

TEEKAY SHIPPING CORP
Form 6-K
May 17, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2006

Commission file number 1- 12874

TEEKAY SHIPPING CORPORATION

(Exact name of Registrant as specified in its charter)

Bayside House
Bayside Executive Park
West Bay Street & Blake Road
P.O. Box AP-59212, Nassau, Bahamas
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82- _____

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

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ITEM 1 FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Teekay Shipping Corporation

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We have reviewed the consolidated balance sheet of Teekay Shipping Corporation and subsidiaries as of March 31, 2006 and the related consolidated statements of income and cash flows for the three months ended March 31, 2006 and 2005. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Teekay Shipping Corporation and subsidiaries as of December 31, 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, and in our report dated February 21, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the consolidated balance sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Vancouver, Canada,
May 2, 2006

/s/ ERNST & YOUNG LLP
Chartered Accountants

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (in thousands of U.S. dollars, except share and per share amounts)

	Three Months End 2006 \$
VOYAGE REVENUES	525,996
<hr style="border-top: 1px dashed black;"/>	
OPERATING EXPENSES	
Voyage expenses	133,611
Vessel operating expenses	53,224
Time-charter hire expense	104,424
Depreciation and amortization	50,484
General and administrative (note 9)	40,260
Gain on sale of vessels (note 11)	(607)
Restructuring charge (note 12)	1,887
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Total operating expenses	383,283
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Income from vessel operations	142,713
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OTHER ITEMS	
Interest expense	(36,758)

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (in thousands of U.S. dollars, except share and per share amounts)

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Interest income	12,101
Equity income from joint ventures	1,145
Foreign exchange (loss) gain (note 6)	(11,464)
Other - net (note 12)	(6,033)

Total other items	(41,009)

Net income (note 13)	101,704
=====	
Earnings per common share (note 15)	
- Basic	1.41
- Diluted	1.35
Weighted average number of common shares	
- Basic	72,153,868
- Diluted	75,230,591
=====	

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars)

	As at March 31, 2006 \$

ASSETS	
Current	
Cash and cash equivalents (note 6)	257,003
Restricted cash (note 8)	155,952
Accounts receivable	157,555
Vessels held for sale (note 11)	3,091
Net investment in direct financing leases - current	19,749
Prepaid expenses and other assets	99,509

Total current assets	692,859

Restricted cash (note 8)	567,517
Vessels and equipment (note 6)	
At cost, less accumulated depreciation of \$751,346 (December 31, 2005 - \$766,696)	2,496,853
Vessels under capital leases, at cost, less accumulated depreciation of \$40,880 (December 31, 2005 - \$35,574) (note 8)	707,255
Advances on newbuilding contracts (note 10)	224,283

Total vessels and equipment	3,428,391

Net investment in direct financing leases	98,305

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Investment in joint ventures (note 10)	147,689
Other assets	201,653
Intangible assets - net (note 4)	248,590
Goodwill (note 4)	170,897

	5,555,901
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current	
Accounts payable	43,508
Accrued liabilities	104,214
Current portion of long-term debt (note 6)	22,589
Current obligation under capital leases (note 8)	146,250

Total current liabilities	316,561

Long-term debt (note 6)	1,938,846
Obligation under capital leases (note 8)	416,342
Loan from joint venture partner (note 7)	33,905
Other long-term liabilities	178,877

Total liabilities	2,884,531

Commitments and contingencies (notes 8, 10 and 14)	
Minority interest	284,350

Stockholders' equity	
Capital stock (note 9)	590,046
Additional paid-in capital (note 9)	2,011
Retained earnings	1,797,987
Accumulated other comprehensive loss (note 14)	(3,024)

Total stockholders' equity	2,387,020

Total liabilities and stockholders' equity	5,555,901
	=====

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

Three Months End
2006
\$

Cash and cash equivalents provided by (used for)

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OPERATING ACTIVITIES

Net income	101,704
Non-cash items:	
Depreciation and amortization	50,484
Gain on sale of vessels	(607)
Loss on repurchase of bonds	375
Equity income (net of dividends received: March 31, 2006 - \$2,500; March 31, 2005 - \$4,154)	1,355
Income taxes	3,784
Employee stock option compensation (note 9)	2,011
Unrealized foreign exchange (gain) loss and other - net	14,536
Change in non-cash working capital items related to operating activities	(62,330)
Expenditures for drydocking	(1,663)

Net operating cash flow

109,649

FINANCING ACTIVITIES

Proceeds from long-term debt	449,252
Capitalized loan costs	(2,459)
Scheduled repayments of long-term debt	(3,809)
Prepayments of long-term debt	(194,375)
Repayments of capital lease obli	