Registered No. 5085910

FC Shipping Limited

Directors' Report and Financial Statements for the year ended

31 December 2014

Directors
E D E Maandag
G P Sheach

Secretary
Endeavour Secretary Limited
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Principal activities and review of the business

The principal activity of the company is that of lessors and financiers of assets for the shipping sector.

The loss for the year, after taxation, amounted to £1,092 (2013: profit of £947). The directors do not recommend a final dividend. (2013: £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.

After making enquiries, the directors 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 auditor in connection with preparing its report, of which the auditor is 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 auditor is 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

Auditors

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 Ernst & Young LLP as auditors of the company.

By order of the board

E D E Maandag
Director
19 June 2015
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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 auditor's report

to the members of FC Shipping Limited

We have audited the financial statements of FC Shipping Limited for the year ended 31 December 2014 which comprise the Statement of Profit or Loss, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition we read all of the financial and non-financial information in the Directors' Report and Financial Statements 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 apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

Independent auditor's report

to the members of FC Shipping Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

Ernst & Young LLP

Kenneth MacLeod Hall (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Date: 19 June 2015

Aberdeen

Statement of Profit or Loss

for the year ended 31 December 2014

	Notes	2014 £	*2013* £
Revenue	2	40,791	45,162
Gross profit		40,791	45,162
Administrative expenses		196	570
Profit from operations	6	40,595	44,592
Finance costs	8	34,673	36,060
Profit before taxation		5,921	8,532
Tax	9	7,013	7,585
(Loss) / Profit attributable to equity holders of the company		(1,092)	947

All activities of the company are classified as continuing.

There is no comprehensive income or expense other than the loss (31 December 2013: profit) as set out in the Statement of Profit or Loss, 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 2014

	Notes	*Share Capital* £	*Retained Earnings* £	*Total* £
Balance at 31 December 2012		100	1,355	1,455
Comprehensive income – profit for year		–	947	947
Balance at 31 December 2013		100	2,302	2,402
Comprehensive income – loss for the year		–	(1,092)	(1,092)
Balance at 31 December 2014		100	1,210	1,310

Statement of Financial Position

at 31 December 2014

	Notes	2014 £	*2013* £
Non-current assets			
Finance lease receivables	10	3,752,740	3,726,186
Current assets			
Finance lease receivables	10	145,864	145,753
Other receivables		188	2,764
Cash and cash equivalents		1,617	2,367
		147,669	150,884
Total assets		3,900,409	3,877,070
Current liabilities			
Trade and other payables	13	3,749,099	3,699,668
Non-current liabilities			
Trade and other payables	13	150,000	175,000
Total liabilities		3,899,099	3,874,668
Total net assets		1,310	2,402
Equity			
Share capital	14	100	100
Retained earnings		1,210	2,302
Equity attributable to equity holders of the company		1,310	2,402

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the board of directors and authorised for issue on June 2015. They were signed on its behalf by:

E D E Maandag
Director
19 June 2015
Aberdeen

Cash Flow Statement

for the year ended 31 December 2014

	Notes	2014 £	*2013* *£*
Operating activities			
(Loss) / Profit for the year		(1,092)	947
Adjustments for:			
Tax charge	9	7,013	7,586
Finance cost	8	34,673	36,060
		41,686	44,593
Adjustments for changes in working capital:			
(Increase) in trade and other receivables		(24,089)	(20,642)
Increase in trade and other payables		50,004	46,616
Corporation tax paid in year		(7,586)	(9,084)
Cash flows from operating activities		58,923	61,483
Interest paid- parent undertaking	8	(29,804)	(28,293)
Interest paid – on bank borrowings from related party	8	(5,014)	(5,675)
Loan repayment	12	(25,000)	(25,000)
Net cash flows from operating activities		(895)	2,515
Net (decrease) /increase in cash and cash equivalents		(895)	2,515
Net foreign exchange gain / (loss)	8	145	(2,092)
Cash and cash equivalents at beginning of the year		2,367	1,944
Cash and cash equivalents at end of year		1,617	2,367

Notes to the financial statements

for the year ended 31 December 2014

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 2014 were authorised for issue by the board of directors on 19 June 2015 and the Statement of Financial Position signed on the Board's behalf by E D E Maandag. 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 2014.

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) 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 2014.

The functional and presentation currency of the company is Sterling.

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 Employee Benefits (Revised) – Employee contributions*
- *IAS 32 Offsetting Financial Assets and Financials Liabilities*
- *IAS 36 Recoverable amount disclosure of non-financial assets*
- *IAS 39 Novation of derivatives and continuation of hedge accounting*
- *IFRIC 21 Levies*
- *IFRS 1 First-time Adoption of International Financial Reporting Standards*
- *IFRS 9 Financial Instruments: Classification and Measurement*

The adoption of the standard or interpretation is described below:

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.

Notes to the financial statements

for the year ended 31 December 2014

2.2 Changes in accounting policies and disclosures (continued)

IAS 19 ***Employee Benefits – contribution to the defined benefit plan (effective on or after 1 July 2014)***

IAS 19 requires an entity to consider contributions from employee or third parties when accounting for defined benefit plans. The 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 period of service.

The amendment has no impact on the company.

IAS 32 Offsetting Financial Assets and Financials Liabilities (effective on or after 1 January 2014)

The amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right to set-off. Entities will need to review legal documents and settlement procedures, including those applied by the central clearing houses they deal with to ensure that offsetting of financial instrument is still possible under the new criteria, changes in offsetting may have a significant impact on the financial statement presentation, the effect on leverage rations, regulatory capital requirements.

The amendment has no impact on the company.

IAS 36 Recoverable amount disclosure of non-financial assets (effective on or after 1 January 2014)

The amendments to IAS 36 clarify the disclosure requirements in respect of fair value less cost of disposal. The amendments removes the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant. As a result of the amendments, entities are no longer required to disclose the information that was regarded as commercially sensitive by preparers. Nevertheless, additional information needs to be provided.

The amendment has no impact on the company.

IAS 39 Novation of derivatives and continuation of hedge accounting (effective on or after 1 January 2014)

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novation's that arise as a consequence of laws or regulations with certain criteria must be met to continue hedge accounting. The amendments are, in effect, a relief from the hedge accounting requirements and will allow entities to better reflect hedge relationships in the circumstances in which the novation exception applies.

The amendment has no impact on the company.

IFRIC 21 Levies (effective on or after 1 January 2014)

IFRIC 21 is applicable to all levies other that outflows that are within the scope of other standards (i.e. IAS 12 income taxes) and fines or other penalties for breaches of legislation. The interpretation is intended to eliminate diversity in practice on the treatment for the obligation to pay levies. The scope of this interpretation is very broad and captures various obligations, which are imposed by governments in accordance with legislation and sometimes not always described as 'levies'. The amendment has no impact on the company.

The amendment has no impact on the company.

FRS 1 ***First-time Adoption of International Financial Reporting Standards***

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS. The amendment has no impact on the company.

The amendment has no impact on the company.

Notes to the financial statements

for the year ended 31 December 2014

2.2 Changes in accounting policies and disclosures (continued)

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.

The amendment has no impact on the company.

2.3 Going concern

At 31 December 2014, the company has net current liabilities of £3,601,430 (31 December 2013: £3,548,784). 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 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.

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.

Notes to the financial statements

for the year ended 31 December 2014

2.4 Principal accounting policies (continued)

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 and 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.

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.

Notes to the financial statements

for the year ended 31 December 2014

2.4 Principal accounting policies (continued)

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 2014

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:
   i) adverse changes in the payment status of borrowers in the group; or
   ii) 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 2014

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.

IAS 32 ***Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32***

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014. The amendment has no impact on the company.

IAS 36 ***Recoverable Amount Disclosures for Non-Financial Assets (Amendments)***

The amendment to IAS 36 clarifies the disclosure requirements regarding fair value less costs of disposal, meaning that the preparer of the accounts no longer has to disclose potentially commercially sensitive information. These amendments are not expected to impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014. The amendment has no impact on the company.

IAS 39 ***Novation of Derivatives and Continuation of Hedge Accounting (Amendments)***

IAS 39 provides an exception to the requirement to discontinue hedge accounting in the circumstances in which the novation exception applies, providing certain criteria are met, giving a relief from hedge accounting requirements. Although IAS 39 can be applied retrospectively, it does not allow entities to reinstate previous hedging contracts. These amendments are not expected to impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014. The amendment has no impact on the company.

IFRS 10, IFRS 12 and IAS 27 ***Investment Entities (Amendments)***

The concept of an investment entity is new to IFRS. IFRS 10 defines the meaning of 'investment entity' and the qualifying elements. The accounting treatment is also changed from consolidation to equity accounting. These amendments are not expected to impact the company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014. The amendment has no impact on the company.

2.6 Annual Improvements 2012-2014 (issued in September 2014)

In the 2012-2014 annual improvement cycle, the IASB issued five amendments to four standards, effective 1 January 2016.

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

IFRS 5 Non-Current Assets held for sale and discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively.

IFRS 7 ***Financial instruments : disclosures Servicing contracts***

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

Notes to the financial statements

for the year ended 31 December 2014

2.6 Annual Improvements 2012-2014 (issued in September 2014) (continued..)

The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting disclosures to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment must be applied retrospectively.

IAS 19 Employee benefits & Discount rate: regional market issue

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report'

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).

The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

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.

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.

Notes to the financial statements

for the year ended 31 December 2014

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

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 form 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 2014

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 16) 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 £306,000 (2013 £268,000), 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.

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

7. Auditors' remuneration

Auditors' remuneration of £2,000 (31 December 2013 £2,000) was borne by the controlling party Vroon Shipping UK Limited in the current and preceding years.

8. Finance costs

	2014	*2013*
	£	£
Amounts payable to immediate parent undertakings	29,804	28,293
Interest on bank borrowings from related party	5,014	5,675
Foreign exchange (gain) / loss	(145)	2,092
	34,673	36,060

Notes to the financial statements

for the year ended 31 December 2014

9. Tax

	2014	*2013*
	£	£
Current income tax:		
Current tax expense	7,013	7,585
Tax expense for the year	7,013	7,585

The tax assessed on the (loss) / profit on ordinary activities differs from the standard rate of corporation tax in the UK of 21% (2013 - 23%). The differences are reconciled below:

	2014	*2013*
	£	£
(Loss) / Profit before tax	5,921	8,532
(Loss) / Profit before tax multiplied by the standard rate of corporation tax in the UK of 21% (2013: 23%)	1,243	1,962
Tax impact of assessment under UK tonnage tax regime (*)	5,770	5,623
Tax expense for the year	7,013	7,585

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 2014

10. Finance leases

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

	2014	*20 13*
	£	*£*
Amounts receivable under finance leases:		
Within one year	212,297	211,722
In the second to fifth years inclusive	1,140,083	1,027,719
After five years	5,426,052	5,750,713
Minimum Lease payments receivable	6,778,432	6,990,154
Less : Unearned finance income	(2,879,828)	(3,118215)
Present value of minimum lease payments receivable	3,898,604	3,871,939

	2014	*2013*
	£	*£*
Amounts receivable under finance leases:		
Within one year	145,864	145,753
In the second to fifth years inclusive	182,732	66,163
After five years	3,570,008	3,660,023
Present value of minimum lease payments receivable	3,898,604	3,871,939
Analysed as:		
Non-current finance lease receivables (recoverable after 12 months)	3,752,740	3,726,186
Current finance lease receivables (recoverable within 12 months)	145,864	145,753
	3,898,604	3,871,939

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 2014 is £nil (31 December 2013: £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 2014

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 UK Limited, 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 UK Limited, C/o Endeavour Partnership LLP, Tobias House, St Mark's Court, Teesdale Business Park, Teesside, TS17 6QW.

Other related parties

At 31 December 2014, 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 the former directors, before the change of control, were remunerated through Santander UK plc; 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

		Sales to related parties £	*Interest charge from related parties* £	*Amounts owed by related parties* £	*Amounts owed to related parties* £
Parent undertaking:					
Vroon Shipping UK Limited	2014	–	29,804	188	3,666,757
	2013	–	28,293	140	3,617,153
Entity with significant influence:					
Santander Asset Finance plc	2014	–	5,014	–	175,528
	2013	–	5,675	–	200,570
Other related parties:					
FC Tankship I Limited	2014	20,506	–	1,948,602	25,078
	2013	21,565	–	1,947,791	24,855
FC Tankship II Limited	2014	20,284	–	1,923,447	24,745
	2013	21,331	–	1,922,637	24,526

Notes to the financial statements

for the year ended 31 December 2014

13. Trade and other payables

	2014 £	2013 £
Trade and other payables (due within one year):		
Bank loan (see note 15)	25,528	25,570
Payable to related parties (see note 12)	3,716,580	3,666,534
Income taxes	6,991	7,564
	3,749,099	3,699,668
Trade and other payables (due after one year):		
Bank loan (see note 15)	150,000	175,000
	3,899,099	3,874,668

14. Issued share capital

	2014 No of shares	2013 No of shares	2014 £	2013 £
Issued and fully paid:				
"A" ordinary shares of £1– Santander Asset Finance plc	75	75	75	75
"B" ordinary shares of £1– Vroon Shipping U.K. Limited	25	25	25	25
	100	100	100	100

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 2014

15. Financial instruments (see also note 12)

Categories of financial instruments

	2014	20 13
	£	£
Financial assets:		
Finance lease receivables	3,898,604	3,871,939
Financial liabilities:		
Loans due to parent undertakings	3,666,757	3,617,153
Interest rate variations due under finance leasing contracts	49,824	49,381
Bank loan	175,528	200,570
	3,892,109	3,867,104

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 2014 is 3,898,604 (31 December 2013 was £3,871,939).

For the company, 100% (31 December 2013: 100%) of the balances are secured. The main types of security are charges over assets being financed. In addition £nil (31 December 2013: £nil) of the finance leases are secured by bank guarantees.

Maturities of financial liabilities

		2014	2013
		£	£
Loan due to parent undertakings:			
Payable:	on demand or up to 1 month	3,666,757	3,617,153

The loan due to the company's parent undertaking attracts interest at 0.2814% above LIBOR per annum and interest is payable quarterly. There is no fixed repayment schedule for the loan capital.

Interest rate variations due under finance leasing contract:			
Payable:	on demand or up to 1 month	49,824	49,381
		31 Dec 14	*31 Dec 13*
		£	£
Bank loan:			
Payable:	1-3 months	–	–
	3-12 months	25,528	25,570
	1-5 years	100,000	100,000
	Over 5 years	50,000	75,000
		175,528	200,570

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 2014 there were 14 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 2014

Financial instruments (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.

		2014	*2013*
		£	*£*
Finance lease receivables:			
Receivable:	up to 1 month	17,691	17,643
	1-3 months	35,383	35,287
	3-12 months	159,223	158,792
	1-5 years	1,140,083	1,027,719
	Over 5 years	5,426,052	5,750,713
		6,778,432	6,990,154
Weighted average effective interest rate		6.425%	6.425%

Finance instruments generally

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