

ACROMAS SHIPPING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2016

THURSDAY



A5B793ZM

A29

14/07/2016

#127

COMPANIES HOUSE

ACROMAS SHIPPING LIMITED

Company information

Directors: L H L Batchelor (appointed 1 January 2016)
 J S Hill (appointed 25 January 2016)
 T Allan
 A C Donald
 R Furlong (resigned 9 February 2015)
 R G Meikle (resigned 31 October 2015)
 P R Shaw
 A J P Strong

Secretary: V Haynes

Registered Office: Enbrook Park, Folkestone, Kent CT20 3SE

Company Registration no: 3267858

Auditor: Ernst & Young LLP, 25 Churchill Place, Canary Wharf, London E14 5EY

ACROMAS SHIPPING LIMITED

Strategic report

The Directors submit the Annual Report and the audited Financial Statements of Acromas Shipping Limited ("the Company") for the year ended 31 January 2016.

Review of Business Developments and Principal Activity

The Company's principal activity is the chartering and operation of cruise ships. During the year the Company operated two cruise ships – the Saga Pearl II and the Saga Sapphire, which were chartered from its subsidiary undertakings Enbrook Cruises Limited and Saga Cruises IV Limited respectively.

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

	2016	2015	change
	£'000	£'000	%
Turnover	86,214	83,955	2.7
Gross profit	16,074	12,902	24.6
Gross margin	18.6%	15.4%	3.2 pts
Profit / (loss) before taxation	<u>8,586</u>	<u>(733)</u>	1,271.4

Turnover for the year to 31 January 2016 was £86,214,000 (2015 - £83,955,000), an increase of 2.7% on the previous year due to higher per diems and load factors. All turnover arose from the Company's principal activity.

The profit before taxation for the year amounts to £8,586,000 (2015 – £733,000 loss). After taxation, a profit of £6,942,000 (2015 – £628,000 loss) has been transferred to reserves. No dividends have been paid in the year (2015 - £nil).

ACROMAS SHIPPING LIMITED

Strategic report (continued)

Principal Risks and Uncertainties

The Company follows a structured risk identification and assessment process that involves all of its Directors and which is updated on an ongoing basis.

The principal risks facing the Company have been grouped under the following three headings:

1. *Legislative Risks*

The two cruise ships operated by the Company have to comply with maritime regulations and ensure that regulatory changes are responded to.

A failure to comply with these regulations could cause the Company to incur fines or be prevented from trading.

2. *Operational Risks*

The cruise ships operated by the Company operate internationally throughout the year and are at risk of damage through collision, fire, grounding or extreme weather conditions. Customers' safety and health are of primary importance in the event of these risks occurring. Additionally the risk of the ships causing environmental damage by pollution is also a key concern. If these risks were to crystallise, the cost of repairs and repatriation would adversely affect future profits, and if not managed appropriately, damage the Company brand.

3. *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to commodity price risk. Financial instruments affected by market risk include fuel oil swaps.

4. *Brand Risk*

The Company recognises Saga as a quality brand is a source of competitive advantage, and has in place policies and procedures to protect it at all times. The Company has zero appetite and a very low tolerance for brand and reputation risks and will look wherever possible to eliminate them. The Company also has zero appetite and very low tolerance for systemic unfair customer outcomes as a result of failures in the product, marketing, sales or service delivery systems and processes, or cultural shortcomings.

In order to manage these risks, the Company has put in place rigorous procedures and controls designed to prevent these risks occurring or, where this is not possible, to mitigate their effects.

These controls are monitored by the Group Internal Audit function to ensure they are working effectively.

Future Developments

The Directors intend to continue to expand and refresh the range of cruise itineraries offered to the Company's customers. In 2019, the Company will operate a new cruise ship and the Directors expect cruises on the new ship to be on sale from 2017.

ACROMAS SHIPPING LIMITED

Strategic report (continued)

Policy on use of financial instruments

The Company enters into derivative transactions (commodity swaps). The purpose is to manage the commodity price risks arising from the Company's operations. The board sets policies for managing these risks and these policies are summarised at accounting policy 2(r).

The Company is exposed to the market price of fuel relating to the consumption of fuel on the Company's cruise ships. The Company uses fuel swap agreements, and occasionally caps, to mitigate this exposure. The agreements hedge all the anticipated fuel requirements of the Company and are transacted to coincide with committed itineraries.

By order of the Board



V Haynes
Secretary
23 May 2016

ACROMAS SHIPPING LIMITED

Directors' report

The Directors submit the Directors' Report of the Company for the year ended 31 January 2016.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom General Accepted Accounting Policies): Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

It is the Group's policy to maintain indemnity insurance for Directors and officers.

Disclosure of information to the auditors

Each current Director has made enquiries of their fellow directors and the Company's auditor and taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

ACROMAS SHIPPING LIMITED
Directors' report (continued)

Auditors

In accordance with section 487(2) of the Companies Act 2006, the Auditors Ernst & Young LLP are deemed re-appointed.

By order of the Board

A handwritten signature in black ink, appearing to read 'V Haynes', is written over the printed name.

V Haynes
Secretary
23 May 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACROMAS SHIPPING LIMITED

We have audited the financial statements of Acromas Shipping Limited for the year ended 31 January 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities as set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Ernst & Young LLP

John Headley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

25 May 2016

ACROMAS SHIPPING LIMITED**Income statement for the year ended 31 January 2016**

	Notes	2016 £'000	2015 £'000
Turnover	3	86,214	83,955
Cost of sales	4	(70,140)	(71,053)
Gross profit		<u>16,074</u>	<u>12,902</u>
Administrative and marketing expenses		(8,919)	(9,954)
Operating profit		<u>7,155</u>	<u>2,948</u>
Income from shares in group undertaking		965	-
Profit on ordinary activities before interest & taxation		<u>8,120</u>	<u>2,948</u>
Finance costs	5	-	(3,681)
Finance income	6	466	-
Profit / (loss) on ordinary activities before taxation		<u>8,586</u>	<u>(733)</u>
Taxation	10	(1,644)	105
Retained profit / (loss) for the financial year	21	<u>6,942</u>	<u>(628)</u>

Notes 1 to 27 form an integral part of these financial statements.

ACROMAS SHIPPING LIMITED**Statement of comprehensive income for the year ended 31 January 2016**

	Notes	2016 £'000	2015 £'000
Profit / (loss) for the financial year		6,942	(628)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit and loss account in subsequent years			
Net profit / (loss) on cash flow hedges		11,012	(362)
Tax effect		(2,031)	114
Total other comprehensive income / (loss), net of tax		<u>8,981</u>	<u>(248)</u>
Total comprehensive income / (loss) for the year		<u><u>15,923</u></u>	<u><u>(876)</u></u>

Notes 1 to 27 form an integral part of these financial statements.

ACROMAS SHIPPING LIMITED
Statement of changes in equity

	Called-up Share Capital £'000	Capital Contribution Reserve £'000	Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 February 2014	7,000	-	-	1,953	8,953
Loss for the financial year	-	-	-	(628)	(628)
Other comprehensive income	-	-	(248)	-	(248)
Share based payment charge	-	19	-	-	19
At 31 January 2015	<u>7,000</u>	<u>19</u>	<u>(248)</u>	<u>1,325</u>	<u>8,096</u>
Profit for the financial year	-	-	-	6,942	6,942
Other comprehensive income	-	-	8,981	-	8,981
Share based payment charge	-	58	-	-	58
At 31 January 2016	<u>7,000</u>	<u>77</u>	<u>8,733</u>	<u>8,267</u>	<u>24,077</u>

Notes 1 to 27 form an integral part of these financial statements.

ACROMAS SHIPPING LIMITED
Balance sheet as at 31 January 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investment in subsidiary undertakings	11	-	-
		-	-
Current Assets			
Stocks	12	4,334	4,730
Debtors	13	63,633	51,470
Cash at bank and in hand		565	708
		68,532	56,908
Creditors - amounts falling due within one year	14	(41,433)	(47,398)
Net current assets		27,099	9,510
Total assets less current liabilities		27,099	9,510
Creditors - amounts falling due after more than one year	15	(765)	(1,037)
Provisions for liabilities	16	(2,257)	(377)
Net assets		24,077	8,096
Capital and reserves			
Called-up share capital	18	7,000	7,000
Capital contribution reserve	19	77	19
Hedging reserve	20	8,733	(248)
Retained earnings	21	8,267	1,325
Shareholders' funds		24,077	8,096

Signed for and on behalf of the Board by



P R Shaw
Director
23 May 2016

Notes 1 to 27 form an integral part of these financial statements.

ACROMAS SHIPPING LIMITED

Notes to the financial statements

1. General information

Acromas Shipping Limited (the “Company”) is a company incorporated and domiciled in the UK.

2. Significant Accounting policies

a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The Company’s financial statements are presented in the Company’s functional currency, Sterling and all values are rounded to the nearest thousand pounds (£’000) except when otherwise indicated.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Saga plc. These financial statements present information about the Company as an individual undertaking and not about its group.

The consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 25.

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 26. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 “Share Based Payment” because the share based payment arrangement concerns the instruments of another group entity.
- b) the requirements of IFRS 7 “Financial Instruments: Disclosures”.
- c) the requirements of paragraphs 91 to 99 of IFRS 13 “Fair Value Measurement”.
- d) the requirement in paragraph 38 of IAS 1 “Presentation of Financial Statements” to present comparative information in respect of:
 - i) paragraph 79(a)(iv) of IAS 1;
 - ii) paragraph 73(e) of IAS 16 “Property, Plant and Equipment”; and
 - iii) paragraph 118(e) of IAS 38 “Intangible assets”.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

a) Basis of preparation (continued)

- e) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 39(c), 40A-D, 111 and 134-136 of IAS 1 “Presentation of Financial Statements”.
- f) the requirements of IAS 7 “Statement of Cash Flows”.
- g) the requirements of paragraphs 30 and 31 of IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors”.
- h) the requirements of paragraph 17 of IAS 24 “Related Party Disclosures”.
- i) the requirements in IAS 24 “Related Party Disclosures” to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- j) The requirements of IFRS 1.21 on the comparative period for first time adopters of IFRS.

b) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as the balance sheet date and the amounts reported for revenues and expenses during the year, that are not readily apparent from other sources. However, the nature of estimation means that actual outcomes may differ from those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no estimates, assumptions and judgements at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

c) Turnover

Turnover from cruising is recognised as earned, on a daily basis.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

e) Stocks

Stocks are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

f) Advance receipts

All booking fees and balance payments for cruises with starting dates after the year end are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

g) Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

h) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

i) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

j) Pension benefits

The Company makes contributions to the Saga Pension Scheme, a defined benefit pension scheme (the 'Scheme') on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis. The costs of providing these benefits are charged to the income statement on a regular basis. Amounts charged to operating profit represent the contributions payable to the Scheme in the year.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

k) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

l) Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Company are finance leases. All other leases are operating leases.

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Income arising from operating leases where the Company acts as lessor is recognised on a straight-line basis over the lease term and included in operating income due to its operating nature.

m) Share-based payments

Saga plc, the ultimate parent company of the Saga group, provides benefits to employees of the Company (including Directors) in the form of long term incentives whereby employees render services in consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured at fair value and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to any award.

In valuing equity settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions, and service conditions.

Where the equity settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price of Saga plc), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where an employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

The Company records the cost of share options granted to employees by Saga plc during the year as a capital contribution from Saga plc within Shareholders' funds. Upon exercise, the cost of the share options is transferred from the capital contribution reserve and retained earnings.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

n) Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

o) Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value is determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of gains or losses arising on a change in the fair value of the item (i.e. the translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement, respectively).

p) Marketing expenditure

Expenditure on holiday brochures and advertising is expensed.

q) Exceptional items

Items which derive from events or transactions that fall outside of the ordinary activities of the Company and which are material, or if of a similar type are material in aggregate, are treated as exceptional. Exceptional items are charged or credited to the income statement as appropriate.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

r) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and are accounted on a trade date basis. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The Company has fair value through profit or loss, loans and receivables financial assets and derivative assets designated as hedging instruments in an effective hedge.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are assets:

- which upon initial recognition are designated at fair value through the income statement to eliminate or significantly reduce a measurement recognition inconsistency; or
- which are acquired principally for the purpose of selling in the near term or forming part of the portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

Derivative financial instruments not designated as hedging instruments are classified as FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement. The fair values are quoted market prices (where there is an active market) or are based on valuation techniques (where there is no active market or the securities are unlisted). Valuation techniques include the use of recent arm's length transactions, discounted cash flow analysis and other commonly used valuation techniques.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

r) Financial instruments (continued)

i) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in Interest payable and similar costs.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Company has transferred substantially all the risks and rewards relating to the asset, to a third party.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors are experiencing significant financial difficulty, or where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or other factors that correlate with defaults.

Loans and receivables

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually where significant, or collectively for assets that are not individually significant.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

r) Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (FVTPL):

Derivative financial instruments not designated as hedging instruments are classified as FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised through the income statement.

Loans and borrowings and other payables:

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Interest payable and similar costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

r) Financial instruments (continued)

iii) Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value are recognised in the income statement. Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

iv) Fair values

The Company measures financial instruments such as derivatives, at FVTPL at fair value at each reporting date.

Fair value is the price that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market accessible by the Company for the asset or liability or in the absence of a principal market, in the most advantageous market accessible by the Company for the asset or liability.

The fair values are quoted market prices where there is an active market or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's length market transactions, discounted cash flow analysis and other commonly used valuation techniques. An analysis of the fair values of financial instruments and further details as to how they are measured are provided within the financial statements of Saga plc.

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

2. Significant Accounting policies (continued)

r) Financial instruments (continued)

v) Hedge accounting

The Company designates certain derivative financial instruments as cash flow hedges of certain forecast transactions. These transactions are highly probable to occur and present an exposure to variations in cash flows that could ultimately affect amounts determined in profit or loss.

Where a derivative financial instrument is designated as a hedge, the effective part of any fair value gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately within the income statement.

When a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, any associated cumulative gain or loss is removed from the hedging reserve and reclassified into the income statement in the same period in which the asset or liability affects profit or loss. When a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, any associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

For fuel-oil hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, using regression analysis. This method involves calculating the strength of the correlation between the price of the derivative and the price of the fuel oil being purchased. Retrospective hedge testing is also performed at each reporting date using the same technique.

When a hedging instrument no longer meets the criteria for hedge accounting, through maturity, sale, other termination, or the revoking of the designated hedging relationship, hedge accounting is discontinued prospectively. If the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss remains in the hedging reserve and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

s) Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

t) Impairment of investment in subsidiaries

The Company undertakes a full impairment review of the carrying value of investment in subsidiaries at each reporting date. If such an indication exists, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

3. Turnover

Turnover comprises sales to third parties for cruising. Turnover is stated net of VAT. All business is carried out in the UK.

4. Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging:		
Cost of sales - exceptional items:		
Cruise cancellation	-	622
Insurance reclaim	(3,064)	-
Redundancy accrual release	(23)	-
Operating lease rentals – plant and machinery	11,231	10,266
Auditor's remuneration - audit of financial statements	46	40

Cost of sales exceptional items in the current and prior year relate to reimbursements, compensation payments and costs (net of insurance claims) relating to the cancellation of cruises as a result of technical problems during the year. During the year, the Company received two amounts under insurance policies towards the cost of cancelled or curtailed cruises; the costs of these operational issues were treated as exceptional in prior periods.

Any fees paid to the Company's auditor, Ernst & Young LLP, for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the ultimate parent undertaking, Saga plc, are required to disclose non-audit fees on a consolidated basis.

The Company has borne the fees for the audit of its following subsidiaries: Saga Cruises Limited, Saga Cruises IV Limited and Enbrook Cruises Limited.

5. Finance costs

	2016 £'000	2015 £'000
Net fair value loss on fuel oil derivative financial instruments	-	3,681
	-	3,681

6. Finance income

	2016 £'000	2015 £'000
Net fair value gain on fuel oil derivative financial instruments	466	-
	466	-

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

7. Directors remuneration

The remuneration of the Directors of the Company during the year were as follows:

	2016 £'000	2015 £'000
Aggregate remuneration in respect of qualifying services	<u>91</u>	<u>239</u>
Members of defined benefit pension scheme	<u>5</u>	<u>5</u>

The Directors remuneration shown above relate to R Furlong, T Allan and R G Meikle,

R Shaw, A J P Strong and A C Donald are remunerated by Acromas Holidays Limited, a fellow subsidiary of the ultimate parent company, Saga plc. These Directors did not receive any remuneration during the year in respect of their services as a Director of the Company (2015: £nil) and it would not be practicable to apportion their remuneration between their services as Directors of the Company and their services as Directors of other group companies. The total remuneration in respect of these directors borne is £1,232,000 (2015: £937,000). The Company has not been recharged any amount for the remuneration of these Directors.

L H L Batchelor and J S Hill are also Directors of Saga plc and various fellow subsidiaries. They are remunerated by Saga plc. Neither of these Directors received any remuneration during the current year in respect of their services as Directors of the Company, and it would not be practicable to apportion their remuneration between their services as Directors of the Company, their services as Directors of Saga plc and their services as Directors of any other group companies. Further details of the short term benefits, share-based payments and post-employment benefits of these Directors can be found in the financial statements of the ultimate parent company, Saga plc.

The amounts in respect of the highest paid Director were as follows:

	2015 £'000
Aggregate remuneration in respect of qualifying services	<u>115</u>
Defined benefit pension scheme:	2015 £'000
Accrued pension at end of year	<u>2</u>

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

8. Staff costs

	2016	2015
	£'000	£'000
Wages and salaries	1,109	1,041
Social security costs	98	97
Pension costs	131	108
Bonuses	137	177
PMI, PHI & Life Assurance	27	18
	<u>1,502</u>	<u>1,441</u>

Included in wages and salaries is a total expense of share-based payments of £58,000 (2015: £19,000).

The monthly average number of employees during the year was as follows:-	2016 No.	2015 No.
Operations	26	28
Administration and management	5	5
	<u>31</u>	<u>33</u>

9. Pension benefits

The Company is a member of the Saga Pension Scheme which is a defined benefit scheme.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis. The IAS 19 deficit (gross of deferred taxation) of the Scheme at 31 January 2016 was £18.8 million (2015 - £40.4 million).

Further details of the Scheme can be found in the financial statements of the ultimate parent company, Saga plc.

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

10. Taxation	2016	2015
	£'000	£'000
Tax charged in the income statement		
Current tax		
UK corporation tax at 20.17% (2015 – 21.33%)	1,460	649
Adjustment in respect of prior periods	(9)	-
Total current income tax	<u>1,451</u>	<u>649</u>
Deferred tax		
Origination and reversal of timing differences	69	(754)
Adjustments in respect of prior periods	9	-
Effect of tax rate change on opening balances	115	-
Total deferred tax	<u>193</u>	<u>(754)</u>
Tax expense / (credit) on profit on ordinary activities	<u>1,644</u>	<u>(105)</u>
	2016	2015
	£'000	£'000
Tax relating to items charged or credited to other comprehensive income		
Deferred tax		
Net (profit) / loss on fuel-oil cash flow hedges	(151)	491
Total deferred tax	<u>(151)</u>	<u>491</u>
Tax expense / (credit) in the statement of other comprehensive income	<u>(151)</u>	<u>491</u>
Reconciliation of Total Tax Charge:	2016	2015
	£'000	£'000
Pre-tax profit / (loss) at 20.17% (2015 – 21.33%)	1,732	(156)
Non-taxable dividend income	(195)	-
Expenses not deductible for tax purposes	-	3
Effect of tax rate change on opening balances	115	-
Rate change adjustment on temporary differences	(8)	48
Total tax expense / (credit) in the income statement	<u>1,644</u>	<u>(105)</u>

The corporation tax charge for the current and prior year is entirely made up of payments to other group companies for group relief.

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

11. Investment in subsidiary undertakings

	2016	2015
Cost	£	£
At 31 January	<u>106</u>	<u>104</u>

The subsidiary undertakings of the Company, all of which are wholly owned and registered in England, are Saga Cruises Limited, Saga Cruises II Limited, Saga Cruises III Limited, Saga Cruises IV Limited, Saga Cruises V Limited, Saga Cruises VI Limited and Enbrook Cruises Limited. The principal activity of Saga Cruises IV Limited and Enbrook Cruises is, and for Saga Cruises II Limited and Saga Cruises Limited was, the chartering of cruise ships to the Company.

12. Stocks	2016	2015
	£'000	£'000
Fuel and oil	484	573
Technical stocks	2,247	2,877
Passenger and crew food stocks	764	508
Bar and other sundry stocks	839	772
	<u>4,334</u>	<u>4,730</u>

13. Debtors	2016	2015
	£'000	£'000
Amount owed by group undertaking	48,189	45,179
Other debtors	1,184	1,989
Prepayments	478	673
Fuel oil swap derivative financial instruments	50	-
Foreign currency forward derivative financial instruments	12,539	2,092
Deferred taxation	1,193	1,537
	<u>63,633</u>	<u>51,470</u>

Deferred taxation comprises an excess of depreciation over capital allowances of £105,000 (2015 - £133,000) and of short-term timing differences of £1,088,000 (2015 - £1,404,000).

A reduction in the Corporation Tax rate from 21% to 20% took effect on 1 April 2015, and further reductions were enacted in the Finance Act 2015 to reduce the rate to 19% from 1 April 2017 and 18% from 1 April 2020. As a result, the closing deferred tax balances have been reflected at 18%.

On 16 March 2016 the Chancellor presented the 2016 budget in which he announced a further reduction in the future corporation tax rate. Instead of the corporation tax rate reducing from 19% to 18%, on 1 April 2020, the rate will now fall to 17%. As the new rate was not substantively enacted at the balance sheet date the impact of this reduction has not been reflected in the deferred tax calculations. The effect of this additional rate reduction would not be material for these financial statements.

Recognition of Company deferred tax assets is based on profitability of other group companies and anticipated group relief claims.

All amounts above are due in less than one year, except for deferred tax, fuel oil swap derivative financial instruments and foreign currency forward derivative financial instruments of £10,588,000 (2015 - £827,000).

ACROMAS SHIPPING LIMITED**Notes to the financial statements (continued)**

14. Creditors - amounts falling due within one year	2016	2015
	£'000	£'000
Bank overdraft	-	212
Advance receipts	21,756	29,289
Trade creditors	6,353	6,991
Other creditors	3	4
Fuel oil swap derivative financial instruments	5,257	5,965
Accruals and deferred income	8,064	4,937
	<u>41,433</u>	<u>47,398</u>
15. Creditors - amounts falling due after one year	2016	2015
	£'000	£'000
Fuel oil swap derivative financial instruments	765	1,037
	<u>765</u>	<u>1,037</u>
16. Provisions for liabilities		Deferred tax
		£'000
At 1 February 2015		377
Charge for the year through OCI		1,880
At 31 January 2016		<u>2,257</u>
17. Lease commitments		
The total commitment under non-cancellable plant and machinery operating leases is as follows:		
	2016	2015
	£'000	£'000
Leases expiring:		
Within one year	11,231	10,327
In two to five years	598	-
	<u>11,829</u>	<u>10,327</u>

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

18. Called up share capital	2016	2015
	£'000	£'000
Allotted, called up and fully paid		
7,000,000 ordinary shares of £1 each	7,000	7,000

19. Capital contribution reserve	2016	2015
	£'000	£'000
At 1 February	19	-
Movement for the year	58	19
At 31 January	77	19

The capital contribution reserve is in respect of contributions from the ultimate parent company, Saga plc, in relation to share-based awards made by it to the Company's employees. Further information can be found in note 31 and the financial statements of Saga Plc.

20. Hedging reserve	2016	2015
	£'000	£'000
At 1 February	(248)	-
Movement for the year	8,981	(248)
At 31 January	8,733	(248)

21. Retained earnings	2016	2015
	£'000	£'000
At 1 February	1,325	1,953
Retained profit / (loss) for the year	6,942	(628)
At 31 January	8,267	1,325

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

22. Share-based payments

Saga plc, the ultimate parent of the Saga group, uses equity-settled share plans to grant options and shares to the Company's Directors and employees. Equity-settled share-based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period.

Share options are granted under the Saga plc Long-Term Incentive Plan (LTIP).

The LTIP is a discretionary executive share plan. Under the LTIP, the Saga plc Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. These options have a non-market vesting condition (50%) and a market vesting condition (50%). The fair value of the options has been calculated using a Black-Scholes valuation.

The table below summarises the movements in the number of share options outstanding for the employees of the Company and their weighted average exercise price:

	LTIP
Outstanding at 1 February 2015	72,673
Granted during the year	99,051
Forfeited during the year	(13,637)
Outstanding at 31 January 2016	<u>158,087</u>
Exercise price	<u>£nil</u>
Exercisable at 31 January 2016	<u>-</u>
Average remaining contractual life	<u>2.0 years</u>
Average fair value at grant	<u>£1.99</u>

Details of the information relevant in determining the fair value of options granted is available in the financial statements of Saga plc.

23. Cross company guarantees

The Company, along with certain of its fellow group entities, will act as guarantor on bank loans available to Saga Cruises V Limited from 18 January 2019. These bank loans will amount to the Sterling Equivalent of €315.0 million.

ACROMAS SHIPPING LIMITED

Notes to the financial statements (continued)

24. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries in the Saga group of companies.

25. Ultimate parent undertaking

The financial statements of the Company have been consolidated in the group financial statements of Acromas Holidays Limited (the immediate parent undertaking) and Saga plc (the ultimate parent undertaking), both of which are registered in England and Wales.

A copy of the financial statements of Saga plc for the year ended 31 January 2016 may be obtained from the corporate website www.corporate.saga.co.uk or from the Company Secretary, Saga plc, Enbrook Park, Folkestone, Kent, CT20 3SE.

Acromas Holidays Limited is the parent company of the smallest group of which the Company is a member and for which group financial statements are prepared.

The Company is wholly owned by Acromas Holidays Limited.

26. Ultimate controlling party

The Directors consider the ultimate controlling party to be Saga plc.

27. Transition to FRS 101

For all periods up to and including the year ended 31 January 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These statements, for the year ended 31 January 2016, are the first the company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 February 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 February 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 February 2014 prepared under extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 January 2015.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards"

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

27. Transition to FRS 101 (continued)

Reconciliation of equity as at 1 February 2014

	Notes	UK GAAP £'000	FRS 101 Re- classification / Re- measurements £'000	FRS 101 £'000
Fixed Assets				
Intangible Assets		-	-	-
Investment in subsidiary undertakings		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
Current assets				
Stocks	(d)	4,356	(41)	4,315
Debtors	(b), (d)	44,948	66	45,014
Cash at bank and in hand	(d)	604	(8)	596
		<u>49,908</u>	<u>17</u>	<u>49,925</u>
Creditors - amounts falling due within one year	(a), (b) (d)	(40,322)	(616)	(40,938)
Net current assets		<u>9,586</u>	<u>(599)</u>	<u>8,987</u>
Total assets less current liabilities		9,586	(599)	8,987
Creditors - amounts falling due after more than one year	(b)	-	(34)	(34)
Net assets		<u>9,586</u>	<u>(633)</u>	<u>8,953</u>
Capital and reserves				
Called-up share capital		7,000	-	7,000
Capital contribution reserve		-	-	-
Retained earnings		2,586	(633)	1,953
Shareholders' funds		<u>9,586</u>	<u>(633)</u>	<u>8,953</u>

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

27. Transition to FRS 101 (continued)

Reconciliation of equity as at 31 January 2015

	Notes	UK GAAP £'000	FRS 101 Re- classification / Re- measurements £'000	FRS 101 £'000
Fixed Assets				
Intangible Assets		-	-	-
Investment in subsidiary undertakings		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
Current assets				
Stocks	(d)	4,712	18	4,730
Debtors	(b), (d)	47,950	3,520	51,470
Cash at bank and in hand	(d)	697	11	708
		<u>53,359</u>	<u>3,549</u>	<u>56,908</u>
Creditors - amounts falling due within one year	(a), (b), (d)	(41,437)	(5,961)	(47,398)
Net current assets		<u>11,922</u>	<u>(2,412)</u>	<u>9,510</u>
Total assets less current liabilities		11,922	(2,412)	9,510
Creditors - amounts falling due after more than one year	(b)	-	(1,037)	(1,037)
Provisions for liabilities	(c)	-	(377)	(377)
Net assets		<u>11,922</u>	<u>(3,826)</u>	<u>8,096</u>
Capital and reserves				
Called-up share capital		7,000	-	7,000
Capital contribution reserve		19	-	19
Hedging reserve	(c)	-	(248)	(248)
Retained earnings		4,903	(3,578)	1,325
Shareholders' funds		<u>11,922</u>	<u>(3,826)</u>	<u>8,096</u>

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

27. Transition to FRS 101 (continued)

a) Employee Benefits

Holiday pay accrual - On transition to FRS 101, a holiday pay accrual has been accounted for of £7,000 at 31 January 2015 (£7,100 at 1 February 2014).

b) Derivative instruments

Fuel-oil swaps - On transition to FRS 101, unexpired fuel-oil swap derivatives net liabilities have been recognised on the balance sheet of £7,003,000 at 31 January 2015 (£867,000 at 1 February 2014), together with related deferred tax asset of £1,401,000 at 31 January 2015 (£173,000 at 1 February 2014). The fuel-oil swap derivatives balance at 31 January 2015 is comprised a current liability balance of £5,965,000 and a non-current liability balance of £1,038,000. The fuel-oil swap derivatives balance at 31 January 2014 is comprised a current liability balance of £834,000, a non-current liability balance of £34,000 and a non-current asset balance of £1,000. Additionally, intercompany foreign exchange forward contract derivatives of £2,092,000 have been recognized on the balance sheet at 31 January 2015 (£nil at 1 February 2014). Unexpired derivative instruments were not recognised on the balance sheet before transition to FRS 101.

c) Hedge accounting

Fuel-oil swaps and foreign exchange forward contracts - The Company entered into fuel-oil swap derivatives for hedging purposes and designated some of them as hedging instruments for hedge accounting. Additionally, the Company designated all intercompany foreign exchange forward contract derivatives as hedging instruments for hedge accounting. The balance on the hedging reserve is £248,000 deficit at 31 January 2015 (£nil at 1 February 2014), net of deferred tax asset of £114,000 (£nil at 1 February 2014).

ACROMAS SHIPPING LIMITED
Notes to the financial statements (continued)

27. Transition to FRS 101 (continued)

d) Foreign Currency Transactions

The Company transacts in currencies other than its functional currency of sterling. Historically, transactions denominated in a foreign currency were translated into sterling using a contract rate. Transactions denominated in foreign currencies include: cost of sales and associated creditors and accruals, sundry revenue and associated debtors, accrued income and stocks.

Under FRS 101, foreign currency transactions are required to be translated into sterling with reference to the appropriate spot rate. Any difference on exchange movement is recognised in the income statement for monetary assets.

Non-monetary assets and liabilities have been recalculated at each balance sheet date at the spot rate at the transaction date, or updated at the closing rate to the extent that these have yet to be settled in cash and are effectively still monetary assets. This includes the translation of prepayments and stocks.

Monetary items have been retranslated at the closing rate at the relevant balance sheet date. This includes retranslation of creditors, accruals, sundry debtors, accrued income and petty cash held in a foreign currency.

As a result of the above, on transition to FRS 101, as at 31 January 2015 the carrying values of: stocks, increased by £18,000; other debtors, increased by £28,000; petty cash, increased by £11,000; creditors, reduced by £137,000; and accrual, increased by £126,000.

As a result of the above, on transition to FRS 101, as at 1 February 2014 the carrying values of: stocks, reduced by £41,000; other debtors, reduced by £108,000; petty cash, reduced by £8,000; and creditors, reduced by £75,000; and accrual, reduced by £150,000.