

REGISTERED NUMBER: SC036770 (Scotland)

Audited Financial Statements
for the Year Ended 31 March 2021
for
Orkney Ferries Limited

Orkney Ferries Limited (Registered number: SC036770)

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for the Year Ended 31 March 2021**

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Orkney Ferries Limited

Company Information
for the Year Ended 31 March 2021

DIRECTORS: O Tierney
S G Clackson
M O Thomson
A Drever
D Dawson

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

Orkney Ferries Limited (Registered number: SC036770)

Statement of Financial Position

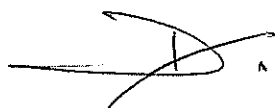
31 March 2021

2020				2021	
£	£		Notes	£	£
		FIXED ASSETS			
	57,124	Tangible assets	4		51,963
		CURRENT ASSETS			
104,396		Stocks		101,773	
424,374		Debtors	5	1,126,287	
<u>1,266,986</u>		Cash at bank and in hand		<u>1,620,081</u>	
1,795,756				2,848,141	
		CREDITORS			
<u>1,955,514</u>		Amounts falling due within one year	6	<u>2,600,982</u>	
	<u>(159,758)</u>	NET CURRENT ASSETS/(LIABILITIES)			<u>247,159</u>
	(102,634)	TOTAL ASSETS LESS CURRENT LIABILITIES			299,122
		- PROVISIONS FOR LIABILITIES			(500,000)
	<u>1,212,000</u>	PENSION ASSET	8		<u>203,000</u>
	<u>1,109,366</u>	NET ASSETS			<u>2,122</u>
		CAPITAL AND RESERVES			
	7,500,000	Called up share capital		7,500,000	
	30,965	Other reserves		30,965	
	1,212,000	Pension Reserve		203,000	
	<u>(7,633,599)</u>	Retained earnings		<u>(7,731,843)</u>	
	<u>1,109,366</u>	SHAREHOLDERS' FUNDS			<u>2,122</u>

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

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 and authorised for issue on 1 July 2021 and were signed on its behalf by:



D Dawson - Director

The notes form part of these financial statements

Orkney Ferries Limited (Registered number: SC036770)

Notes to the Financial Statements
for the Year Ended 31 March 2021

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

Turnover

Turnover represents amounts receivable for the operation of passenger and freight ferry services, excluding value added tax, with income being recognised at the point of departure.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. **ACCOUNTING POLICIES - continued**

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.

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.

Other operating income

Other operating income represents grant income received from Orkney Islands Council under the Service Level Agreement for the operation of the lifeline ferry services. The grant is the deficit that the Council estimates that the Company is likely to incur in providing the ferry services during the year.

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. **EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 126 (2020 - 125).

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

4. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 April 2020	360,656
Additions	<u>17,500</u>
At 31 March 2021	<u>378,156</u>
DEPRECIATION	
At 1 April 2020	303,532
Charge for year	<u>22,661</u>
At 31 March 2021	<u>326,193</u>
NET BOOK VALUE	
At 31 March 2021	<u>51,963</u>
At 31 March 2020	<u>57,124</u>

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade debtors	165,403	150,778
Other debtors	<u>960,884</u>	<u>273,596</u>
	<u>1,126,287</u>	<u>424,374</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade creditors	548,963	542,398
Taxation and social security	95,449	850
Other creditors	<u>1,956,570</u>	<u>1,412,266</u>
	<u>2,600,982</u>	<u>1,955,514</u>

7. 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

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

8. 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 2020 and was carried out by a qualified independent actuary. 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 2022 will be approximately £572,000.

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2021	2020
	£	£
Current service cost	1,178,000	1,388,000
Net interest from net defined benefit asset/liability	469,000	545,000
Past service cost	-	-
	<u>1,647,000</u>	<u>1,933,000</u>
Actual return on plan assets	<u>490,000</u>	<u>541,000</u>

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

	Defined benefit pension plans	
	2021	2020
	£	£
Opening defined benefit obligation	19,928,000	21,129,000
Current service cost	1,178,000	1,388,000
Contributions by scheme participants	223,000	220,000
Interest cost	469,000	545,000
Benefits paid	(472,000)	(261,000)
Remeasurements:		
Actuarial (gains)/losses from changes in demographic assumptions	205,000	(794,000)
Actuarial (gains)/losses from changes in financial assumptions	7,012,000	(2,208,000)
Other Experience Remeasurement	871,000	(91,000)
	<u>29,414,000</u>	<u>19,928,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

8. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	2021	2020
	£	£
Opening fair value of scheme assets	21,140,000	21,383,000
Contributions by employer	572,000	584,000
Contributions by scheme participants	223,000	220,000
Interest Income	490,000	541,000
Benefits paid	(466,000)	(255,000)
Return on plan assets (excluding interest income)	<u>7,658,000</u>	<u>(1,333,000)</u>
	<u>29,617,000</u>	<u>21,140,000</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2021	2020
	£	£
Actuarial (gains)/losses from changes in demographic assumptions	(205,000)	794,000
Actuarial (gains)/losses from changes in financial assumptions	(7,012,000)	2,208,000
Other Experience Remeasurement	(871,000)	91,000
Return on plan assets (excluding interest income)	<u>7,658,000</u>	<u>(1,333,000)</u>
	<u>(430,000)</u>	<u>1,760,000</u>

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

	Defined benefit pension plans	
	2021	2020
Equities	91%	87%
Bonds	8%	12%
Cash	<u>1%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

8. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	2021	2020
Discount rate	2.05%	2.30%
Future salary increases	3.30%	2.10%
Future pension increases	2.80%	1.80%

Mortality Assumptions	2021	2020
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	21.4	21.1
- Females	<u>23.9</u>	<u>23.0</u>
Retiring in 20 years		
- Males	23.1	22.3
- Females	<u>26.1</u>	<u>25.1</u>

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 £762 of employer contributions 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 2020, the MNRPF had a deficit of £96M which included a reserve figure of £70M for an unresolved court case. The trustees have indicated that they will not be seeking additional deficit contributions from participating employers at the present time.

Merchant Navy Officers Pension Fund (MNOF)

The MNOF is closed to new members and closed to future accrual from 31 March 2016 when contributing members were transferred to the Ensign Retirement Plan (for the MNOF). The MNOF is a multiple employer scheme and the Council is unable to identify its share of the underlying assets and liabilities. As at the last full valuation in 2018 the Fund had a deficit of £73M which was an improvement from the 2015 deficit position of £329M. The Trustees of the Fund may in future request deficit contributions depending on the results of future actuarial valuations of the Fund.

Ensign Retirement Plan

Some employees may qualify to contribute to the Ensign Retirement Plan, a defined benefit scheme, with a contribution rate of 20.0%. The company made contributions to this fund of £37,871 in the year.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

9. 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
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10. 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.

11. FRC 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.