

FALCON ACQUISITIONS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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FALCON ACQUISITIONS LIMITED

COMPANY INFORMATION

Directors	G Barnetson F C Collins C J G Hazelwood S B Ridgway P Sims E A Wilson
Registered number	06238324
Registered office	12 Bugle Street Southampton Hampshire SO14 2JY
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL
Bankers	National Westminster PLC 68 Above Bar Street Southampton Hampshire SO14 7DS
Solicitors	Paris Smith LLP 1 London Road Southampton Hampshire SO15 2AE

FALCON ACQUISITIONS LIMITED

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FALCON ACQUISITIONS LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Introduction

The Directors present the Strategic Report for the year ended 31 December 2022.

Principal activity

The principal activity of the Company is that of a holding company.

Review of the business

The Company did not carry out any trade other than that described above during the year and is not expected to in the future.

Principal risks and uncertainties

The Company is a holding company, thus the principal risks and uncertainties relate to the Company's subsidiary undertaking and have been identified as follows:

Failure of vessel or shore-side infrastructure – the Company's revenue earning potential is dependent upon a reliable fleet of vessels and the associated shore-side infrastructure. Failure of these can have a detrimental impact on income. The risk is mitigated by the presence of duplicated systems, equipment, and processes, wherever possible. In addition, the Company has business continuity insurance.

Macro-economic conditions – the continued impact of uncertainty following global events. This is mitigated in part by an increased focus on UK based holidays and targeted marketing is used to raise awareness and stimulate demand where possible.

Weather – the effect of persistent bad weather can make other holiday destinations appear relatively attractive. Weather disruptions (most likely in winter) can cause modest reductions in sales.

Maritime incident or accident – this risk is mitigated by recruiting and training high-quality and well-qualified colleagues, delivering the Safety Management Systems, and having rigorous maintenance and refit regimes.

Fluctuations in fuel prices – the ferries and catamarans currently consume marine gas oil, the price of which can fluctuate. This price is generally linked to the price of crude oil. The risk of fluctuating fuel prices is partially mitigated by fuel hedging.

Competition – the cross-Solent ferry market is highly competitive which limits our ability to adjust prices or pass on external cost increases. In the longer term, it is likely that any such cost increases would also be incurred by our competitors which should have a stabilising effect on margins.

Merchant Navy Officers Pension Fund (MNOFF) – The Company is part of the MNOFF defined benefit scheme. This is a multi-company scheme with joint and several liability. The risk is that on any future valuations there is a deficit of which the Company will have a share.

FALCON ACQUISITIONS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**


Going Concern

The Financial Statements have been prepared on a going concern basis as the Directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the Group is expected to be able to meet its liabilities as they fall due.

The Directors have produced a detailed going concern sensitivity for Red Funnel Holdings Limited Group, for which the Company is a wholly owned subsidiary. The conclusion of the sensitivity is that the business could comfortably sustain a loss of more than 20% of forecast EBITDA over the course of the 12 months following the date of the Financial Statements, without running out of cash or exceeding current banking facilities. As a result, the Directors are confident that the business can continue to trade for 12 months from the approval of the Financial Statements.

The Red Funnel Holdings Limited Group is expected to remain in a strong financial position during the forecast period which goes into 2024 and trade is expected to continue at levels above the group's previous financial position during 2023 and into 2024. The Directors are confident of being able to trade for a period of at least 12 months from the approval of the Financial Statements to be prepared on the going concern basis.

This report was approved by the board on 27 April 2023 and signed on its behalf.



F C Collins
Director

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2022.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies for the Company's Financial Statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; 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 to 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.

Principal activity

The principal activity of the Company is that of a holding Company, therefore no KPI's are documented.

Results and dividends

The loss for the year, after taxation, amounted to £11,512,000 (2021 - £17,580,000).

Dividends of £nil were recommended by the Directors (2021 - £nil).

Directors

The Directors who served during the year were:

G Barnettson
F C Collins
C J G Hazelwood
S B Ridgway
P Sims
E A Wilson

FALCON ACQUISITIONS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There were no material post balance sheet events up to the date of signing to disclose.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 27 April 2023 and signed on its behalf.



F C Collins
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FALCON ACQUISITIONS LIMITED

Opinion

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Falcon Acquisitions Limited (the "Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FALCON ACQUISITIONS LIMITED
(CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

FALCON ACQUISITIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FALCON ACQUISITIONS LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the Financial Statements

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

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

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

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Evaluation of controls designed to prevent and detect irregularities; and
- Assessing journals entries as part of our planned audit approach.

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

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

Use of our report

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

DocuSigned by:

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James Newman (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

Date: 27 April 2023

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

FALCON ACQUISITIONS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Interest payable	4	(11,512)	(17,580)
Loss before tax		<u>(11,512)</u>	<u>(17,580)</u>
Loss for the financial year		<u><u>(11,512)</u></u>	<u><u>(17,580)</u></u>
 Total comprehensive loss for the year		 <u><u>(11,512)</u></u>	 <u><u>(17,580)</u></u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the Statement of Comprehensive Income.

The notes on pages 12 to 21 form part of these Financial Statements.

FALCON ACQUISITIONS LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Fixed assets			
Investments	6	151,749	151,749
		<u>151,749</u>	<u>151,749</u>
Current assets			
Cash and cash equivalents	8	6	6
		<u>6</u>	<u>6</u>
Creditors: amounts falling due within one year	9	(224,383)	(212,871)
Net current liabilities		<u>(224,377)</u>	<u>(212,865)</u>
Total assets less current liabilities		<u>(72,628)</u>	<u>(61,116)</u>
Net liabilities		<u>(72,628)</u>	<u>(61,116)</u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	10	(72,728)	(61,216)
		<u>(72,628)</u>	<u>(61,116)</u>

The Financial Statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2023.



F C Collins
Director

The notes on pages 12 to 21 form part of these Financial Statements.

FALCON ACQUISITIONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2022	100	(61,216)	(61,116)
Comprehensive loss for the year			
Loss for the year	-	(11,512)	(11,512)
At 31 December 2022	<u>100</u>	<u>(72,728)</u>	<u>(72,628)</u>

The notes on pages 12 to 21 form part of these Financial Statements.

FALCON ACQUISITIONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2021	100	(43,636)	(43,536)
Comprehensive loss for the year			
Loss for the year	-	(17,580)	(17,580)
At 31 December 2021	<u>100</u>	<u>(61,216)</u>	<u>(61,116)</u>

The notes on pages 12 to 21 form part of these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies

1.1 Basis of preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The Company has applied FRS 102 (March 2018) in these Financial Statements which includes the amendments as a result of the Triennial Review 2017. There was no impact on the financial information upon adoption of these amendments.

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the business activities including the Company's principal risks and uncertainties. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the Financial Statements for the year ended 31 December 2022.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c); and
- the requirements of Section 12 Other financial instruments paragraphs 12.26, 12.27, 12.29(a) to 12.29(b), and 12.29A.

This information is included in the Consolidated Financial Statements of Red Funnel Limited as at 31 December 2022 and these Consolidated Financial Statements are available to the public and may be obtained from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)**1.3 Going concern**

The Financial Statements have been prepared on a going concern basis as the Directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the Group is expected to be able to meet its liabilities as they fall due.

The Directors have produced a detailed going concern sensitivity for Red Funnel Holdings Limited Group, for which the Company is a wholly owned subsidiary. The conclusion of the sensitivity is that the business could comfortably sustain a loss of more than 20% of forecast EBITDA over the course of the 12 months following the date of the Financial Statements, without running out of cash or exceeding current banking facilities. As a result, the Directors are confident that the business can continue to trade for 12 months from the approval of the Financial Statements.

Red Funnel Holdings Limited Group is expected to remain in a strong financial position during the forecast period and trade is expected to continue at levels above the group's previous financial position during 2023 and into 2024. The Directors are confident of being able to trade for a period of at least 12 months from the approval of the Financial Statements to be prepared on the going concern basis.

1.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.7 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

FALCON ACQUISITIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)**1.7 Financial instruments (continued)**

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Finance costs

Finance costs are charged to Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.11 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.12 Taxation

Tax is recognised in Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.13 Exemption from preparing Consolidated Financial Statements

The Company is a parent company that is also a subsidiary included in the Consolidated Financial Statements of its immediate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare Consolidated Financial Statements under section 401 of the Companies Act 2006.

FALCON ACQUISITIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Judgments in applying accounting policies

In the preparation of the Financial Statements, Management undertakes a number of accounting estimates and assessments, and makes assumptions which provide the basis for recognition and measurement of the assets, liabilities, revenues and expenses of the Company. These estimates, assessments and assumptions are based on historical experience and other factors which Management considers reasonable under the circumstances, but which by their nature are uncertain and unpredictable.

The assumptions may be incomplete or inaccurate, and unanticipated events or circumstances may occur, for which reason the actual results may deviate from the applied estimates and assessments. For a detailed description of the Group's accounting policies, reference is made to note 1.

In the opinion of Management, the following accounting estimates and assessments are significant in the preparation of the Financial Statements.

Capitalised research and development costs

Development costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation requires judgement, including estimates of the technical and commercial viability of the asset created and its applicable useful economic life. These estimates are continually reviewed and updated based on past experience and reviews of competitor products available in the market.

Research costs are expensed as incurred. Development expenditure is also charged to the income statement in the year of expenditure unless the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairments

Determining whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill requires the exercise of management's judgement. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit"

Intercompany balances

Intercompany balances are held at amortised cost and are deemed to be current and immediately payable on demand where cash balances exist to cover the net intra group balance.

For the intercompany balances, where the nature of the balance is that of a loan agreement, interest is charged at 6% per annum.

Going concern

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the business activities including the Company's principal risks and uncertainties. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the Financial Statements for the year ended 31 December 2022.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Operating loss

During the year, no Director received any emoluments (2021 - £nil) for their services to the Company, as their service is considered incidental to their other services within the Group. The Director's emoluments are borne by the other Group companies.

Auditor's remuneration is borne by Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited, a subsidiary company and main trading entity of the Group.

4. Interest payable

	2022	2021
	£000	£000
Interest on amounts owed to Group undertakings	11,512	17,580

During the year, the interest charged was reduced to 6% per annum.

FALCON ACQUISITIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Loss on ordinary activities before tax	(11,512)	(17,580)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(2,187)	(3,340)
Effects of:		
Deferred tax not recognised	1,267	2,721
Effects of group relief / other relief	920	619
Total tax charge for the year	-	-

Factors that may affect future tax charges

Finance Act 2021 which was substantively enacted on 24 May 2021 included provisions to increase the corporation tax rate further to 25% effective from 1 April 2023 and this rate has been applied when calculating deferred tax at the year end (2021 - 25%).

FALCON ACQUISITIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	151,749
At 31 December 2022	<u>151,749</u>

FALCON ACQUISITIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited	12 Bugle Street, Southampton, SO14 2JY, UK	Ordinary	100%
Red Funnel Pension Trustees Limited (*)	12 Bugle Street, Southampton, SO14 2JY, UK	Ordinary	100%
Steam Coffee Company Limited (*)	12 Bugle Street, Southampton, SO14 2JY, UK	Ordinary	100%
Isle of Wight Holidays Limited (*)	12 Bugle Street, Southampton, SO14 2JY, UK	Ordinary	100%

*subsidiary of Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited

8. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	<u>6</u>	<u>6</u>

9. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to group undertakings	224,303	212,791
Accruals and deferred income	80	80
	<u>224,383</u>	<u>212,871</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Reserves

The following describes the nature and purpose of each reserve within equity.

Profit and loss account

Includes all current and prior periods retained profits and losses.

11. Share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
100,000 (2021 - 100,000) Ordinary shares of £1.00 each	100	100

12. Contingent liabilities

There is a fixed and floating charge over assets of the Company under an agreement dated 7 October 2022 to certain providers of finance to other group companies.

13. Related party transactions

The Company has taken advantage of the exemption in the FRS 102 Section 33.1A not to disclose transactions between the Company and the other wholly owned companies within the Group.

14. Post balance sheet events

There were no material post balance sheet events up to the date of signing to disclose.

15. Controlling party

The Company's immediate parent company is Red Funnel Limited, a company incorporated in England and Wales. The ultimate parent company is Red Funnel Holdings Limited, a company incorporated in Jersey.

The largest group in which the results of the Company are consolidated is that headed by Red Funnel Holdings Limited, copies of which are available from the registered office at 47 Esplanade, St Helier, Jersey, JE1 0BD. The smallest group in which the results are consolidated is that headed by Red Funnel Limited. The consolidated accounts are available to the public and may be obtained from the registered office of the Company which is 12 Bugle Street, Southampton, Hampshire, England, SO14 2JY.

There is no one controlling party.