Financial Statements Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited

For the Year Ended 31 December 2015

Registered number: 00002404

Company Information

Directors	Mrs S A Anderson Mr A M Carter Mr K A George Mr J M Green Mr M D C Helmore (resigned 26 June 2015) Mr L R Hudson Mr S K J Nelson Mr J M Slawson Mr B Schumacher (appointed 26 June 2015) Mr P R Winter
Registered number	00002404
Registered office	12 Bugle Street Southampton Hampshire SO14 2JY
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Dorset Street Southampton Hampshire SO15 2DP
Bankers	HSBC Bank Plc 55 Above Bar Street Southampton Hampshire SO14 7DZ
Solicitors	Hogan Lovells LLP Atlantic House Holborn Viaduct London EC1A 2FG

Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited
Registered number:00002404

Contents

Strategic Report
For the Year Ended 31 December 2015

Introduction
The directors present the strategic report for the year ended 31 December 2015.

Review of the business
The principal activity of the Company, which trades as "Red Funnel", is the provision of ferry and associated catering and travel services between Southampton and Cowes on the Isle of Wight. The company operates 6 ferries, 3 vehicle ferries and 3 high speed catamarans for foot passengers only.

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

	2015 £'000	2014 £'000	Variance £'000	%
Turnover (from continuing operations)	48,373	45,369	3,004	7
EBITDA	17,598	14,292	3,306	23
Market share (total vehicles)	41.2%	41.2%		

In addition to these key performance indicators the Company also monitors quality KPIs which are published on the Company website via the following link: www.redfunnel.co.uk/corporate-information/performance-monitoring.

Performance against other health and safety and productivity indicators is actively managed.

Turnover of £48.4 million for the year was 6.6% higher than 2014. EBITDA of £17.6 million was 23.1% higher than 2014.

The financial performance throughout the year was strong with turnover in all areas being higher than 2014. Car revenue was 7% higher than 2014. Commercial revenue (including freight) was also 7% higher than 2014. Hi Speed revenue was 5% higher than 2014, Other revenue 6% higher and Food & Beverage 8% higher.

Operating costs were 1% lower than 2014. There was increased expenditure on labour as part of the Company's strategy to provide an excellent customer service as well as looking after more passengers. A saving was made on fuel but there were increases in tolls and dues, credit card charges and Food and Beverage cost of sales. Occupancy costs have risen particularly rates and electricity. Marketing costs have also risen reflecting the higher turnover figures.

Capital expenditure was £4.3 million in 2015. Of this £1.7 million was spent on the Red Osprey accommodation project (£2.4 million in total). The balance of £2.6 million was mainly spent on improvements to the Fleet.

Strategy
The Company's strategy is to maximise long-term cash flows to investors by:-

1. offering a level of customer service that exceeds expectations
2. maximising the attractiveness of the Isle of Wight as a holiday destination through:
   a) penetrating new consumer segments, and
   b) maximising frequency of existing users by strategies to extend the season;

Strategic report (continued)

3. growing market share (by value) in freight, foot passenger and private vehicle traffic both to and from the Isle of Wight, by being:
   a) the provider of choice for cross-Solent travel; by offering a superior value proposition based on price, service and value for money; and
   b) providing modern, comfortable, reliable, and above all, safe vessels; and
4. managing the business in a cost effective way.

It is a prerequisite that all of the above be achieved whilst implementing and managing industry best practice.

Quality and safety
In order to achieve the company's stated objectives of the highest standards of safety, environmental and quality performance, the Company has implemented an integrated management system incorporating international management standards.

The standards integrated within the management system are the Integrated Safety Management Code (ISM Code), ISO 14001:2004 and ISO 9001:2008. While the ISM Code focuses on safety at sea and safe practices in shipboard operations, ISO 14001:2004 provides the elements for an effective environmental management system and ISO 9001:2008 ensures that customer requirements for quality are met.

There are many common or interfacing requirements between the standards and it is the belief of the Company that the combination of these systems leads to a more efficient way of the Company managing safety, environmental issues and quality management.

The complementary nature of these three international standards provides for an effective integrated single management system, which fully fits the objectives of the company and is supported with the policies below:-

1. Integrated Management System Policy. The Company is committed to:-
   a) delivering consistently high quality services to its customers
   b) establishing processes necessary to deliver results and comply with legal requirements
   c) maintaining the Integrated Management System to implement and comply with all the requirements of the ISM, ISO 9001 and ISO 14001;and
   d) liaising with all relevant external bodies and with internal staff members to continually improve its quality, environmental, social responsibility, marine and health and safety performance.
2. Risk Management Policy - The directors carefully assess the risks undertaken by the business and take the steps necessary to manage those risks. The Company has a robust system of internal and external reviews to ensure that procedures to mitigate risk are operating effectively.
3. Human Resource Policy - The Company's objectives are to deliver best practice HR Policies and systems and to be seen as the "employer of choice".

There are also other policies that are held on HR.net e.g.: Substance misuse policy.

Red Funnel have been members of the Institute of Customer Service for the last 2 years and recently been awarded with their service mark accreditation, which recognises service excellence. This is measured by external auditors and internal and external surveys.

Future developments
The strategy is to grow the market of cross-Solent traffic and the Company's share of it. The Company is competing with two competitors for share of the Isle of Wight market. Also, the Isle of Wight brand is competing with other UK and international holiday destinations.

Strategic report (continued)

Red Jet 6
A new Red Jet is being built on the Isle of Wight, coming into service in July 2016. The cost is £6 million. Red Jet 6 will be similar to Red Jet 4 in that she will carry 275 passengers but at 41.1metres is slightly longer. However, Red Jet 6 will be fitted with 4 main engines, rather than 2, giving greater reliability in the form of additional engine back up.

Solent Gateways
This is a project to improve the connectivity between Southampton and the Isle of Wight.

The key elements are as follows:-
- Relocation and expansion of Red Funnel terminal facilities in Southampton and East Cowes
- The relocation in Southampton enables the £600m Royal Pier Waterfront development to proceed.
- £15 million to be contributed by the Solent Local Enterprise Partnership (SLEP) for associated public realm improvements.

Southampton Masterplan
As part of the Southampton Masterplan Red Funnel will be moving their Southampton terminal to Trafalgar Dock. The move is expected to happen in the Spring of 2018 and will involve an increase in capacity in the yard from 330 Car Equivalent Units to 450 Car Equivalent Units as well as the building of a new terminal. This will enable the ferry and Hi Speed service to operate out of the same terminal.

East Cowes
Under the East Cowes Regeneration Project the plan is for the Red Funnel ferry terminal to be relocated to an adjacent site.

The key points are as follows:-

- Red Funnel have exchanged contracts with the HCA for the purchase of Seaholme Yard and Trinity Wharf.
- This is conditional on SLEP funding being awarded and the appropriate planning consent being secured.
- Trinity Wharf and Trinity/Phoenix Yards would be sold for regeneration.
- Construction targeted to commence Q3 2017.
- Target date for Red Funnel move Q1 2019.

The directors are confident that the outlook for UK travel remains positive, with opportunities to grow turnover in all parts of the business. Costs will continue to be well controlled, so as to improve margins and increase EBITDA.

Principal risks and uncertainties
The main risks identified are as follows:

1. Economic downturn - Although the Government is cutting back spending the economy has been performing fairly well over the last few years. However, there have been a few signs recently that have indicated that this might change.

2. 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.

3. 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 and processes, wherever possible. In addition, the Company has business continuity insurance.

4. Maritime incident or accident – This risk is mitigated by recruiting and training operatives to the highest standard, delivering the Safety Management Systems and having rigorous maintenance and refit regimes.

Strategic report (continued)

5. Fluctuations in fuel prices - The ferries 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.

6. Competition - The cross-Solent ferry market is highly competitive which limits the 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.

7. MNOPF - The company is part of the MNOPF 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 RF will have a share.

Financial risk management

The Company is exposed to credit, liquidity and cash flow, interest rate and fuel price risk. Policies and management systems for these types of risk are set out by the board of SIOW and are implemented by the directors. The directors review and agree policies for managing each of these risks, which are summarised below:-

1. Credit risk - Potential customers are checked for their credit worthiness and ability to generate significant volumes before they are given a credit account. Many customers now pay by Direct Debit which reduces the credit risk. The Finance Department review the aged debtors report each period. A target of 42 days for debtors collection has been set by the Audit Committee.

2. Liquidity and cash flow risk - The Company has a policy of maintaining debt at an appropriate level to ensure that the company is able to adequately manage debt servicing cash flows. Forecast cashflows for the year are produced every month and reviewed by the Board.

3. Interest rate risk - The Company's funding is currently provided by a mixture of retained earnings, bank borrowings and borrowings from its shareholders. The group's long term borrowings are fixed until 2017. The group's exposure to interest rate fluctuations on its borrowings are minimised by the use of an interest rate swap.

This report was approved by the board on 6 July 2016 and signed on its behalf.

Mr K A George
Director

Directors' Report

For the Year Ended 31 December 2015

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

Results and dividends

The profit for the year, after taxation, amounted to £10,253,000 (2014 - £9,644,000).

The directors have recommended dividends of £2,500,000.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report which also includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company's forecasts and projections to December 2017 take into account reasonably possible changes in trading performance and show that the group will be able to operate within its current facilities. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post balance sheet events

Red Jet 5 was sold on the 20 June 2016 to Moby S.P.A.

There have been no other significant events affecting the Company since the year end.

Directors

The directors who served during the year were:

Mrs S A Anderson
Mr A M Carter
Mr K A George
Mr J M Green
Mr M D C Helmore (resigned 26 June 2015)
Mr L R Hudson
Mr S K J Nelson
Mr J M Slawson
Mr B Schumacher (appointed 26 June 2015)
Mr P R Winter

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless 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:

Directors' Report
For the Year Ended 31 December 2015

- select suitable accounting policies 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 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.

Employee involvement

Protecting the health and safety of employees is a prime responsibility of management and as such, training in navigation, seamanship and other training courses are sponsored by the company as circumstances require.

The Company has pension and life assurance schemes which cover the majority of employees.

The Company issues a variety of newsletters and performance indicators which are circulated to all staff and provide information to employees about current activities and progress.

Disabled employees

It is the Company's policy that disabled people should have the same consideration as others for shore-based job vacancies for which they apply as suitable candidates. Depending on their skills and abilities, the disabled have the same career prospects and opportunities for promotion as other employees.

Matters covered in the strategic report

A review of the future developments in the Company's business have been included in the Strategic Report.

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 that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that 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.

Directors' Report
For the Year Ended 31 December 2015

Auditors

The auditors, Grant Thornton UK LLP, offer themselves for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 6 July 2016 and signed on its behalf.

Mr K A George
Director

Grant Thornton

Independent Auditors' Report to the Shareholders of Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited

We have audited the financial statements of Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited for the year ended 31 December 2015, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity. and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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 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. 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of its profit 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.

Grant Thornton

Independent Auditors' Report to the Shareholders of Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 directors' report has been prepared in accordance with applicable legal requirements.

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, 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.

Grant Thornton UK LLP

Norman Armstrong (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Southampton
Date: 6 July 2016

Statement of Comprehensive Income
For the Year Ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover		**48,373**	45,369
Cost of sales		**(27,641)**	(27,174)
Gross profit		**20,732**	18,195
Administrative expenses		**(8,760)**	(6,935)
Operating profit	3	**11,972**	11,260
Interest receivable and similar income	7	**9**	15
Interest payable and expenses	8	**(1,646)**	(1,550)
Other finance income		**(81)**	(80)
Profit before tax		**10,254**	9,645
Tax on profit	10	**(1)**	(1)
Profit for the year		**10,253**	9,644
Other comprehensive income for the year			
Actuarial gains/(losses) on defined benefit pension scheme		**81**	(478)
Movement in hedging reserve		**(111)**	(417)
Other comprehensive income for the year		**(30)**	(895)
Total comprehensive income for the year		**10,223**	8,749

There was no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

The notes on pages 15 to 38 form part of these financial statements.

Balance Sheet

As at 31 December 2015

	Note		2015 £000		2014 £000
Fixed assets					
Intangible assets	12		**180**		137
Tangible assets	13		**28,271**		28,681
Investments	14		**3**		3
			28,454		28,821
Current assets					
Stocks	15	**446**		405	
Debtors: amounts falling due within one year	16	**23,174**		11,926	
Cash at bank and in hand		**10,208**		10,565	
		33,828		22,896	
Creditors: amounts falling due within one year	17	**(10,936)**		(7,527)	
Net current assets			**22,892**		15,369
Total assets less current liabilities			**51,346**		44,190
Creditors: amounts falling due after more than one year	18		**(2,620)**		(3,071)
Provisions for liabilities					
Pensions			**(18)**		(18)
Pension liability	23		**(2,128)**		(2,244)
Net assets			**46,580**		38,857

Balance Sheet (continued)

As at 31 December 2015

	Note	2015 £000	2014 £000
Capital and reserves			
Called up share capital	21	**5,245**	5,245
Revaluation reserve	20	**1,061**	1,061
Hedging reserve	20	**(677)**	(566)
Profit and loss account	20	**40,951**	33,117
		46,580	38,857

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

6 July 2016

Mr K A George
Director

Mr P R Winter
Director

The notes on pages 15 to 38 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2015

	Share capital	Revaluation reserve	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2015	5,245	1,061	(566)	33,117	38,857
Comprehensive income for the year					
Profit for the year	-	-	-	10,253	10,253
Actuarial gains on pension scheme	-	-	-	81	81
Movement in hedging reserve	-	-	(111)	-	(111)
Other comprehensive income for the year	-	-	(111)	81	(30)
Total comprehensive income for the year	-	-	(111)	10,334	10,223
Dividends: Equity capital	-	-	-	(2,500)	(2,500)
At 31 December 2015	5,245	1,061	(677)	40,951	46,580

Statement of Changes in Equity

For the Year Ended 31 December 2014

	Share capital	Revaluation reserve	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2014	5,245	1,061	(149)	33,085	39,242
Comprehensive income for the year					
Profit for the year	-	-	-	9,644	9,644
Actuarial losses on pension scheme	-	-	-	(478)	(478)
Movement in hedging reserve	-	-	(417)	-	(417)
Other comprehensive income for the year	-	-	(417)	(478)	(895)
Total comprehensive income for the year	-	-	(417)	9,166	8,749
Dividends: Equity capital	-	-	-	(9,134)	(9,134)
At 31 December 2014	5,245	1,061	(566)	33,117	38,857

The notes on pages 15 to 38 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

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's principal activity is the provision of ferry and associated catering and travel services between Southampton and Cowes on the Isle of Wight.

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.

This information is included in the consolidated financial statements of Falcon Acquisitions Limited as at 31 December 2015 and these financial statements may be obtained from the Company's registered office.

Notes to the Financial Statements
For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.3 Revenue

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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue from transport of passengers and freight is recognised in the profit and loss account at the date of travel, which is when risks and rewards transfer to the customer. Revenue arising from onboard sales and other associated income is recognised at the point of delivery of the goods or service.

Revenue from season ticket sales is recognised by the stage of completion of the customer's travel provided under contractual arrangements as a proportion of total services provided. The remaining proportion of income received from the sale of season tickets is deferred within liabilities and recognised in the profit and loss account over the period covered by the relevant ticket.

Notes to the Financial Statements
For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Software	-	3 - 10 years

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Depreciation is provided on the following bases:

Freehold Property	-	50 years
L/Term Leasehold Property	-	5-50 years
S/Term Leasehold Property	-	Over the term of the lease
Plant and Machinery	-	5-20 years
Motor Vehicles	-	2-10 years
Fixtures and Fittings	-	2-10 years
Engine Overhauls	-	2 - 17 years
Ferries	-	30 years
Hi-Speed catamarans	-	20 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the profit and loss account.

1.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the Financial Statements
For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.10 Marine spares

Marine spares are valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of marine spares.

1.11 Repairs and renewals

Service costs in respect of the annual maintenance of vessels are charged to the profit and loss account as incurred.

Costs in respect of major engine overhauls and associated work are capitalised as incurred and depreciated over the service life of such work.

1.12 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.

1.13 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. Accounting policies (continued)

1.14 Basic financial instruments

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from third parties and loans to and from related parties

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 payables or receivables, 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

1.15 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.

1.16 Derivative financial instruments

Derivative financial instruments are measured in the balance sheet at fair value as from the date where the derivative financial instrument is concluded. The fair values of derivative financial instruments are presented as other receivables if positive or other liabilities if negative. Netting of positive and negative derivative financial instruments is only performed if the company is entitled to and has the intention to settle more derivative financial instruments as a net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Cash flow hedge
Changes to the fair value of derivative financial instruments designated as and qualifying for cash flow hedging and which effectively hedge changes in future cash flows, are recognised in Other Comprehensive Income. The change in fair value that relates to the effective portion of the cash flow hedge is recognised as a separate equity reserve until the hedged cash flow impacts the income statement. At this point in time the related gains or losses previously recognised in Other Comprehensive Income are transferred to the income statement into the same line item as the hedged item is recognised. For derivative financial instruments that no longer qualify for hedge accounting, the hedge is dissolved prospectively. The accumulated fair value in equity is immediately transferred to the income statement into the same line item as the hedged item is recognised.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.17 Finance costs

Finance costs are charged to the profit and loss account 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.

1.18 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.

1.19 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 January 2014. The actuarial valuation of the value in use of future benefits payable under the plan is made once a year. The value in use is calculated based on assumptions of future development in wage/salary levels, interest rates, inflation, mortality, etc. The value in use is only calculated for benefits to which the employees have become entitled to during their employment with the Company. The actuarial calculation of the value in use less the fair value of any assets under the plan is recognised in the balance sheet under pension obligations. Pension costs of the year are recognised in the income statement based on actuarial estimates and finance expectations at the beginning of the year.

Multi-employer pension plan

The Company is a member of a multi-employer plan. Where it is not possible for the Company to obtain sufficient information to enable it to account for the plan as a defined benefit plan, it accounts for the plan as a defined contribution plan.

1.20 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

1.21 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.23 Taxation

Tax is recognised in the profit and loss account, except that a change 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 balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

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 the 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 annual report.

Impairment testing of ships, including the assessment of useful life and scrap value
Significant accounting estimates and assessments regarding ships include the depreciation of the ship's cost price on the basis of the expected useful life of its component elements; the ship's expected maximum useful life, its scrap value and impairment test. The expected useful life of ships and their scrap values are reviewed and estimated at least once a year. Impairment tests are also carried out when there is any indication of impairment.

Pensions and similar liabilities
The Company's defined benefit pension plans are calculated on the basis of a number of key actuarial assumptions, including discount rate, the anticipated returns on the plans' assets, the anticipated development in wages and pensions, anticipated mortality, etc. Even moderate alterations in these assumptions can result in significant changes in pension liabilities.

The value of the Group's defined pension benefit plans is based on calculations undertaken by external actuaries.

Derivatives
When entering into agreements involving derivatives, management assesses whether the derivative in question meets the requirement as to effective hedging, including whether the hedging relates to recognised assets and liabilities, projected future cash flows, or financial investments. Regular effectiveness tests are carried out, and any inefficiency is recognised in the profit and loss account.

Impairment of bad debts
Receivables are recognised at amortised cost price less impairment to meet expected losses. Impairments are recognised based on the customers ability and/or willingness to pay.

The need for impairments on the individual customer and the adequacy hereof, is assessed by the Management on the basis of historical data on customer payment patterns, age distributions, dubious receivables, customer concentrations, customer creditworthiness, and any collateral received.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Intra group balances

Intra group 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 intra goup balances exceeding available cash balances, or where the nature of the balance is that of a loan, interest is charged at 10.25% per annum on the net intra group balance owed.

Taxation

The company has elected for its results to be assessed under the United Kingdom Tonnage Tax Regulations. HMRC is currently challenging whether the Company should be taxed under the tonnage tax regime. The directors have assessed that the charge to tax would not materially change if the Company was to exit the tonnage tax regime.

3. Operating profit

The operating profit is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets	**3,947**	3,888
Impairment of tangible fixed assets	**668**	-
Amortisation of intangible assets, including goodwill	**45**	9
Change in fair value of derivatives	**(111)**	(417)

4. Auditors' remuneration

	2015 £000	2014 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**13**	13
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the Company pursuant to legislation	**29**	28
Audit-related assurance services	**9**	9
All taxation advisory services not included above	**8**	5
All assurance services not included above	**12**	2

Fees payable to the Company's auditor and its associates in connection with the Company's pension scheme(s) in respect of:

	2015 £000	2014 £000
The auditing of accounts of of the scheme	**5**	5

Notes to the Financial Statements

For the Year Ended 31 December 2015

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2015	2014
	£000	£000
Wages and salaries	**11,381**	10,212
Social security costs	**1,036**	958
Cost of defined contribution scheme	**323**	357
	12,740	11,527

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

	2015	2014
	No.	No.
Administration	**76**	62
Sea-faring staff	**230**	210
Shore-based staff	**143**	129
	449	401

6. Directors' remuneration

	2015	2014
	£000	£000
Directors' emoluments	**709**	627
Company contributions to defined contribution pension schemes	**66**	61
	775	688

During the year retirement benefits were accruing to 7 directors (2014 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £398,000 (2014 - £369,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,000 (2014 - £19,000).

7. Interest receivable

	2015	2014
	£000	£000
Other interest receivable	**9**	15

Notes to the Financial Statements

For the Year Ended 31 December 2015

8. Interest payable and similar charges

	2015 £000	2014 £000
Bank interest payable	**1,197**	1,161
Other loan interest payable	**272**	236
Loans from group undertakings	**177**	153
	1,646	1,550

9. Other finance costs

	2015 £000	2014 £000
Net interest on net defined benefit liability	**(81)**	(80)

10. Taxation

	2015 £000	2014 £000
Corporation tax		
Current tax on profits for the year	**1**	1

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20% (2014 - 20%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	**10,254**	9,645
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%)	**2,051**	1,929
Effects of:		
Non-taxable income	**(2,050)**	(1,928)
Total tax charge for the year	**1**	1

10. Taxation (continued)

Factors that may affect future tax charges

The company has elected for its results to be assessed under the United Kingdom Tonnage Tax Regulations. HMRC is currently challenging whether the Company should be taxed under the tonnage tax regime. The directors have assessed that the charge to tax would not materially change if the Company was to exit the tonnage tax regime.

11. Dividends

	2015 £000	2014 £000
Dividend paid on ordinary shares during the year	**2,500**	9,134

12. Intangible assets

	Software £000
Cost	
At 1 January 2015	**146**
Additions	**88**
At 31 December 2015	**234**
Amortisation	
At 1 January 2015	**9**
Charge for the year	**45**
At 31 December 2015	**54**
Net book value	
At 31 December 2015	**180**
At 31 December 2014	137

Notes to the Financial Statements

For the Year Ended 31 December 2015

13. Tangible fixed assets

	Freehold Property £000	L/Term Leasehold Property £000	Plant and Machinery £000	Ships £000	Total £000
Cost					
At 1 January 2015	2,966	921	9,995	55,913	69,795
Additions	1,706	-	203	2,296	4,205
At 31 December 2015	4,672	921	10,198	58,209	74,000
Depreciation					
At 1 January 2015	746	553	7,755	32,060	41,114
Charge owned for the period	62	51	564	3,270	3,947
Impairment charge	-	-	-	668	668
At 31 December 2015	808	604	8,319	35,998	45,729
At 31 December 2015	3,864	317	1,879	22,211	28,271
At 31 December 2014	2,220	368	2,240	23,853	28,681

Included within the cost of ships at 31 December 2015 is an amount of £1.4 million which compromises cumulative capitalised interest (2014: £1.4 million).

Included within the net book value of £28.3 million is £1.3 million (2014: £1.4 million) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £161,000 (2014: £161,000).

Included within the cost of £74.0 million is £2.7 million (2014: £2.2 million) of assets in the course of construction. These assets are not depreciated until they are brought into use.

14. Fixed asset investments

	Investments in subsidiary companies
	£000
Cost or valuation	
At 1 January and 31 December 2015	**3**
At 31 December 2014	3

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Masthead Services Limited	United Kingdom	Ordinary	100 %	Dormant
Red Funnel Steamers Limited	United Kingdom	Ordinary	100 %	Dormant
Red Funnel (Pension Trustees) Limited	United Kingdom	Ordinary	100 %	Dormant

Notes to the Financial Statements

For the Year Ended 31 December 2015

15. Stocks

	2015 £000	2014 £000
Fuel oil	**93**	109
Marine spares	**263**	225
Catering stocks	**90**	71
	446	405

16. Debtors

	2015 £000	2014 £000
Trade debtors	**1,258**	1,277
Amounts owed by group undertakings	**20,872**	9,814
Other debtors	**204**	199
Prepayments and accrued income	**840**	636
	23,174	11,926

17. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
MNOPF pension liability	**440**	403
Trade creditors	**2,194**	1,973
Amounts owed to group undertakings	**2,807**	42
Corporation tax	**1**	1
Taxation and social security	**394**	278
Obligations under finance lease and hire purchase contracts	**-**	219
Other creditors	**244**	230
Accruals and deferred income	**4,296**	3,942
Financial instruments - Commodity swap	**560**	439
	10,936	7,527

Notes to the Financial Statements

For the Year Ended 31 December 2015

18. Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
MNOPF pension liability	**2,503**	2,944
Financial instruments - Commodity swap	**117**	127
	2,620	3,071

Secured loans

The pension liability relates to the defined benefit scheme for the MNOPF 2009 and 2012 valuations. The repayments commenced in 2010 and 2013 respectively and will continue until 2020 and 2023 at interest rates of 8.83% and 6.3%.

19. Financial instruments

	2015 £000	2014 £000
Financial assets		
Financial assets measured at fair value through profit or loss	**10,208**	10,565
Financial assets that are debt instruments measured at amortised cost	**22,333**	11,290
	32,541	21,855
Financial liabilities		
Financial liabilities measured at amortised cost	**(10,416)**	(7,642)
Derivative financial instruments designated as hedges of variable interest rate risk	**(677)**	(566)
	(11,093)	(8,208)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise trade and other receivables.

Financial liabilities measured at amortised cost comprise trade and other payables.

Derivative financial instruments designated as hedges of variable interest rate risk comprise an interest rate swap. The derivative is measured with reference to quoted prices in an active market for similar assets or liabilities or other valuation methods where all material input is based on observable market data.

The Group also uses swaps to hedge the variability in fuel costs due to fluctuations in fuel price.

The sensitivity analysis on fuel contracts has been prepared under the assumptions that the effect is calculated on the fuel contracts entered at the balance sheet date; the hedges are 100% effective and based on the actual market situation and expectations to the development in the fuel prices.

Notes to the Financial Statements

For the Year Ended 31 December 2015

20. Reserves

Revaluation reserve

Includes all tangible asset revaluations in current and prior periods.

Hedging reserve

Includes all movements in the hedging reserve in current and prior periods.

Profit and loss account

Includes all current and prior period retained profits and losses.

21. Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
5,245,129 Ordinary shares of £1 each	**5,245**	5,245

22. Contingent liabilities

There is a fixed and floating charge over the assets of the company under an agreement dated 5 June 2007, updated 14 August 2009 to certain providers of finance to other group companies.

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £323,000 (2014 - £357,000).

In addition, some employees are members of the Merchant Navy Officers Pension Fund ("MNOPF").

The Company contributes to the MNOPF, an industry-wide funded defined benefit scheme for certain employees. The contributions to this scheme are determined with reference to the level set by the scheme's actuaries and charged against income as if it were a defined contribution scheme.

The company has not adopted the accounting requirements of FRS 102 Section 28 "Employee Benefits" in respect of this scheme since it is unable to identify its share of the underlying assets and liabilities.

The cost of contributions to the scheme totalled £37,000 (2014: £47,100). An actuarial valuation of the fund was undertaken as at 31 March 2003 which showed that the old section of the scheme had a surplus of £167 million and the new section of the scheme had a deficit of £194 million. The trustees have calculated that the Company's share of the new section deficit is £1.8 million which is being paid for at the rate of £202 ,000 per annum over ten years to September 2014.

23. Pension commitments (continued)

The next triennial valuation as at 31 March 2006 showed that the new section deficit had increased by a further £200 million. The trustees calculated that the Company's share of the increased deficit was £2 million, which is being paid for at the rate of £220,000 per annum over eight years to September 2014.

The next triennial valuation as at 31 March 2009 showed that the new section deficit had increased by £390 million and that the old section surplus had now decreased to become a deficit of £130 million. The Trustees calculated that the Company's share of the increased deficit in the new section was £2.9 million, which is currently being paid for at the rate of £262,000 per annum until 2014 and then £543,000 per annum from 2015 to 2020. There is no current requirement for payments to be made in respect of the old section.

The most recent actuarial valuation was completed as at 31 March 2012. This valuation showed that the new section deficit had increased by a further £152 million. The trustees calculated that the Company's share of the increased deficit was £955,000, of which £133,000 was paid immediately and the balance of £822,000 is being paid for at a rate of £105,000 per annum over ten years to September 2023.

Prior to 2004, certain seafarers on the Company's vessels were provided by, a previously associated company, RFG Marine (Guernsey) Limited ("RFGMG") under a crewing service agreement. During 2012, the debt was novated across to the Company which has not resulted in any changes as the Company have always paid the contributions and been responsible for all contingent liabilities relating to seafarers employed by RFGMG on the Company's vessels.

The Company operates a Defined benefit pension scheme.

This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 January 2014 and updated to 31 December 2015 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a deficit of £2,163,000. The Company has agreed with the trustees that it will aim to eliminate the deficit over a period of 15 years from 1 February 2015 by the payment of annual contributions of £120,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the company has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

Reconciliation of opening and closing balances of the defined benefit obligation:

	2015	2014
	£000	£000
Defined benefit obligation at the beginning of the year	**(11,200)**	(10,214)
Interest expense	**(407)**	(462)
Actuarial gains/(losses)	**419**	(847)
Benefits paid	**397**	323
Defined benefit obligation at the end of the year	**(10,791)**	(11,200)

Notes to the Financial Statements
For the Year Ended 31 December 2015

23. Pension commitments (continued)

Reconciliation of opening and closing balances of the fair value of plan assets:

	2015 £000	2014 £000
Fair value of plan assets at the beginning of the year	8,956	8,432
Interest income	326	382
Actuarial (losses)/gains	(338)	369
Contributions by the company	116	96
Benefits paid	(397)	(323)
Fair value of plan assets at the end of the year	8,663	8,956

Composition of plan assets:

	2015 £000	2014 £000
Equities	2,468	2,642
Corporate bonds	3,095	3,201
Property	1,295	1,171
Fixed Interest (mainly gilts)	864	981
Diversified Growth Assets	864	926
Cash	77	35
Total plan assets	8,663	8,956

None of the fair values of the assets include any direct investments in the Company's own financial iinstruments or any property occupied by, or other assets used by, the Company.

	2015 £000	2014 £000
Fair value of plan assets	8,663	8,956
Present value of plan liabilities	(10,791)	(11,200)
Net pension scheme liability	(2,128)	(2,244)

The amounts recognised in profit or loss are as follows:

	2015 £000	2014 £000
Net interest cost	(81)	(80)

Notes to the Financial Statements

For the Year Ended 31 December 2015

23. Pension commitments (continued)

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £81,000 (2014 - £478,000).

The Company expects to contribute £120,000 to its Defined benefit pension scheme in 2016.

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2015	2014
Discount rate at 31 December	**3.80 %**	3.70 %
Inflation (RPI)	**3.00 %**	3.00 %
Inflation (CPI)	**2.00 %**	2.25 %
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.00 %**	2.25 %
Allowance for pension in payment increases of RPI or 5% if less	**3.00 %**	3.00 %

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Defined benefit obligation	**(10,791)**	(11,200)	(10,214)	(9,604)	(9,377)
Scheme assets	**8,663**	8,956	8,432	8,298	7,818
Deficit	**(2,128)**	(2,244)	(1,782)	(1,306)	(1,559)
Experience adjustments on scheme liabilities	**419**	(847)	(518)	(102)	43
Experience adjustments on scheme assets	**(338)**	369	(95)	275	(574)

Notes to the Financial Statements

For the Year Ended 31 December 2015

24. Commitments under operating leases

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Later than 5 years	**476**	449
Total	**476**	449

25. Post balance sheet events

Red Jet 5 was sold on the 20 June 2016 to Moby S.P.A.

There have been no other significant events affecting the Company since the year end.

26. Controlling party

The company is controlled by Infracapital Partner LP, a Limited Partnership, acting by its Manager M&G Investment Management Limited. Infracapital Partners LP is deemed to be controlled by Infracapital GP 1 LLP by virtue of the LPA dated 17 August 2005 (as amended from time to time). Both Infracapital GP 1 LLP and M&G Investment Management Limited are wholly owned entities of Prudential plc, a company registered in England & Wales. Consolidated financial statements are produced by Prudential plc, copies of which are available from the Registered Office at Laurence Pountney Hill, London, EC4R 0HH. By virtue of the control and management structure of Infracapital Partners LP, the directors consider that Prudential plc is the ultimate parent undertaking of the company.

The company has no controlling related party.

The smallest group in which the results of the company are consolidated is that headed by Falcon Acquisitions Limited, incorporated in England. The consolidated financial statements for this company are available to the public and may be obtained from Companies House.

27. First time adoption of FRS 102

	Note	As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	**FRS 102 (as restated) 1 January 2014 £000**	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	**FRS 102 (as restated) 31 December 2014 £000**
Fixed assets		27,672	-	**27,672**	28,821	-	**28,821**
Current assets		23,582	-	**23,582**	22,896	-	**22,896**
Creditors: amounts falling due within one year		(6,494)	(101)	**(6,595)**	(7,088)	(439)	**(7,527)**
Net current assets		17,088	(101)	**16,987**	15,808	(439)	**15,369**
Total assets less current liabilities		44,760	(101)	**44,659**	44,629	(439)	**44,190**
Creditors: amounts falling due after more than one year		(3,570)	(47)	**(3,617)**	(2,944)	(127)	**(3,071)**
Provisions for liabilities		(1,800)	-	**(1,800)**	(2,262)	-	**(2,262)**
Net assets		39,390	(148)	**39,242**	39,423	(566)	**38,857**
Capital and reserves		39,390	(148)	**39,242**	39,423	(566)	**38,857**

27. First time adoption of FRS 102 (continued)

	Note	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	**FRS 102 (as restated) 31 December 2014 £000**
Turnover		45,369	-	**45,369**
Cost of sales		(27,174)	-	**(27,174)**
		18,195	-	**18,195**
Administrative expenses		(6,935)	-	**(6,935)**
Operating profit		11,260	-	**11,260**
Interest receivable and similar income		15	-	**15**
Interest payable and similar charges		(1,550)	-	**(1,550)**
Other finance income		22	(102)	**(80)**
Taxation		(1)	-	**(1)**
Profit on ordinary activities after taxation and for the financial year		9,746	(102)	**9,644**

Explanation of changes to previously reported profit and equity:

1 Commodity swaps are now recognised at fair value at each reporting date. These swaps are considered to be effective hedge arrangements, with the changes in fair value recognised in the hedge reserve. Previously commodity swaps were not recognised in the balance sheet.

The basis of accounting for net interest arising from the Defined Benefit Pension Scheme has changed to take account of revisions in the measurement requirements in respect of the discount rate applied to calculate interest cost. This discount rate reflects the yield on high quality corporate bonds, and is lower than the expected return on plan assets previously used to calculate interest income. Consequently the profit is reduced under FRS 102.