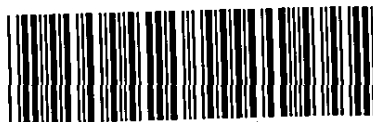


Teekay Hummingbird Production Limited
Directors' Report and Financial Statements
Registered Number SC294888

For the year ended 31 December 2012

TUESDAY



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COMPANIES HOUSE

Company Information

Directors

T. Bye-Andersen

N. Johannessen

P. Lytzen

Secretary

D.W. Company Services Limited

Saltire Court

20 Castle Terrace

Edinburgh, EH1 2EN

Auditor

KPMG LLP

191 West George Street

Glasgow

G2 4LJ

Bankers

DNB ASA

Munkegt. 22

7013 Trondheim

Solicitors

Dundas and Wilson

191 West Georg Street

Glasgow

G2 2LD

Registered Office

191 West George Street

Glasgow

G2 2LD

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Directors' Report

The directors present their report and financial statements for the year ended 31 December 2012.

Results and dividends

The company recorded a profit after taxation of \$3,760,663 (2011 – profit after taxation of \$3,937,714). The directors propose that no dividend be paid.

Directors

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

T. Bye-Andersen
N. Johannessen
P. Lytzen

Principal activities, review of the business and future developments

Teekay Hummingbird Production Ltd is an operating company for the FPSO Hummingbird Spirit, which the company chartered from Teekay Hummingbird General Partnership. During the financial year, the company continued the business of FPSO vessel operators.

The nature of the business carried out by the company has not significantly changed during the year. The directors are satisfied with the level of the business during the year and the year-end financial position. The directors expect that the present level of activity will be sustained for the foreseeable future.

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

	2012	2011	Variance
	\$000	\$000	%
Turnover	72 667	66 036	10,04
Operating profit	4 790	4 563	4,97
Profit before taxation	3 761	4 103	(8,34)
Shareholders' funds	2 061	(39 087)	(105,27)
Current assets as % of current liabilities (quick ratio)	105 %	25 %	

The increase in turnover relates to higher reimburseable expenses during 2012 than 2011. The reduction in profit before taxation is due to higher net interest expense. The improvement in shareholders' funds relates to a debt to equity conversion, and the years profit. Teekay Hummingbird Production has a long term contract with Centrica for the operation of the FPSO Hummingbird Spirit with expected duration up until March 2016.

Financial risk management objectives and policies

The management of the business and the execution of the company's strategy are subject to a number of risks.

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and of the Teekay Petrojarl Group, which include those of the company, are related to interest rates, currency exchange rates, credit risk related to trade receivables, and liquidity.

The company utilise market sensitive financial instruments to hedge risk related to interest rates and currency exchange rates. Furthermore, the company is of the opinion that credit risk related to our customers, which are mainly multinational integrated oil companies and independent

Directors' Report

oil and natural gas companies, is relatively low. Based on the year-end cash balance, available liquidity resources and the current structure and terms of our debt, the company has adequate liquidity and that liquidity risk is at acceptable levels.

Key Performance Indicators

The Companies Act 2006 requires directors to disclose the company's Key Performance Indicators (KPIs). Teekay Petrojarl manages its KPIs at a group level. As a result the directors have taken the decision not to disclose KPIs in individual subsidiary accounts. Teekay Hummingbird Production Limited KPIs are included within the accounts of the parent undertaking Teekay Petrojarl.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice may be obtained from the CBI.

Directors' qualifying third party indemnity provisions

The Company's ultimate controlling entity has entered into deeds of indemnity with each of the Company's directors who are employees of the ultimate controlling entity or one of its wholly owned subsidiaries, in terms of the indemnity provided under the ultimate controlling entity's Constitution, against liabilities (to the extent not precluded by law) incurred in or arising out of the conduct of the business of the Company or the discharge of their duties.

Charitable and political contributions

The company made no charitable donations or political contributions during the year.

Going concern

With the contract with Centrica for providing FPSO services on the Chestnut field the members have a reasonable expectation that the company has adequate resources to allow it to continue to trade for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the annual report and account.

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

KPMG LLP were appointed auditor on 8 November 2013.

By order of the Board



T Bye-Andersen

Director

Date: 11 November 2013

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Teekay Hummingbird Production Limited

We have audited the financial statements of Teekay Hummingbird Production Limited for the year ended 31 December 2012 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Bruce Marks (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

191 West George Street, Glasgow, G2 2LJ

Date: 11 December 2013.

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 \$000	2011 \$000
Turnover	2	72 667	66 036
Cost of sales		(67 466)	(61 099)
Gross profit		5 201	4 938
Administrative expenses		(411)	(375)
Operating profit	3	4 790	4 563
Interest payable and similar charges	6	(1 287)	(2 125)
Interest receivable and similar income	7	258	1 665
Profit on ordinary activities before taxation		3 761	4 103
Tax credit/(charge) on profit on ordinary activities	8	0	(165)
Retained profit for the financial year	13	3 761	3 938

The activities of the company relate entirely of continuing operations.

The company has no recognised gains or losses other than the profit above.

Balance sheet

at 31 December 2012

		2012	2011
	Notes	\$000	\$000
Fixed assets			
Deferred tax asset	9	0	0
Current assets			
Debtors	10	27 840	8 078
Cash at bank and in hand		14 706	4 883
		<u>42 546</u>	<u>12 962</u>
Creditors: amounts falling due within one year	11	<u>(40 485)</u>	<u>(52 049)</u>
Net current assets		2 061	(39 087)
Net assets		<u>2 061</u>	<u>(39 087)</u>
Capital and reserves			
Called up share capital	12	41 442	4 055
Profit and loss account	13	<u>(39 381)</u>	<u>(43 141)</u>
Shareholders' funds	13	<u>2 061</u>	<u>(39 087)</u>

These financial statements were approved by the directors on 11 November 2013 and are signed on their behalf by:

Tar Olov Bye-Andersen

T Bye-Andersen

Director

Date: 11 November 2013

Notes to the financial statements

at 31 December 2012

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. Except as noted below, the accounting policies have been consistently applied

Basis of preparation

The financial statements of the company were approved for issue by the Board of Directors on 11 November 2013. The financial statements are prepared in accordance with the historical cost convention, and in accordance with applicable accounting standards and include the results of the company's operations which are described in the directors' report and all of which are continuing.

The financial statements have been prepared on a going concern basis as the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Deferred taxation

Deferred tax 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 a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- 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.

Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Turnover

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

Interest income

Notes to the financial statements

at 31 December 2012

Foreign currency

The company's primary activities are in US Dollars. As a result, the financial statements are prepared in US Dollars, this being the functional currency of the company.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account over the lease term on the basis set out in note 14.

Notes to the financial statements

at 31 December 2012

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2012 \$000	2011 \$000
United Kingdom	72 667	66 036

3 Operating profit

Operating profit is stated after charging/ (crediting):	2012 \$000	2011 \$000
Exchange loss (gain)	(33)	1
Operating lease charges – bareboat lease	22 311	19 415
Auditors remuneration – audit services	14	31

4 Directors' emoluments

A management charge of \$ 693,943 (2011: \$nil) in respect of Production Support Service fee has been made by Teekay Petrojarl Production AS and Teekay Petrojarl UK Ltd, two companies in the same business unit as Teekay Hummingbird Production Ltd, which includes the directors' remuneration which it is not possible to identify separately.

5 Staff costs

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

Notes to the financial statements

at 31 December 2012

6 Interest payable and similar charges

	2012 \$000	2011 \$000
Bank interest	16	4
Interest to vendors & others	6	32
Interest to group companies	1 266	2 089
	<u>1 287</u>	<u>2 125</u>

7 Interest receivable and similar income

	2012 \$000	2011 \$000
Other interest income	10	0
Interest from group companies	171	1 665
Interest on late payments tax recovered from Sevan	77	0
	<u>258</u>	<u>1 665</u>

8.a. Tax on profit on ordinary activities

	2012 \$000	2011 \$000
<i>Current tax:</i>		
Withholding tax charge	0	165
United Kingdom corporation tax at 24.50% (2011 – 26.49%)	0	0
Total current tax	<u>0</u>	<u>165</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (charge)/credit	0	0
Adjustment in respect of previous periods	0	0
Impact of change in tax rate	0	0
Total deferred tax (note 9)	<u>0</u>	<u>165</u>
Tax on profit on ordinary activities	<u>0</u>	<u>165</u>

Notes to the financial statements

at 31 December 2012

8.b Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24.5%. The differences are explained below:

	2012 \$000	2011 \$000
Profit on ordinary activities before taxation	3 761	4 103
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.50% (2011: 26.49%)	921	1 087
Higher tax rates on overseas earnings	0	121
Expenses not deductible for tax purposes	247	120
Utilisation of tax losses	(1 166)	(1 171)
Accelerated capital allowances	(2)	8
Timing differences not recognised	0	0
Total current tax (note 8(a))	0	165

Factors affecting future tax rate changes

In addition to the changes in rates of Corporation tax disclosed above further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

Notes to the financial statements

at 31 December 2012

9 Deferred tax asset

Deferred tax has been fully recognised as follows:

	2012 \$000	2011 \$000
Depreciation in advance of capital allowances	0	0
Other short term timing differences	0	0
Losses carried forward	3 450	41 975
	<u>3 450</u>	<u>41 975</u>

The movement on the provision for deferred tax is as follows:

	2012 \$000	2011 \$000
Opening balance	0	0
Profit and loss account (charge)/credit	0	0
Closing balance	<u>0</u>	<u>0</u>

Tax rate changes

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. In 2012, the company has unrecognised deferred income tax assets of US\$793,486 in respect of losses and allowances amounting to US\$3,449,940 at the balance sheet that can be carried forward against future taxable income.

Deferred income tax assets have not been recognised because the losses have not yet been agreed with HMRC.

The overall effect of the changes in note 8(b), if they had applied to the unrecognised deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional \$104,658.

10 Debtors

	2012 \$000	2011 \$000
Trade debtors	6 321	307
Amount owed by group undertakings	13 911	0
Accrued revenue	7 065	7 754
Prepaid expenses	402	0
Other receivables	141	17
	<u>27 840</u>	<u>8 078</u>

Notes to the financial statements

at 31 December 2012

11 Creditors: amounts falling due within one year

	2012 \$000	2011 \$000
Trade creditors	4 472	197
Accruals and deferred income	4 671	6 612
Amounts due to fellow group undertakings	31 342	46 239
	<u>40 485</u>	<u>53 049</u>

12 Share capital

	2012 \$	2011 \$
<i>Authorised</i>		
27,001,000 (2011: 2,001,000) ordinary shares of £1 each	<u>44 673 966</u>	<u>4 056 466</u>
<i>Allotted, called up and fully paid</i>		
25,011,855 (2011: 2,000,001) ordinary shares of £1 each	<u>41 441 868</u>	<u>4 054 508</u>

13 Reconciliation of shareholders' funds and movement on reserves

	Share capital \$000	Profit and loss account \$000	Total \$000
At 31 December 2011	4 055	(43 141)	(39 087)
Debt to equity conversion in December 2012	37 387	0	37 387
Profit for the year	0	3 761	3 761
At 31 December 2012	<u>41 442</u>	<u>(39 381)</u>	<u>2 061</u>

Notes to the financial statements

at 31 December 2012

14 Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows:

	FPSO Hummingbird Spirit	
	2012	2011
	\$000	\$000
Expiry date:		
Between 2 and 5 years	22 311	19 415

The annual commitment under the lease of FPSO Hummingbird Spirit is variable and is calculated based on an Advance Pricing Agreement made with the UK tax authorities.

15 Statement of cash flows

As at 31 December 2012 the company was a wholly-owned subsidiary of Teekay Corporate and the cash flows of the company are included in the consolidated group statement of cash flows of Teekay Corporate which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a statement of cash flows.

16 Related party transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standard 8 "Related Party Transactions" in not disclosing transactions with group undertakings where there is a common ownership interest of 90% or more.

17 Ultimate parent company

The immediate parent undertaking of the company is Teekay Hummingbird General Partnership.

The ultimate parent of Teekay Hummingbird Production (UK) Limited is Teekay Corporation. The group financial statements can be obtained from Teekay Corporation, Vancouver, Canada.