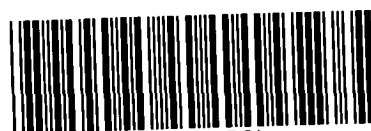


FC Shipping Limited

Directors' Report and Financial Statements for the year ended

31 December 2015

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COMPANIES HOUSE

Directors

E D E Maandag
G P Sheach

Secretary

Endeavour Secretary Limited
Tobias House
St Marks Court
Teesdale Business Park
Teesside
TS17 6QW

Independent Auditors

PricewaterhouseCoopers LLP
31-32 Albyn Place
Aberdeen
AB10 1YL

Bankers

ABN Amro
Coolsingel 119
Postbus 749
3000 AS
Rotterdam
The Netherlands

Solicitors

Endeavour Partnership LLP
Tobias House
St Marks Court
Teesdale Business Park
Teesside
TS17 6QW

Registered Office

C/o Endeavour Partnership LLP
Tobias House
St Marks Court
Teesdale Business Park
Teesside
TS17 6QW

Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

Principal activities and review of the business

The principal activity of the company is that of lessor and financier of assets for the shipping sector.

The loss for the year, after taxation, amounted to £2,683 (2014: loss of £1,092). The directors do not recommend a final dividend. (2014: £Nil).

Directors

The directors who served throughout the year and to the date of this report were as follows:

G P Sheach
E D E Maandag

Principal Risk & Uncertainties

The company's exposure to operational risk, credit risk, liquidity risk and interest rate risks are described in note 5 to the financial statements.

The company has a number of long-term contracts with various related parties. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

Going concern

The company's business activities are described in the review of the business above.

At 31 December 2015, the company has net current liabilities of £3,658,561 (31 December 2014: £3,601,430). The bulk of the liabilities are payable to the company's parent undertaking, and the directors have a reasonable expectation that the full amount will not be called within the next 12 months

After making enquiries, the directors also have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Directors' report and financial statements.

Disclosure of information to the auditors

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 auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Small Companies Exemption

In preparing this report, the Directors have taken advantages of the small companies exemptions provided by section 415A of the Companies Act 2006.

In accordance with section 414B of the Companies Act 2006 (Strategic and Directors Report) Regulations 2013, the company has taken exemption from preparing a separate Strategic Report.

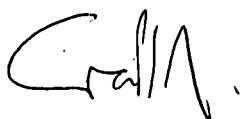
Directors' report

Independent Auditors

Ernst & Young LLP resigned on 19 October 2015 and PricewaterhouseCoopers LLP were appointed in their place.

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of PricewaterhouseCoopers LLP as auditors of the company.

On behalf of the board



G P Sheach
Director

19 April 2016
Aberdeen

Statement of Directors' Responsibilities

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 International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- 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 auditors' report

to the members of FC Shipping Limited

Report on the financial statements

Our opinion

In our opinion, FC Shipping Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report

to the members of FC Shipping Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen

19 April 2016

Income statement

for the year ended 31 December 2015

	Note	2015 £	2014 £
Revenue	2	41,450	40,791
Gross profit		41,450	40,791
Administrative expenses		(466)	(196)
Profit from operations	6	40,984	40,595
Finance costs	8	(35,701)	(34,673)
Profit before taxation		5,283	5,921
Tax	9	(7,966)	(7,013)
Loss attributable to equity holders of the company		<u>(2,683)</u>	<u>(1,092)</u>

All activities of the company are classified as continuing.

There is no comprehensive income or expense other than the loss (31 December 2014: loss) as set out in the Income statement, therefore a separate Statement of Comprehensive Income has not been presented.

The accompanying notes form an integral part of the financial statements.

Statement of changes in equity

for the year ended 31 December 2015

	Note	Share Capital £	(Accumulated losses)/ retained earnings £	Total equity attributable to equity holders of the company £
Balance at 31 December 2013	100	2,302	2,402	
Loss and total comprehensive expense for year	–	(1,092)	(1,092)	
Balance at 31 December 2014	100	1,210	1,310	
Loss and total comprehensive expense for the year	–	(2,683)	(2,683)	
Balance at 31 December 2015	100	<u>(1,473)</u>	<u>(1,373)</u>	

Statement of Financial Position

as at 31 December 2015

	Note	2015 £	2014 £
Non-current assets			
Finance lease receivables	10	3,782,188	3,752,740
Current assets			
Finance lease receivables	10	144,175	145,864
Other receivables		163	188
Cash and cash equivalents		1,385	1,617
		<u>145,723</u>	<u>147,669</u>
Total assets		<u>3,927,911</u>	<u>3,900,409</u>
Current liabilities			
Trade and other payables	13	(3,804,284)	(3,749,099)
Non-current liabilities			
Trade and other payables	13	(125,000)	(150,000)
Total liabilities		<u>(3,929,284)</u>	<u>(3,899,099)</u>
Total net (liabilities)/ assets		<u>(1,373)</u>	<u>1,310</u>
Equity			
Share capital	14	100	100
(Accumulated losses) / retained earnings		(1,473)	1,210
Total equity attributable to equity holders of the company		<u>(1,373)</u>	<u>1,310</u>

The accompanying notes form an integral part of the financial statements. The financial statements on page 7 to 25 were approved by the board of directors and authorised for issue on April 2016. They were signed on its behalf by:



G P Sheach
Director
19 April 2016
Aberdeen

Cash flow statement

for the year ended 31 December 2015

		2015	2014
	Note	£	£
Operating activities			
Loss for the year		(2,683)	(1,092)
Adjustments for:			
Tax charge	9	7,966	7,013
Finance cost	8	35,701	34,673
		43,667	41,686
Adjustments for changes in working capital:			
Increase in trade and other receivables		(27,735)	(24,089)
Increase in trade and other payables		55,570	50,004
Corporation tax paid in year		(8,350)	(7,586)
Cash flows from operating activities		60,469	58,923
Interest paid- parent undertaking	8	(31,294)	(29,804)
Interest paid – on bank borrowings from related party	8	(4,484)	(5,014)
Loan repayment	12	(25,000)	(25,000)
Net cash flows from operating activities		(309)	(895)
Net decrease in cash and cash equivalents		(309)	(895)
Net foreign exchange gain	8	77	145
Cash and cash equivalents at beginning of the year		1,617	2,367
Cash and cash equivalents at end of year		1,385	1,617

Notes to the financial statements

for the year ended 31 December 2015

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements for FC Shipping Limited ("company"), for the year ended 31 December 2015 were authorised for issue by the board of directors on 19 April 2016 and the Statement of Financial Position signed on the Board's behalf by G P Sheach. The company is incorporated and domiciled in England & Wales. The company's registered office is shown on page 1. The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the company for the year ended 31 December 2015.

The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

The functional and presentation currency of the company is Sterling.

These financial statements are prepared on the going concern basis and under the historic cost convention.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS :

- *IAS 1 Disclosure initiatives – Amendments to IAS 1*
- *IAS 19 Defined benefit plans : Employee contributions*
- *IAS 16 & IAS 38 Revaluation method*
- *IAS 24 Related party Disclosures (Key management personnel)*
- *IAS 40 clarification the interrelationship between IFRS 3 & IAS 40 when classifying property as Investment property or owners occupied property*
- *IFRS 2 Share based payments : definition of vesting condition*
- *IFRS 3 Business Combinations : Accounting for contingent consideration*
- *IFRS 8 Operating Segments : disclosure of whether to aggregate or not to aggregate operating segments*
- *IFRS 9 Financial Instruments: Classification and Measurement 9 effective 1 January 2018 (with an early adoption from period beginning 1 July 2014)*
- *IFRS 13 Fair value measurements – short term receivables and payables*

IAS 1 Disclosure initiatives (effective on or after 1 January 2016)

The amendments, clarify, rather than significantly change, the materiality requirements that specific line items in the income statement and OCI and the statement of financial position may be disaggregated and entities have flexibility as to the order in which they present the notes to financial statements. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS and do not affect recognition and measurement. Early adoption is permitted with no requirements for entities to disclose that the fact because the board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

The amendment has no impact on the company.

Notes to the financial statements

for the year ended 31 December 2015

2.2 Changes in accounting policies and disclosures (continued)

IAS 19 Defined benefit plans : Employee contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

The amendment has no impact on the company.

In the 2012-2014 annual improvement cycle, the IASB issued various amendments to few standards, effective 1 January 2015.

IAS 16 & IAS 38 Revaluation method

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

The amendment has no impact on the company.

IAS 24 Related party Disclosures (Key management personnel)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The amendment has no impact on the company.

IAS 40 clarification interrelationship between IFRS 3 & IAS 40 when classifying property as Investment property or owners occupied property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

The amendment has no impact on the company.

IFRS 2 Share based payments : definition of vesting condition

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Company has identified any performance and service conditions which are vesting conditions in previous periods.

The amendment has no impact on the company.

Notes to the financial statements

for the year ended 31 December 2015

2.3 Changes in accounting policies and disclosures (continued)

IFRS 3 Business Combinations : Accounting for contingent consideration

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. The amendment has no impact on the company.

IFRS 8 Operating Segments : disclosure of whether to aggregate or not to aggregate operating segments

The amendments are applied retrospectively and clarify that:

1. An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
2. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendment has no impact on the company.

IFRS 9 Financial Instruments: Classification and Measurement 9 effective 1 January 2018 (with an early adoption from period beginning 1 July 2014)

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015 and now moved to January 2018(December 2014update). Early adoption of the revised IFRS 9 is permitted for reporting period beginning after 24 July 2014. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will not have an impact on the company. The company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 13 Fair value measurements – short term receivables and payables

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.

The amendment has no impact on the company.

2.3 Going concern

At 31 December 2015, the company has net current liabilities of £3,658,561 (31 December 2014: £3,601,430). The bulk of the liabilities are payable to the company's parent undertaking, and the directors have a reasonable expectation that the full amount will not be called within the next 12 months.

The directors also have a reasonable expectation that the projected future profitability of the company will allow it to meet all its obligations as they fall due; and are therefore of the opinion that it is appropriate to continue to prepare these financial statements on a going concern basis.

Notes to the financial statements

for the year ended 31 December 2015

2.4 Principal accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Revenue from finance leases is recognised in accordance with the company's policy on leases (see below).

Finance income and finance costs

Income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through the statement of profit or loss are determined using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding future credit losses. The calculation includes all amounts paid or received by the company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of the financial instrument and all other premiums or discounts. Interest income on assets classified as loans and receivables, interest expense on liabilities classified at amortised cost and interest income are recognised in the Statement of Profit or loss.

Leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases and hire purchase contracts.

If the lease agreement transfers the risk and rewards of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over the lower of the estimated useful life and the life of the lease. The corresponding rental obligations are recorded as borrowings. The aggregate benefit of incentives, if any, is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

The tax expense represents the sum of the income tax currently payable and deferred income tax.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Taxable profit differs from 'Profit before tax' as reported in Statement of Profit or Loss because it excludes items that are never taxable or deductible. Taxable profit also includes items that are taxable or deductible that are not included in 'Profit before tax'. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, the initial recognition of other assets (other than in a business combination) and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the financial statements

for the year ended 31 December 2015

2.4 Principal accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on rates enacted or substantively enacted at the date of the Statement of Financial Position. Deferred tax is charged or credited in the Statement of Profit or Loss , except when it relates to items recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand balances and bank overdrafts repayable on demand.

Financial instruments

Financial assets and liabilities are recognised in the company's Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

The company classifies its financial assets as: financial assets at fair value through the statement of profit or loss and loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as available-for-sale or fair value through the Statement of profit or loss.

Loans and advances to customers are classed as Loans and Receivables. 'Net investment in finance leases' are treated in accordance with the company's policy on finance lease agreements.

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest rate method, less any impairment. Interest calculated using the effective interest rate method is recognised in the Statement of profit or loss. They are derecognised when the rights to receive cash flows have expired or the company has transferred substantially all of the risks and rewards of ownership.

Financial liabilities

Financial liabilities are initially recognised when the company becomes contractually bound to the transfer of economic benefits in the future. Financial liabilities are derecognised when extinguished.

Non-trading financial liabilities are initially recognised at fair value net of transaction costs incurred. They are subsequently stated at amortised cost and the redemption value recognised in the Statement of Profit or Loss over the period of the liability using the effective interest rate method.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Effective interest method

Interest expense on financial assets and liabilities held at amortised cost is measured using the effective interest rate method, which allocates the interest income or interest expense over the expected life of the lease agreements. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount on initial recognition.

Notes to the financial statements

for the year ended 31 December 2015

2.4 Principal accounting policies (continued)

Impairment of financial assets

At each reporting date the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets classified as loans and receivables have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers have defaulted, are experiencing significant financial difficulty, or the debt has been restructured to reduce the burden to the borrower. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company about the following loss events:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the company, for economic or legal reasons relating to the borrowers' financial difficulty, granting to the borrower a concession that the company would not otherwise consider;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is not objective evidence of impairment for an individually assessed financial asset it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Impairment is calculated based on the probability of default, exposure at default and the loss of given default, using recent data. An adjustment is made for the effect of discounting cash flows.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measure as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate.

Financial assets are written off when it is reasonably certain that receivables are irrecoverable.

Notes to the financial statements

for the year ended 31 December 2015

2.5 Future accounting developments / Improvements to IFRS

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

These improvements will not have an impact on the company, but include:

IAS 1 Disclosure initiatives (effective on or after 1 January 2016)

The amendments, clarify, rather than significantly change, the materiality requirements that specific line items in the statement of profit and loss and OCI and the statement of financial position may be disaggregated and entities have flexibility as to the order in which they present the notes to financial statements. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS and do not affect recognition and measurement. Early adoption is permitted with no requirements for entities to disclose that the fact because the board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

The amendment has no impact on the company.

IAS 16 & IAS 38 Clarification of acceptable method of depreciation and amortisation (on or after 1 January 2016)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life.

The amendment has no impact on the company.

IAS 27 Equity method in separate financial statements (on or after 1 January 2016)

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39)
- Or
- Using the equity method

The entity must apply the same accounting for each category of investment. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

The amendments eliminate a GAAP difference for countries where regulations require entities to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures

The amendment has no impact on the company.

Notes to the financial statements

for the year ended 31 December 2015

2.5 Future accounting developments / Improvements to IFRS (Continued)

IAS 28 and IFRS 10 sale or contribution of Assets between investors & associate or joint venture (on or after 1 January 2016)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

The amendment has no impact on the company.

IFRS 10 Investment entities : applying the consolidation exception(on or after 1 January 2016)

The amendments address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an

investment entity, when the investment entity measures its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently.

The amendment has no impact on the company.

3. Critical accounting estimates and areas of significant management judgement

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and liabilities, and the disclosure of contingent liabilities, at the end of the reporting year end. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future period.

Judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Notes to the financial statements

for the year ended 31 December 2015

3. Critical accounting estimates and areas of significant management judgement (continued)

Residual values

Residual values are estimated at the inception of the lease agreements and are subsequently reviewed for impairment during the life of the lease agreements. Appropriate impairment losses are charged to the Statement of Profit or Loss.

Impairment loss allowances

Individual impairment loss allowances are made in respect of finance and rental agreements where recovery is considered doubtful. The impairment loss allowances are deducted from the net investment in finance agreements. The charge in the Statement of profit or loss comprises write offs, recoveries and the net movement in impairment loss allowances in the year.

Effective interest rate calculations

IAS 39 "*Financial Instruments: Recognition and Measurement*" requires certain financial assets and liabilities to be held at amortised cost, with income recognised using the effective interest rate (EIR) methodology. In order to calculate EIR, the contracted repayment profile is used. If customers repay earlier than anticipated, this will generally lead to a reduction in the Statement of Financial Position carrying value and a gain in the statement of profit or loss.

4. Risk management policy and control framework

As a result of its normal business activities, the company is exposed to a variety of risks, the most significant of which are operational risk, credit risk, interest rate risk and liquidity risk. The company manages its risk in line with the policies of its controlling party.

The prevailing risks are detailed in note 5.

5. Risk management disclosures

Operational risk

The long-term success of the company is dependent on the ability of its management to secure suitable financing opportunities at profitable rates. Where the company has secured such opportunities, it may still be negatively impacted should counter-party elect to repay some or all of that finance earlier than anticipated.

Credit risk

Credit risk is the risk of financial loss arising from the default of a customer or counterparty to which the company has directly provided credit, or for which the company has assumed a financial obligation, after realising collateral held. The credit quality of customer assets is mitigated by the credit approval in place. Credit risk is mitigated by security taken over the borrower's assets.

Should particular exposures begin to show adverse features such as payment arrears, covenant breaches or business trading performance that is materially worse than expected at the point of lending, a full risk reappraisal is undertaken.

The company's knowledge of the related party lease counterparties gives its management a good understanding of the company's credit risk.

Interest rate risk

The company is exposed to an element of interest rate risk. This risk mainly arises from mismatches between the re-pricing dates of the interest bearing assets and liabilities on the company's Statement of Financial Position, and from the investment of the company's reserves. Interest rate risk primarily arises in the company's leasing trade. The exposure in this regard is minimal as the majority of the interest rate exposure has been transferred to the lease counterparties.

Notes to the financial statements

for the year ended 31 December 2015

5. Risk management disclosures (continued)

Liquidity risk

Liquidity risk is the risk that the company, though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can only secure them at excessive costs. In the opinion of the directors, the company's operating cash flow in conjunction with the business term loan (as detailed in note 15) provides sufficient cash flow to meet all obligations as they fall due.

6. Profit from operations

The directors are employed by and receive remuneration from other related companies. The directors received total remuneration for the year of £296,000 (2014 £306,000), all of which was paid by a related company. In the opinion of the directors, it is not possible to apportion directors' remuneration to the company on the basis of level of service and accordingly no allocation has been made.

Company pension contribution to money purchase schemes for directors £5,000 (2014 : £4,000)

Retirement benefits are accruing to one director under a defined contribution scheme (2014 - one)

The company had no employees in either the current year or the preceding year.

7. Auditors' remuneration

Auditors' remuneration of £2,000 (31 December 2014 £2,000) was borne by the immediate controlling party Vroon Shipping U.K. Ltd in the current and preceding years.

8. Finance costs

	2015	2014
	£	£
Amounts payable to immediate parent undertakings	31,294	29,804
Interest on bank borrowings from related party	4,484	5,014
Foreign exchange gain	(77)	(145)
	<u>35,701</u>	<u>34,673</u>

Notes to the financial statements

for the year ended 31 December 2015

9. Tax charge

	2015	2014
	£	£
<i>Current income tax:</i>		
Current tax expense	7,966	7,013
	<u>7,966</u>	<u>7,013</u>
Tax expense for the year	<u>7,966</u>	<u>7,013</u>

The tax assessed on the (loss) / profit on ordinary activities differs from the standard rate of corporation tax in the UK of 20% (2014 - 21%). The differences are reconciled below:

	2015	2014
	£	£
Profit before tax	<u>5,283</u>	<u>5,921</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2014: 21%)	1,057	1,243
Tax impact of assessment under UK tonnage tax regime (*)	<u>6,909</u>	<u>5,770</u>
Tax expense for the year	<u>7,966</u>	<u>7,013</u>

In December 2011, the company made an election to enter the UK tonnage tax regime with effect from 17 November 2011.

(*) Tonnage tax is an alternative method of calculating taxable profits which is available for companies with qualifying ships. Under tonnage tax, taxable profits are calculated based on the net weight of the vessel multiplied by a government specified daily profit rate rather than by the normal accounting method.

Notes to the financial statements

for the year ended 31 December 2015

10. Finance lease receivables

The company enters into finance lease arrangements with related parties in the shipping industry.

	2015 £	2014 £
<i>Amounts receivable under finance leases:</i>		
Within one year	211,744	212,297
In the second to fifth years inclusive	1,269,233	1,140,083
After five years	<u>5,058,158</u>	<u>5,426,052</u>
Minimum Lease payments receivable	6,566,135	6,778,432
Less : Unearned finance income	<u>(2,639,772)</u>	<u>(2,879,828)</u>
Present value of minimum lease payments receivable	<u><u>3,926,363</u></u>	<u><u>3,898,604</u></u>
	2015 £	2014 £
<i>Amounts receivable under finance leases:</i>		
Within one year	144,175	145,864
In the second to fifth years inclusive	323,528	182,732
After five years	<u>3,458,660</u>	<u>3,570,008</u>
Present value of minimum lease payments receivable	<u><u>3,926,363</u></u>	<u><u>3,898,604</u></u>
<i>Analysed as:</i>		
Non-current finance lease receivables (recoverable after 12 months)	3,782,188	3,752,740
Current finance lease receivables (recoverable within 12 months)	<u>144,175</u>	<u>145,864</u>
	<u><u>3,926,363</u></u>	<u><u>3,898,604</u></u>

In November 2011, the company made changes in the contracts for the leasing of its vessels. The lease terms were adjusted and are now contracted with related parties. Under the new lease terms, the company received additional rentals totalling £33,271,278 in November 2011. Accordingly, the remaining annual rentals are adjusted to be lower amounts than in the original payment scheme; but are receivable over the same time period and on the same payment dates. The company's finance leases are scheduled to be repaid in full in April 2031.

Residual values of assets leased under finance leases at 31 December 2015 is £nil (31 December 2014: £nil). The directors consider that the net investment in finance leases is approximately equal to their fair value.

Notes to the financial statements

for the year ended 31 December 2015

11. Capital

The company's objective is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

12. Related party transactions

Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Vroon Shipping U.K. Ltd, a company registered in England. The ultimate parent undertaking and controlling party is Vroon Vessel Participations I B.V., a company registered in the Netherlands.

The consolidated financial statements of Vroon Vessel Participations I B.V. are available to the public and may be obtained from Vroon Shipping U.K. Ltd, C/o Endeavour Partnership LLP, Tobias House, St Mark's Court, Teesdale Business Park, Teesside, TS17 6QW.

Other related parties

At 31 December 2015, the company has finance lease receivables from FC Tankship I Limited and FC Tankship II Limited, companies incorporated in in England and fellow subsidiaries of the company's immediate parent undertaking.

Key management compensation

As detailed in note 6, the company has no employees in either the current or preceding year. The current directors are remunerated by other fellow group undertakings; and therefore no key management compensation was paid by this company in either the current or preceding year.

Transactions for the year / preceding year and outstanding balances

		<i>Sales to related parties £</i>	<i>Interest charge from related parties £</i>	<i>Amounts owed by related parties £</i>	<i>Amounts owed to related parties £</i>
<i>Parent undertaking:</i>					
Vroon Shipping U.K. Ltd	2015	–	31,294	163	3,722,111
	2014	–	29,804	188	3,666,757
<i>Entity with significant influence:</i>					
Santander Asset Finance plc	2015	–	4,484	–	150,471
	2014	–	5,014	–	175,528
<i>Other related parties:</i>					
FC Tankship I Limited	2015	20,839	–	1,975,338	25,217
	2014	20,506	–	1,948,602	25,078
FC Tankship II Limited	2015	20,611	–	1,949,514	24,879
	2014	20,284	–	1,923,447	24,745

Notes to the financial statements

for the year ended 31 December 2015

13. Trade and other payables

	2015	2014
	£	£
<i>Trade and other payables (due within one year):</i>		
Bank loan (see note 15)	25,471	25,528
Payable to related parties (see note 12)	3,772,207	3,716,580
Income taxes	6,606	6,991
	<u>3,804,284</u>	<u>3,749,099</u>
<i>Trade and other payables (due after one year):</i>		
Bank loan (see note 15)	125,000	150,000
	<u>3,929,284</u>	<u>3,899,099</u>

14. Share capital

	2015	2014	2015	2014
	No of shares	No of shares	£	£
<i>Issued and fully paid:</i>				
"A" ordinary shares of £1– Santander Asset Finance plc	75	75	75	75
"B" ordinary shares of £1– Vroon Shipping U.K. Ltd	25	25	25	25
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

All issued share capital is classified as equity.

The "A" ordinary shares carry one vote each with no entitlement to appoint or remove directors.

The "B" ordinary shares carry 20 votes each with the entitlement to appoint or remove directors.

Notes to the financial statements

for the year ended 31 December 2015

15. Financial instruments (see also note 12)

Categories of financial instruments

	2015	2014
	£	£
<i>Financial assets:</i>		
Finance lease receivables	<u>3,926,364</u>	<u>3,898,604</u>
<i>Financial liabilities:</i>		
Loans due to parent undertakings	3,722,111	3,666,757
Interest rate variations due under finance leasing contracts	50,096	49,824
Bank loan	<u>150,471</u>	<u>175,528</u>
	<u>3,922,678</u>	<u>3,892,109</u>

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value.

At the reporting date there are no loans and receivables designated at Fair-Value-Through-Profit-and-Loss. The carrying amount reflected above represents the company's maximum exposure to credit risk for such loans and receivables. The class of financial instrument that is most exposed to credit risk in the company is finance lease receivables (see note 10). The present value of the minimum lease payments at 31 December 2015 is £3,926,364 (31 December 2014 was £3,898,604).

For the company, 100% (31 December 2014: 100%) of the balances are secured. The main types of security are charges over assets being financed. In addition £nil (31 December 2014: £nil) of the finance leases are secured by bank guarantees.

Maturities of financial liabilities

	2015	2014
	£	£
<i>Loan due to parent undertakings:</i>		
Payable: on demand or up to 1 month	<u>3,722,111</u>	<u>3,666,757</u>
<i>Interest rate variations due under finance leasing contract:</i>		
Payable: on demand or up to 1 month	<u>50,096</u>	<u>49,824</u>
<i>Bank loan:</i>		
Payable:		
1-3 months	—	—
3-12 months	25,471	25,528
1-5 years	113,754	100,000
Over 5 years	<u>31,148</u>	<u>50,000</u>
	<u>170,373</u>	<u>175,528</u>

The bank loan from Santander Asset finance plc, originally for £250,000, is repayable in 20 equal instalment of £12,500 every six months. At 31 December 2015 there were 12 instalments remaining on this loan. Interest accrues on this loan at 2.00% above LIBOR also payable every six months.

Notes to the financial statements

for the year ended 31 December 2015

15. Financial instruments (see also note 12) (continued)

Maturities of financial assets

The table below is based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The company's finance lease contracts provide that the risks (and rewards) of changes in interest rates and tax rates reside with the lessors, and the table below reflects interest rate and tax assumptions at the time the contract terms were agreed.

	2015	2014
	£	£
<i>Finance lease receivables:</i>		
Receivable: up to 1 month	17,645	17,691
1-3 months	35,291	35,383
3-12 months	158,808	159,223
1-5 years	1,269,233	1,140,083
Over 5 years	5,085,158	5,426,052
	<u>6,566,135</u>	<u>6,778,432</u>
Weighted average effective interest rate	6.43%	6.42%

Finance instruments generally

The company is dependent on loans from its immediate parent company Vroon Shipping U.K. Ltd. The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates to their fair value.