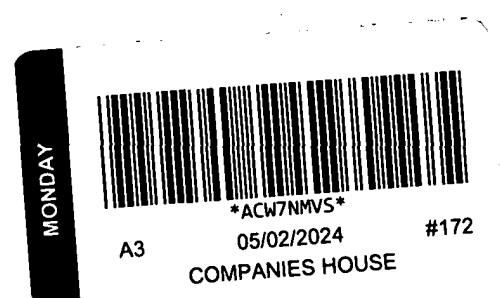


Teekay Hummingbird Production Limited

Annual report and financial statements

Registered Number SC294888

31 December 2022



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STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2022.

Principal activities and review of the business

The Company's principal activities during the year were the business of floating, production, offloading and storage (or *FPSO*) vessel operations of the Sevan Hummingbird FPSO unit for Spirit Energy Limited (the customer).

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

	2022 \$000	2021 \$000	Variance \$000
Turnover	26,902	47,853	(20,951)
Operating (loss)/profit	(6,352)	1,455	(7,807)
(Loss)/profit before taxation	(6,302)	5,423	(11,725)
Shareholders' funds	14,214	20,516	(6,302)

Company turnover decreased in 2022 as the Company ceased oil production on 31 March 2022 which was partially offset by revenue earned supporting the decommissioning of the Chestnut oil field, mainly during the second quarter of 2022. The operating loss in 2022 is primarily due to costs relating to the demobilisation of the FPSO unit during the second quarter of 2022.

Principal risks and uncertainties

The Company is exposed to financial risks arising from its operations. The key financial risks include foreign currency risks, 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 for 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. The reimbursable contract with Spirit Energy resulted in a natural hedge against currency exposure as Spirit Energy effectively carried the costs incurred by the Company, hence a sensitivity analysis for changes in the foreign exchange rate are not disclosed as the effect on income is considered not to be significant.

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 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

The Company had a contract with Spirit Energy for the operation of the FPSO Hummingbird Spirit on the Chestnut oil field. On 31 March 2022, the FPSO Hummingbird Spirit ceased oil production on the Chestnut oil field, following the Company's receipt of a formal notice of termination from Spirit Energy. The Company is not actively pursuing new opportunities.

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.

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 Hummingbird Production 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.

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 on the community and the environment, of the company's operations, which ceased during 2022 with no intent to recommence in future;
- 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 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.

STRATEGIC REPORT (CONTINUED)

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

- Teekay Corporation's Sustainability Report for 2022 can be found on the home page www.teekay.com.
- The operation of Sevan Hummingbird 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 philosophies 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 long-term success of Teekay.
- 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 diligence 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 Hummingbird Production Limited (the "Board"), consider that the decisions taken during the year ended 31 December 2022 in discharging the function of the Board were in conformance with their duty under section 172 of the Companies Act 2006.

By order of the Board



Anne Elizabeth Liversedge

Director

Date: 31 January 2024

4th Floor 115 George Street

Edinburgh

Midlothian

United Kingdom

EH2 4JN

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2022.

Results and dividends

The Company recorded a loss after taxation of (\$6,302,000) (2021– profit of \$5,479,000)

The directors propose that no dividend be paid (2021 - \$nil).

Directors

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

A. Elizabeth Liversedge
N. 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 they ought to have taken as a director to make themselves 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, BDO LLP was appointed as auditor and KPMG LLP resigned as auditor.



By order of the Board

Anne Elizabeth Liversedge
Director
Date: 31 January 2024
4th Floor 115 George Street
Edinburgh
Midlothian
United Kingdom
EH2 4JN

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 consider the Company to be a going concern and in consequence these financial statements have not been prepared on the 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 HUMMINGBIRD PRODUCTION LIMITED

Opinion on the 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 2022 and of its loss 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.

We have audited the financial statements of Teekay Hummingbird Production Limited ("the Company") for the year ended 31 December 2022 which comprise profit and loss account, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – non-going concern basis of preparation

We draw attention to Note 1.2 to the financial statements which explains that the Directors intend to liquidate the Company and therefore do not consider the Company to be a going concern. Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 1.2. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY HUMMINGBIRD PRODUCTION LIMITED (CONTINUED)

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY HUMMINGBIRD PRODUCTION LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Non-compliance with laws and regulations

Based on:

- our understanding of the Company and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations applicable to the Company to include, but not be limited to, compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice, Health & Safety at Work Act and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, employment law, and environmental legislation.

Our procedures in respect of the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation;
- involvement of tax specialists in the audit; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the Company's policies and procedures relating to:
 - detecting and responding to the risks of fraud; and
 - internal controls established to mitigate risks related to fraud.
- review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY HUMMINGBIRD PRODUCTION LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Fraud (continued)


We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:

B21C84CB96DF47F...

Ed Chappell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, UK

31 January 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and loss account

for the year ended 31 December 2022

		2022	2021
	Notes	\$000	\$000
Turnover	2	26,902	47,853
Operating expenses		<u>(33,131)</u>	<u>(43,713)</u>
Gross (loss) / profit		(6,229)	4,140
Administrative expenses		<u>(123)</u>	<u>(2,685)</u>
Operating (loss) / profit	3	(6,352)	1,455
Interest receivable and other income	6	<u>50</u>	<u>3,968</u>
(Loss) / profit before taxation		(6,302)	5,423
Tax credit on (loss) / profit	7	<u>-</u>	<u>56</u>
(Loss) / profit for the financial year		<u><u>(6,302)</u></u>	<u><u>5,479</u></u>

The activities of the Company relate to the operation and demobilisation of the Hummingbird Spirit FPSO unit.

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 13 to 20 form part of the financial statements.


Balance sheet

as at 31 December 2022

		2022	2022	2021	2021
	Notes	\$000	\$000	\$000	\$000
Current assets					
Debtors	8	11,752		23,303	
Cash at bank and in hand		5,247		5,583	
		<u>16,999</u>		<u>28,886</u>	
Creditors: amounts falling due within one year	9	<u>(2,785)</u>		<u>(8,370)</u>	
Net current assets			14,214		20,516
Net assets			<u>14,214</u>		<u>20,516</u>
Capital and reserves					
Called up share capital	10		41,442		41,442
Profit and loss account			<u>(27,228)</u>		<u>(20,926)</u>
Shareholders' funds			<u>14,214</u>		<u>20,516</u>

Notes on pages 13 to 20 form part of the financial statements.

These financial statements were approved by the board of directors on 31 January 2024 and are signed on their behalf by:


Anne Elizabeth Liversedge
Director

Company registered number: SC294888

Statement of changes in equity
for the year ended 31 December 2022

	Called up Share capital \$000	Profit and Loss account \$000	Total Equity \$000
Balance as at 1 January 2021	41,442	(26,405)	15,037
Total comprehensive income for the period			
Profit for the financial year	-	5,479	5,479
Total comprehensive income for the period	-	5,479	5,479
Balance at 31 December 2021	41,442	(20,926)	20,516

	Called up Share capital \$000	Profit and Loss account \$000	Total Equity \$000
Balance as at 1 January 2022	41,442	(20,926)	20,516
Total comprehensive loss for the period			
Loss for the financial year	-	(6,302)	(6,302)
Total comprehensive loss for the period	-	(6,302)	(6,302)
Balance at 31 December 2022	41,442	(27,228)	14,214

Notes on pages 13 to 20 form part of the financial statements.

Notes to the financial statements

1. Accounting policies

Teekay Hummingbird Production Limited (the “Company”) is a private company limited by shares and incorporated, domiciled and registered in Scotland in the UK. The registered office of this Company is 4th Floor, 115 George Street, Edinburgh, EH2 4JN, United Kingdom and the registered number is SC294888.

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 Hummingbird Spirit LLC, which is incorporated in the Republic of the Marshall Islands. 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 14.

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.

As the directors intend to liquidate the Company, following the completion of the decommissioning of the Chestnut oil field in 2022 and following the settlement of the remaining net assets, they do not consider the Company to be a going concern and have concluded that it is appropriate to prepare the financial statements on a basis other than that of a going concern. The Directors consider that no further adjustments are required in respect of assets or liabilities included within the Company Balance Sheet as at 31 December 2022.

Notes to the financial statements (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 Turnover

Revenue linked to the operating expenses is recognised as expenses are incurred, while day rate revenue is recognised over the passage of time. The Company recognizes fixed revenue for services when earned.

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. Foreign currency gains and losses are reported on a net basis.

1.6 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.

Notes to the financial statements (continued)

1.7 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 impairment 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.8 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

	2022	2021
	\$000	\$000
Day rate and operation of FPSO	26,902	47,853

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

Notes to the financial statements (continued)

3. Expenses and auditor's remuneration

Operating (loss) / profit is stated after charging:

	2022	2021
	\$000	\$000
Exchange loss	1,137	-
Operating lease charges – bareboat lease	-	9,056
Auditor's remuneration – audit services	27	22

Auditor's remuneration in respect of the audit of the accounts for the 2022 financial year is expected to be £25,000.

4. Directors' emoluments

The two directors of the Company are employees of the Teekay group of companies. There is no separate remuneration paid by the Company for performing the office of directors.

5. Staff costs

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

6. Interest receivable and other income

	2022	2021
	\$000	\$000
Other income	50	3,329
Exchange gain	-	639
	50	3,968

In 2021, the Company had other income of \$3,328,000 from a group loan that was released by Hummingbird Spirit LLC.

7.a Taxation

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

	2022	2021
	\$000	\$000
Current tax		
Current year	-	-
Adjustments for prior periods	-	(56)
Total current credit	-	(56)
Deferred tax expense	-	-
Total tax (credit)	-	(56)

In 2021, the Company recognised a tax credit of \$55,757 in relation to 2018 tax group relief.

Notes to the financial statements (continued)

7.b Reconciliation effective tax rate

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2021: lower) than the standard rate of corporation tax in the UK, 19.00 % (2021: 19.00 %). The differences are explained below:

	2022 \$000	2021 \$000
(Loss) / Profit	(6,302)	5,479
Total tax (credit)	-	(56)
(Loss) / Profit before taxation	<u>(6,302)</u>	<u>5,423</u>
Current tax at 19.00 % (2021: 19.00 %)	(1,197)	1,030
Adjustment in respect of previous periods	-	(56)
Adjustment in respect of non-taxable income	1,197	(632)
Group relief not paid for	-	(398)
Total tax credit included in profit (note 7.a)	<u>-</u>	<u>(56)</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 2022 have been calculated at 25% (2021: 25%), reflecting the expected timing of reversal of the related timing differences.

7.c Deferred tax asset

The Company has unrecognised deferred tax on losses of \$1,603,574 (2021: \$79,914) that can be carried forward and \$9,720 (2021: \$9,720) in respect of accelerated tax depreciation of assets.

Deferred tax assets are only recognised for tax loss carry-forwards and accelerated tax depreciation of assets to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The unrecognised deferred tax asset at 31 December 2022 has been calculated based on the rate of 25% (2021 - 25%) as this is the rate that was substantially enacted at the balance sheet date.

Notes to the financial statements (continued)

8. Debtors

	2022	2021
	\$000	\$000
Trade debtors	45	730
Amount owed by group undertakings (note 12)	11,473	15,493
Accrued revenue	-	5,463
Other receivables	-	1,038
Sales tax	234	579
	<u>11,752</u>	<u>23,303</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

	2022	2021
	\$000	\$000
Trade creditors	16	237
Accruals and deferred income	2	5,108
Amounts due to group undertakings (note 12)	2,767	3,025
	<u>2,785</u>	<u>8,370</u>

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

10. Called up share capital

	2022	2021
	\$000	\$000
Allotted, called up and fully paid		
25,011,855 ordinary shares of £1 each	<u>41,442</u>	<u>41,442</u>

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.

Notes to the financial statements (continued)

11. Operating lease commitments

The Company was committed to an operating lease of the FPSO Hummingbird Spirit whose term was linked to the contract with Spirit Energy. The contract was fixed at \$48,000 per day and terminated on 30 June 2022.

During the year, \$nil was recognised in the profit and loss account in respect of operating leases (2021: \$9,055,941).

12. Related parties

	<i>Sales to</i>		<i>Expenses incurred with</i>	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Hummingbird Spirit LLC	-	-	-	(9,056)
Teekay Shipping (UK) Ltd	-	-	(67)	-
Teekay Shipping Ltd	-	-	-	(35)
	-	-	(67)	(9,091)

	<i>Receivables outstanding</i>		<i>Creditors outstanding</i>	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Teekay Corporation	9,429	14,843	-	-
Hummingbird Spirit LLC	2,044	650	-	-
Teekay Petrojarl Floating Production (UK) Ltd	-	-	(154)	(2,891)
Teekay Services Ltd	-	-	(2,613)	(134)
	11,473	15,493	(2,767)	(3,025)

13. 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 and smallest group in which the results of the Company are consolidated as at 31 December 2022 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 Pits Bay Road, Hamilton, HM 08 Bermuda.

Notes to the financial statements (continued)

14. 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 area in the financial statements of estimates and judgements is 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.

15. Subsequent events

There are no events subsequent to the reporting date that impact the financial statements.