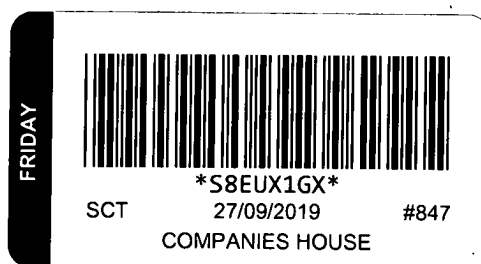


## **Teekay Shipping (UK) Limited**

Annual report and financial statements

Registered number 02017547

31 December 2018



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## Strategic Report

The directors present their strategic report for the year ended 31 December 2018.

### Principal activities and review of business

The Company's principal activities during the year were ship-broking and the provision of voyage management services to Teekay Group vessels operating in the area and providing general services to the shipping industry.

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

	2018	2017	Change
Turnover (£'000)	14,002	13,191	6.1%
Profit after tax (£'000)	500	214	133.5%
Average number of employees	31	32	(3.1%)

Turnover increased by 6.1% during the year, primarily due to increased level of services provided to group companies and favorable exchange rates from foreign currency denominated bareboat contracts.

Profit after tax has increased from the prior year primarily due to decreases in both operating charges and staff costs.

### Principal risks and uncertainties

The Company is exposed to financial risks arising from its operations. 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 for the management of these risks.

#### *Foreign currency risk*

The Company has transactional currency exposures arising from sales that are dominated in a currency other than GBP. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD").

The sensitivity analysis for changes in the foreign exchange rate is 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 related parties. There is no significant credit risk exposure on these balances.

#### *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)**


### **Future Development**

The directors aim to maintain the management policies which have resulted in the Company's growth in recent years. They consider that the following year will show further growth for the business from continuing operations.

### **Going Concern**

After making enquiries, the directors have decided at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. The Company's trading and cash flow forecasts take into account a range of possible changes in trading performance and show that the company should be able to operate within its existing cash resources and bank facilities. For this reason, the directors continue to prepare the financial statements on a going concern basis.

**By order of the board**

  
**Anne Liversedge**  
Director  
20 September 2019

2nd Floor 86 Jermyn Street  
London SW1Y 6JD  
United Kingdom

## **Directors' Report**

The directors present their report and the financial statements for the year ended 31 December 2018.

### **Results and dividends**

The profit for the financial year, after taxation, amounted to £500,321 (2017 - £214,235).

The directors do not recommend the payment of a dividend (2017 - £nil).

### **Directors**

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

A Liversedge  
S Goddard (appointed 5 December 2018)  
T Horne (resigned 27 April 2018)

### **Financial instruments**

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

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' 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, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

  
Anne Liversedge  
Director  
20 September 2019

2nd Floor 86 Jermyn Street  
London SW1Y 6JD  
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.

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 SHIPPING (UK) LIMITED**

## **Opinion**

We have audited the financial statements of Teekay Shipping (UK) Limited ("the company") for the year ended 31 December 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY SHIPPING (UK) LIMITED (continued)**

## **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.

## **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

## **Directors' responsibilities**

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

## **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEEKAY SHIPPING (UK) LIMITED (continued)**

### **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.



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

24 SEPTEMBER 2019

**Profit and loss account  
for the year ended 31 December 2018**

	<i>Note</i>	<b>2018</b> £	<b>2017</b> £
<b>Turnover</b>	2	<b>14,002,020</b>	13,191,193
Staff costs	4	<b>(4,376,480)</b>	(4,558,924)
Depreciation	8	<b>(5,156)</b>	(11,075)
Other operating charges		<b>(9,070,814)</b>	(8,426,944)
<b>Operating profit</b>	3	<b>549,570</b>	194,250
Interest income	6	<b>19,411</b>	9,452
<b>Profit before taxation</b>		<b>568,981</b>	203,702
Tax (charge)/credit on profit	7	<b>(68,660)</b>	10,533
<b>Profit for the financial year</b>		<b>500,321</b>	214,235

All of the activities of the company are classed as continuing.

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

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

**Balance sheet  
as at 31 December 2018**

	<i>Note</i>	<b>2018</b> £	<b>2018</b> £	<b>2017</b> £	<b>2017</b> £
<b>Fixed assets</b>					
Tangible fixed assets	8		33,428		2,040
<b>Current assets</b>					
Debtors	9	3,221,283		3,334,529	
Cash at bank		<u>2,264,550</u>		<u>2,428,875</u>	
		5,485,833		5,763,404	
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,336,385)</u>		<u>(2,194,130)</u>	
<b>Net current assets</b>			<u>4,149,448</u>		<u>3,569,274</u>
<b>Net assets</b>			<u>4,182,876</u>		<u>3,571,314</u>
<b>Capital and Reserves</b>					
Called up share capital	13		25,000		25,000
Capital contribution reserve			1,645,994		1,534,753
Profit and loss account			<u>2,511,882</u>		<u>2,011,561</u>
<b>Shareholders' funds</b>			<u>4,182,876</u>		<u>3,571,314</u>

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

These financial statements were approved by the board of directors on 20 September 2019 and were signed on its behalf by:

Anne Liversedge  
Director



Company registered number: 02017547

**Statement of Changes in Equity**

	<i>Called up Share capital £</i>	<i>Capital Contribution reserve £</i>	<i>Profit and Loss £</i>	<i>Total Equity £</i>
Balance as at 1 January 2017	25,000	1,366,954	1,797,326	3,189,280
<b>Total comprehensive income for the period</b>				
Profit for the financial year	-	-	214,235	214,235
Total comprehensive income for the period	-	-	214,235	214,235
<b>Transactions with owners, recorded directly to equity</b>				
Equity-settled share based payment transactions	-	167,799	-	167,799
Total contributions by and distributions to owners	-	167,799	-	167,799
<b>Balance as at 31 December 2017</b>	<b>25,000</b>	<b>1,534,753</b>	<b>2,011,561</b>	<b>3,571,314</b>
	<i>Called up Share capital £</i>	<i>Capital Contribution reserve £</i>	<i>Profit and Loss £</i>	<i>Total Equity £</i>
Balance as at 1 January 2018	25,000	1,534,753	2,011,561	3,571,314
<b>Total comprehensive income for the period</b>				
Profit for the financial year	-	-	500,321	500,321
Total comprehensive income for the period	-	-	500,321	500,321
<b>Transactions with owners, recorded directly to equity</b>				
Equity-settled share based payment transactions	-	111,241	-	111,241
Total contributions by and distributions to owners	-	111,241	-	111,241
<b>Balance as at 31 December 2018</b>	<b>25,000</b>	<b>1,645,994</b>	<b>2,511,882</b>	<b>4,182,876</b>

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

## Notes to the financial statements

### 1 Accounting policies

Teekay Shipping (UK) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered office of this company is 2nd Floor 86 Jermyn Street, London, United Kingdom, SW1Y 6JD.

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 sterling.

The company is a wholly owned subsidiary of Teekay Shipping Limited, which is incorporated in Bermuda. 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.

As the consolidated financial statements of Teekay Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of certain disclosures required by FRS 102.26 *Share Based Payments*.

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

There are no judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements or estimates with a significant risk of material adjustment in the next year.

#### 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 financial statements have been prepared on a going concern basis, which the directors believe to be appropriate after reviewing the company's forecasts and projections. Further detail has been included in the Strategic Report on page 2.

#### 1.3 Foreign currency

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

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:

- Office equipment and other 5 years
- Computer equipment 5 years

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

#### 1.5 Employee Benefits.

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

##### *Share-based payments*

Share based incentive arrangements are provided to employees which allow them to acquire shares of the ultimate parent company, Teekay Corporation. The fair values of options granted under this arrangement are recognised as an employee expense with a corresponding increase in contributed capital from the direct parent company. Share options are valued at the date of grant using an appropriate pricing model and are charged to staff costs over the vesting period of the award. The charge is modified to take account of options granted to employees who leave the company during the vesting period and forfeit their rights to the share options and in case of non-market related performance conditions, where it becomes unlikely they will vest.

#### 1.6 Turnover

Turnover is attributable to the principal activities of the company and arise from ship-broking and the provision of voyage management services to Teekay Group vessels operating in the area and providing general services to the shipping industry.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 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.

#### 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 and other debtors*

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

##### *Trade and other creditors*

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

## Notes (continued)

### 2 Turnover

	2018 £	2017 £
Bareboat charter hire revenue	7,695,601	6,874,156
Rendering of services		
- fixed management revenue	133,758	39,752
- cost plus management revenue	6,172,661	6,277,285
Total Turnover	<u>14,002,020</u>	<u>13,191,193</u>
By geographical market		
- Asia	7,695,601	6,874,156
- Marshall Islands	6,263,495	6,317,037
- United Kingdom	42,924	-
Total Turnover	<u>14,002,020</u>	<u>13,191,193</u>

### 3 Expenses and auditor's remuneration

*Operating profit is stated after charging:*

	2018 £	2017 £
Depreciation of tangible fixed assets:		
- owned by the company	5,156	11,075
Operating lease charges		
- bareboat contracts	5,519,006	5,431,288
- land and buildings	<u>324,740</u>	<u>360,800</u>

	2018 £	2017 £
<i>Auditor's remuneration:</i>		
Audit of these financial statements	<u>10,000</u>	<u>10,000</u>

### 4 Staff numbers and costs

The average monthly number of employees (including the directors) during the year was as follows:

	2018 No.	2017 No.
Administration	<u>31</u>	<u>32</u>



**Notes (continued)**

**4 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£	£
Wages and salaries	3,421,442	3,543,689
Social security costs	618,080	600,531
Other pension costs	225,717	246,905
	<u>4,265,239</u>	<u>4,391,125</u>
Share-based payments (see note 12)	111,241	167,799
	<u>4,376,480</u>	<u>4,558,924</u>

**5 Directors' remuneration**

	2018	2017
	£	£
Directors' remuneration	278,633	484,198
Amounts receivable under long term incentive schemes	55,674	65,556
Company contributions to money purchase pension plans	15,694	30,370
Compensation for loss of office	<u>312,867</u>	<u>-</u>

During the year retirement benefits were accruing to two directors (2017: two) in respect of money purchase pension schemes.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £224,233 (2017: £334,834), and company pension contributions of £8,217 (2017: £22,373) were made to a money purchase scheme on his behalf.

**6 Interest receivable and similar income**

	2018	2017
	£	£
Bank interest income	<u>19,411</u>	<u>9,452</u>

## Notes (continued)

### 7 Taxation

#### Total tax charge/(credit) recognised in the profit and loss account

	2018 £	2017 £
Current tax:		
UK corporation tax on profit for the period	59,699	(7,751)
Total current tax charge/(credit)	<u>59,699</u>	<u>(7,751)</u>
Deferred tax:		
Origination and reversal of timing differences	10,017	(3,150)
Effect of changes in tax rates	(1,056)	368
Total deferred tax charge/(credit)	<u>8,961</u>	<u>(2,782)</u>
Total tax charge/(credit)	<u>68,660</u>	<u>(10,533)</u>

#### Reconciliation of effective tax rate

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

The current tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK, 19.00% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit for the year	500,321	214,235
Total tax charge/(credit)	68,660	(10,533)
Profit before taxation	<u>568,981</u>	<u>203,702</u>
Tax on profit at standard UK tax rate of 19.00% (2017: 19.25%)	108,106	39,206
Effect of:		
Expenses not deductible	31,336	50,795
Group relief received	(62,718)	(83,784)
Adjustment from previous periods	-	(7,751)
Tax rate changes	(1,056)	368
Share options	(7,008)	(9,367)
Tax charge/(credit) for the period	<u>68,660</u>	<u>(10,533)</u>

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

**Notes (continued)**

**8 Tangible fixed assets**

	<i>Computer equipment</i>	<i>Office equipment and other</i>	<i>Total</i>
	£	£	£
<b>Cost</b>			
Cost at 1 January 2018	66,440	119,946	186,386
Additions for the year	36,544	-	36,544
Cost at 31 December 2018	<u>102,984</u>	<u>119,946</u>	<u>222,930</u>

**Depreciation**

At 1 January 2018	(64,400)	(119,946)	(184,346)
Charge for the year	(5,156)	-	(5,156)
At 31 December 2018	<u>(69,556)</u>	<u>(119,946)</u>	<u>(189,502)</u>

**Net book value**

At 31 December 2018	<u>33,428</u>	-	<u>33,428</u>
At 31 December 2017	<u>2,040</u>	-	<u>2,040</u>

**9 Debtors**

	<i>2018</i>	<i>2017</i>
	£	£
Trade debtors	1,146,886	1,081,371
Amounts owed by group undertakings	1,980,388	1,960,021
Other debtors	55,897	155,864
Prepayments and accrued income	-	90,200
Deferred tax asset (Note 11)	38,112	47,073
	<u>3,221,283</u>	<u>3,334,529</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

**10 Creditors: Amounts falling due within one year**

	<i>2018</i>	<i>2017</i>
	£	£
Amounts owed to group undertakings	463,201	1,319,854
Accruals and deferred income	576,779	672,931
Social security and other taxes	159,646	201,345
Other creditors	92,060	-
Corporation tax	44,699	-
	<u>1,336,385</u>	<u>2,194,130</u>

Amounts owed to group undertaking are unsecured, interest free and repayable on demand.

## Notes (continued)

### 11 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £	2017 £	Liabilities 2018 £	2017 £	Net 2018 £	2017 £
Accelerated capital allowances	47,075	44,290	-	-	47,075	44,290
Timing differences	(8,963)	2,783	-	-	(8,963)	2,783
Deferred tax asset	<u>38,112</u>	<u>47,073</u>	<u>-</u>	<u>-</u>	<u>38,112</u>	<u>47,073</u>

### 12 Employee benefits

#### *Defined Contribution plans*

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. The total expense relating to these plans in the current year was £225,717 (2017: £246,905). The company has no pension commitments as 31 December 2018 (2017: £nil).

#### *Share based payments*

The Company's share ownership plan allows eligible employees of the company to purchase ordinary shares in Teekay Corporation, the ultimate parent company.

#### Summary of stock option plan activity

	2018		2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 1 January	75,042	£6.93	34,388	£13.33
Granted	10,663	£6.23	40,654	£2.76
Forfeited	(60,487)	£3.18	-	-
Exercised	-	-	-	-
Outstanding at 31 December	<u>25,218</u>	<u>£7.28</u>	<u>75,042</u>	<u>£6.93</u>

Employees are entitled to exercise one third of their options one year after they are granted, a further one third after a second year and the final third three years after the grant. Options, with some exceptions, are forfeited if the employee leaves the company.

## Notes (continued)

### 12 Employee benefits (continued)

During 2018 the company recognised a total share-based payment expense of £23,827 (2017: £26,245) all of which related to equity-settled share based-payments.

Restricted stock units represent a right to receive shares of Teekay Corporation common stock at a future date determined in accordance with the participants' award agreement. There is no exercise price and no monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award. Instead, consideration is provided in the form of the participants' service to the company. Restricted stock units vest over one to three years.

The fair value of the restricted stock units is determined based on the grant date fair value. The expense recognised for share based payments in respect of the employees' services during the year to 31 December 2018 is £87,414 (2017: £141,554) arising from the restricted stock units.

### 13 Called up share capital

<i>Share Capital</i>	<i>2018</i>	<i>2017</i>
	<i>£</i>	<i>£</i>
<i>Allotted, called up and fully paid</i>		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</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.

### 14 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	<i>Vessels on bareboat charter contracts</i>		<i>Land and buildings</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Less than one year	5,264,159	5,431,288	360,025	360,800
Between one and five years	20,303,487	19,352,701	438,678	798,702
More than five years	24,387,573	27,817,669	-	-
	<u>49,955,219</u>	<u>52,601,658</u>	<u>798,703</u>	<u>1,159,502</u>

During the year £5,843,746 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £5,792,088).

**Notes (continued)**

**15 Related parties**

	<i>Sales to</i>		<i>Expenses incurred from</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Teekay Shipping Limited	6,263,495	6,317,037	-	-
Transactions with subsidiaries within the Teekay group	-	-	(6,434,751)	(5,037,677)
	<b>6,263,495</b>	<b>6,317,037</b>	<b>(6,434,751)</b>	<b>(5,037,677)</b>

	<i>Receivables outstanding</i>		<i>Creditors outstanding</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Teekay Shipping Limited	1,726,218	1,707,096	-	(30,681)
Transactions with subsidiaries within the Teekay group	254,170	252,925	(463,201)	(1,289,173)
	<b>1,980,388</b>	<b>1,960,021</b>	<b>(463,201)</b>	<b>(1,319,854)</b>

**16 Ultimate parent company and parent company of larger group**

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 2018 is that headed by Teekay Corporation, incorporated in the Republic of the Marshall Islands. The smallest group in which they are consolidated as at 31 December 2018 is that headed by Teekay Shipping Limited, incorporated in Bermuda. The consolidated financial statements of these groups are available to the public and may be obtained from their offices located at 4<sup>th</sup> Floor Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08 Bermuda.

**17 Subsequent events**

There were no material subsequent events after the balance sheet date.