors: amounts falling due within one year

	2019 $000	2018 $000
Trade creditors	**3,269**	4,323
Amounts owed to group undertakings	**21,661**	455
Corporation tax, accruals and deferred income	**5,435**	4,127
Other provisions (See note 11)	**57,545**	-
	87,910	8,905

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

Notes (continued)

11 Provisions for liabilities and charges

	Abandonment provision $000
At 1 January 2019	30,843
Unwinding of discount	793
Exchange loss	1,209
Increase in estimate	24,700
At 31 December 2019	**57,545**

Provisions for abandonment costs
In accordance with the contract between the Company and CNR, the Company recognised an asset removal obligation. Subsequent to the initial recognition of the asset removal obligation, a finance cost is recorded relating to the unwinding of the discount (the obligation increases in each period due to the passage of time) on the asset retirement obligation. The estimated future costs of removal are reviewed annually and adjusted as appropriate. The asset retirement obligation was increased as at 31 December 2019 to take into account refinement of the scope of the work, and receipt of tenders from and contracts with service providers post-year-end.

The agreement between the company and CNR states that the Company is 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 exercises its option to acquire the subsea equipment. If CNR does not exercise the option to acquire the subsea equipment, compensation will be paid to the Company. As such, the Company recognises a receivable from CNR for the estimated abandonment work.

As at 31 December 2019, the earned refund from CNR for the abandonment work is estimated to be $8,939,000 ($8,394,000 in 2018). The receivable from CNR is accounted for separately as a receivable falling due after more than one year. The change in refund from CNR from 2018 to 2019 is included in cost of sales as income of $216,000 - including FX gain of $331,000 (2018: income of $528,000 - including FX loss of $518,000).

Notes (continued)

12 Called up share capital

	2019	2018
	$000	*$000*
Allotted, called up and fully paid		
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.

13 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Vessels on bareboat charter contracts	
	2019	2018
	$000	*$000*
Within one year	**15,728**	**31,456**
In two to five years	**-**	**62,911**
	15,728	**94,367**

The lease for Apollo Spirit is calculated to the middle of 2020 as Banff started carrying out an offshore decommissioning program in June 2020.

During the year $26,549,142 was recognised as an expense in the profit and loss account in respect of operating leases (2018: $31,455,700).

Notes (continued)

14 Related parties

	Sales to		*Expenses incurred from*	
	2019	2018	**2019**	2018
	$000	*$000*	*$000*	*$000*
Transactions with subsidiaries within the Teekay group	**815**	-	**26,549**	-
	815	-	**26,549**	-

	Receivables outstanding		*Creditors outstanding*	
	2019	2018	**2019**	2018
	$000	*$000*	*$000*	*$000*
Transactions with subsidiaries within the Teekay group	**65,262**	41,457	**(21,661)**	(455)
	65,262	41,457	**(21,661)**	(455)

15 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 2019 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.

Notes (continued)

16 Subsequent events

CNR terminated the contract in 2020 and production from the FPSO Petrojarl Banff stopped on 1 June 2020. The FPSO has been decommissioned from the Banff and Kyle field and arrived at Kishorn Port for lay-up in September 2020 until April 2021. The vessel is currently being recycled.

In April 2021, the Company and CNRI, on behalf of the Banff joint venture, entered into a Decommissioning Services Agreement (*DSA*) whereby the Company engaged CNRI to decommission its remaining subsea infrastructure located within the CNRI-operated Banff field. As part of the DSA, CNRI will assume full responsibility for the Company's remaining asset retirement obligations (or Phase 2) for the above-mentioned facilities. As part of the transaction, the Company will be deemed to have completed all of its prior decommissioning obligations. The DSA is subject to certain conditions precedent that need to be satisfied by June 1, 2021 (or any agreed extension thereto) failing which the DSA may be terminated by either party. Such conditions precedent include receiving confirmation from the applicable U.K. regulatory authorities that the Company has completed all of its obligations in relation to Phase 1 of the decommissioning project.

The above-mentioned transaction is considered to be a non-adjusting post balance sheet event for the Company for the year ended 31 December 2019, and will be accounted for in the period during which it had occurred, which is the year ended 31 December 2021.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (or "COVID 19") as a pandemic. Given the dynamic nature of these circumstances, the full extent to which the COVID-19 pandemic may have direct or indirect impact on the Company's business and the related financial reporting implications cannot be reasonably estimated at this time.

As of the date of this reporting, the Company has not yet experienced any material negative impacts to its business, results of operations, or financial position as a result of COVID-19. As the significant impacts of COVID-19 arose after 31 December 2019, this is considered a non-adjusting post balance sheet event for the Company for the year ended 31 December 2019, without prejudice to the facts that the impacts will be recognized as part of the 31 December 2020 year end.

17 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 and provisions for abandonment costs. 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. With regard to the provision for abandonment costs, management consider and assess the appropriateness of the existing provision recorded in the financial statements on an annual basis. This includes consultation with technical personnel as to whether any revisions are required to the provision based on management's best estimate of the costs that will be incurred at a future date.