

**REGISTERED NUMBER: SC036770 (Scotland)**

**Audited Financial Statements**  
**for the Year Ended 31 March 2017**  
**for**  
**Orkney Ferries Limited**

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**for the Year Ended 31 March 2017**

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**Orkney Ferries Limited**

**Company Information**  
**for the Year Ended 31 March 2017**

**DIRECTORS:** O Tierney  
S G Clackson  
A Drever  
M O Thomson  
K F Woodbridge

**REGISTERED OFFICE:** Council Offices  
Kirkwall  
ORKNEY

**REGISTERED NUMBER:** SC036770 (Scotland)

**AUDITORS:** Orcadia  
Chartered Accountants  
3 East Road  
Kirkwall  
Orkney  
KW15 1HZ

**BANKERS:** The Royal Bank of Scotland  
1 Victoria Street  
Kirkwall  
Orkney  
KW15 1DP

**Statement of Financial Position**  
**31 March 2017**

2016 £		Notes	2017 £
	<b>CURRENT ASSETS</b>		
69,928	Stocks		<b>103,879</b>
767,974	Debtors	4	<b>758,546</b>
<u>1,214,669</u>	Cash at bank and in hand		<u><b>380,187</b></u>
2,052,571			<b>1,242,612</b>
	<b>CREDITORS</b>		
<u>2,155,205</u>	Amounts falling due within one year	5	<u><b>1,345,246</b></u>
(102,634)	<b>NET CURRENT LIABILITIES</b>		<b>(102,634)</b>
(102,634)	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(102,634)</b>
<u>(727,000)</u>	<b>PENSION LIABILITY</b>	7	<u><b>(3,075,000)</b></u>
<u>(829,634)</u>	<b>NET LIABILITIES</b>		<u><b>(3,177,634)</b></u>
	<b>CAPITAL AND RESERVES</b>		
7,500,000	Called up share capital		<b>7,500,000</b>
30,965	Other reserves		<b>30,965</b>
(727,000)	Pension Reserve		<b>(3,075,000)</b>
<u>(7,633,599)</u>	Retained earnings		<u><b>(7,633,599)</b></u>
<u>(829,634)</u>	<b>SHAREHOLDERS' FUNDS</b>		<u><b>(3,177,634)</b></u>

The financial statements have been prepared and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors on 29 June 2017 and were signed on its behalf by:



.....  
K F Woodbridge - Director

**Notes to the Financial Statements**  
**for the Year Ended 31 March 2017**

1. **STATUTORY INFORMATION**

Orkney Ferries Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Turnover**

Turnover represents amounts receivable for services, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery etc - 25% on cost and 10% on cost

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Hire purchase and leasing commitments**

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

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

2. **ACCOUNTING POLICIES - continued**

**Pension costs and other post-retirement benefits**

The company employees are eligible to join a defined benefit local government pension scheme. Contributions payable to this scheme are charged to the profit and loss account over the working lives of the members of the scheme. The contributions are determined by a qualified actuary on the basis of triennial valuations. These contributions are invested separately from the company's assets.

Payments in respect of other post-retirement benefits are charged to profit or loss in the period to which they relate.

**Government grants**

Government grants received are treated as deferred credits and credited to the profit and loss account over the estimated useful life of the relevant fixed assets. Other grants of a revenue nature are credited to the profit and loss account in the year to which they relate.

**Going concern**

These financial statements have been prepared on a going concern basis.

The company receives funding from Orkney Islands Council under a service level agreement to provide the lifeline ferry services for the North and South Isles of Orkney. The directors consider that the company will be able to continue to operate with the available funding over the next twelve months. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from the withdrawal of funding from Orkney Islands Council.

3. **TANGIBLE FIXED ASSETS**

	<b>Plant and machinery etc £</b>
<b>COST</b>	
At 1 April 2016 and 31 March 2017	<u>615,480</u>
<b>DEPRECIATION</b>	
At 1 April 2016 and 31 March 2017	<u>615,480</u>
<b>NET BOOK VALUE</b>	
At 31 March 2017	<u><u>-</u></u>

4. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017 £</b>	<b>2016 £</b>
Trade debtors	<u>148,017</u>	163,942
Other debtors	<u>610,529</u>	<u>604,032</u>
	<u><u>758,546</u></u>	<u><u>767,974</u></u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

**5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£	£
Trade creditors	445,942	576,839
Other creditors	<u>899,304</u>	<u>1,578,366</u>
	<u>1,345,246</u>	<u>2,155,205</u>

**6. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006**

The Report of the Auditors was unqualified.

Steven J Sinclair BA CA (Senior Statutory Auditor)  
for and on behalf of Orcadia

**7. EMPLOYEE BENEFIT OBLIGATIONS**

The company's employees are eligible to join a Local Government pension scheme, which is a defined benefit statutory scheme. The most recent full actuarial valuation was on 31 March 2014 and was carried out by a qualified independent actuary. An updated valuation has been prepared at 31 March 2017 for the purposes of FRS102 disclosure. Contributions to the scheme are determined by the actuary on the basis of triennial valuations. The estimated Employer's contributions for the year to 31 March 2018 will be approximately £485,000.

**Merchant Navy Ratings Pension Fund (MNRPF)**

Some employees may qualify to contribute to the MNRPF, a defined benefit scheme, with a contribution rate of 2.0%. The company made contributions to this fund of £1,457 in the year. It is a multiple employer scheme and the company is unable to identify its share of the underlying assets and liabilities. As at the last full valuation in March 2011, the MNRPF scheme had a deficit. The Trustees of the new section have requested deficit contributions from each employer, and the company has made additional contributions. The additional contributions are subject to change, dependent on the results of future actuarial valuations of the fund.

**Merchant Navy Officers Pension Fund (MNOFF)**

Some employees may qualify to contribute to the MNOFF, a defined benefit scheme, with a contribution rate of 20.0%. The company made contributions to this fund of £62,218 in the year. It is a multiple employer scheme and the company is unable to identify its share of the underlying assets and liabilities. As at the last full valuation in March 2012, the pre-78 (Old) section of MNOFF had a surplus of assets over liabilities, while the post-78 (New) had a deficit. The Trustees of the new section have requested deficit contributions from each employer. The additional contributions are subject to change, dependent on the results of future actuarial valuations of the fund.

The major assumptions of the actuary for the Local Government pension scheme were:

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**7. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in profit or loss are as follows:

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Current service cost	<b>687,000</b>	769,000
Net interest from net defined benefit asset/liability	<b>526,000</b>	516,000
Past service cost	<b>-</b>	-
	<b><u>1,213,000</u></b>	<b><u>1,285,000</u></b>
Actual return on plan assets	<b><u>497,000</u></b>	<b><u>434,000</u></b>

Changes in the present value of the defined benefit obligation are as follows:

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	<b>14,275,000</b>	15,271,000
Current service cost	<b>687,000</b>	769,000
Contributions by scheme participants	<b>165,000</b>	152,000
Interest cost	<b>526,000</b>	516,000
Benefits paid	<b>(134,000)</b>	(179,000)
Remeasurements:		
Actuarial (gains)/losses from changes in financial assumptions	<b>4,894,000</b>	(2,140,000)
Oblig other remeasurement	<b>14,000</b>	(114,000)
	<b><u>20,427,000</u></b>	<b><u>14,275,000</u></b>



**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

**7. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the fair value of scheme assets are as follows:

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Opening fair value of scheme assets	<b>13,548,000</b>	12,917,000
Contributions by employer	<b>507,000</b>	509,000
Contributions by scheme participants	<b>165,000</b>	152,000
Interest Income	<b>497,000</b>	434,000
Benefits paid	<b>(134,000)</b>	(179,000)
Return on plan assets (excluding interest income)	<b><u>2,769,000</u></b>	<u>(285,000)</u>
	<b><u>17,352,000</u></b>	<u>13,548,000</u>

The amounts recognised in other comprehensive income are as follows:

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Actuarial (gains)/losses from changes in financial assumptions	<b>(4,894,000)</b>	2,140,000
Oblig other remeasurement	<b>(14,000)</b>	114,000
Return on plan assets (excluding interest income)	<b><u>2,769,000</u></b>	<u>(285,000)</u>
	<b><u>(2,139,000)</u></b>	<u>1,969,000</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	<b>Defined benefit pension plans</b>	
	<b>2017</b>	<b>2016</b>
Equities	<b>82%</b>	82%
Bonds	<b>14%</b>	15%
Cash	<b><u>4%</u></b>	<u>3%</u>
	<b><u>100%</u></b>	<u>100%</u>

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

	<b>2017</b>	<b>2016</b>
Discount rate	<b>2.70%</b>	3.60%
Future salary increases	<b>4.40%</b>	4.20%
Future pension increases	<b>2.40%</b>	2.20%

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

**8. CONTINGENT LIABILITIES**

Contingent Liabilities exist in respect of grants received from Transport Scotland, an agency of The Scottish Government.

The grants received and the expiry dates of the grant obligations are as follows:

Transport Scotland

Accessibility Fund    £26,250    March 2022

**9. RELATED PARTY DISCLOSURES**

Orkney Islands Council is regarded by the directors as being the company's ultimate parent company.

The ultimate parent organisation is Orkney Islands Council, a local authority incorporated under the Local Government Scotland Act 1973.

**10. APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES**

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.