

Company Registration No. SC059843 (Scotland)

ORKNEY TOWAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

ORKNEY TOWAGE COMPANY LIMITED

COMPANY INFORMATION

Directors	A Drever H Johnston G Sinclair J Stockan
Secretary	G Waterson
Company number	SC059843
Registered office	Council Offices Kirkwall Orkney KW15 1NY
Auditor	A J B Scholes Ltd 8 Albert Street Kirkwall Orkney KW15 1HP
Bankers	Royal Bank of Scotland 1 Victoria Street Kirkwall Orkney KW15 1DP

ORKNEY TOWAGE COMPANY LIMITED

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ORKNEY TOWAGE COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The company did not trade during the period.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Drever
H Johnston
G Sinclair
J Stockan

Results and dividends

The company transferred most of its trade and assets to the parent local authority in prior years, with the intention to wind the company up in due course. Currently no formal steps have been taken to begin a formal liquidation but it remains the directors intention. Accordingly, the directors have not prepared these financial statements on a going concern basis, but have instead applied the 'break-up' basis.

The results for the year are set out on page 6.

Auditor

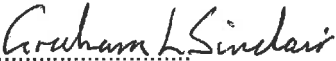
In accordance with the company's articles, a resolution proposing that A J B Scholes Ltd be reappointed as auditors of the company will be put at the Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board


.....
G Sinclair
Director
.....(219119).....

ORKNEY TOWAGE COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

ORKNEY TOWAGE COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF ORKNEY TOWAGE COMPANY LIMITED

Opinion

We have audited the financial statements of Orkney Towage Company Limited (the 'company') for the year ended 31 March 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 17 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

These financial statements have been prepared on a 'break up basis' as it is the directors' intention to wind up the company and distribute any remaining assets to the shareholder. We draw attention to the additional disclosures in note 1.2 but our opinion is not qualified in this regard.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in 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.

ORKNEY TOWAGE COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF ORKNEY TOWAGE COMPANY LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

ORKNEY TOWAGE COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF ORKNEY TOWAGE COMPANY LIMITED

Use of our report

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



Ivan Houston (Senior Statutory Auditor)
for and on behalf of A J B Scholes Ltd

16/9/19
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Chartered Accountants
Statutory Auditor

8 Albert Street
Kirkwall
Orkney
KW15 1HP

ORKNEY TOWAGE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	-	1
Cost of sales		-	(125,000)
Gross profit/(loss)		-	(124,999)
Administrative expenses		(3,025)	(4,054)
Parent entity loan written off		-	3,120,050
Notional surplus on LGPS transferred to parent entity		(782,000)	-
Operating (loss)/profit	4	(785,025)	2,990,997
Interest payable and similar expenses	6	-	(18,000)
(Loss)/profit before taxation		(785,025)	2,972,997
Tax on (loss)/profit	7	2,103	27,940
(Loss)/profit for the financial year		(782,922)	3,000,937

The profit and loss account has been prepared on the basis that all operations are discontinued operations.

ORKNEY TOWAGE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
(Loss)/profit for the year	(782,922)	3,000,937
Other comprehensive income		
Actuarial gain on defined benefit pension schemes	-	1,584,000
Total comprehensive income for the year	<u>(782,922)</u>	<u>4,584,937</u>

ORKNEY TOWAGE COMPANY LIMITED

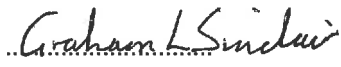
BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Current assets					
Cash at bank and in hand		595,895		598,920	
Creditors: amounts falling due within one year	9	(2,525)		(2,525)	
Net current assets			593,370		596,395
Provisions for liabilities	10		-		(2,103)
Net assets excluding pension (liability)/surplus			593,370		594,292
Defined benefit pension (liability)/surplus	13		-		782,000
Net assets			593,370		1,376,292
Capital and reserves					
Called up share capital	12		1,000		1,000
Other reserves			-		782,000
Profit and loss reserves			592,370		593,292
Total equity			593,370		1,376,292

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

The financial statements were approved by the board of directors and authorised for issue on 12/4/19 and are signed on its behalf by:


G Sinclair
Director

Company Registration No. SC059843

ORKNEY TOWAGE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2017	1,000	(659,000)	(2,550,645)	(3,208,645)
Year ended 31 March 2018:				
Profit for the year	-	-	3,000,937	3,000,937
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	1,584,000	1,584,000
Total comprehensive income for the year	-	-	4,584,937	4,584,937
Transfers	-	1,441,000	(1,441,000)	-
Balance at 31 March 2018	1,000	782,000	593,292	1,376,292
Year ended 31 March 2019:				
Loss and total comprehensive income for the year	-	-	(782,922)	(782,922)
Transfers	-	(782,000)	782,000	-
Balance at 31 March 2019	1,000	-	592,370	593,370

ORKNEY TOWAGE COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash absorbed by operations	16		(3,025)		(6,167)
Net cash used in investing activities			-		-
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			<u>(3,025)</u>		<u>(6,167)</u>
Cash and cash equivalents at beginning of year			598,920		605,087
Cash and cash equivalents at end of year			<u><u>595,895</u></u>		<u><u>598,920</u></u>

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

Orkney Towage Company Limited is a private company limited by shares incorporated in Scotland. The registered office is Council Offices, Kirkwall, Orkney, KW15 1NY.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

During prior years, the directors resolved to transfer the trade and assets of the company to its parent, Orkney Islands Council. All towage operations of the company have ceased.

The financial statements have not been prepared on the going concern basis, but have been prepared on the 'break-up' basis of accounting, and all liabilities are recognised as current liabilities.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT.

1.4 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and includes deposits held at call with banks.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' 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 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 the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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 trade and other payables, and loans 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 receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.8 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.9 Retirement benefits

The company's employees were previously eligible to join a defined benefit local government pension scheme. Contributions payable to this scheme were charged to the profit and loss account over the working lives of the members of the scheme.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Other income	-	1
	<u> </u>	<u> </u>

4 Operating (loss)/profit

	2019 £	2018 £
Operating (loss)/profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	3,000	4,000
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
	-	21
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Pension costs	-	125,000
	<u> </u>	<u> </u>

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

6 Interest payable and similar expenses

	2019 £	2018 £
Other finance costs:		
Interest on the net defined benefit liability	-	18,000

7 Taxation

	2019 £	2018 £
Deferred tax		
Origination and reversal of timing differences	(2,103)	(27,940)

The actual credit for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
(Loss)/profit before taxation	(785,025)	2,972,997
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(149,155)	564,869
Tax effect of expenses that are not deductible in determining taxable profit	149,155	-
Tax effect of income not taxable in determining taxable profit	-	(592,809)
De-recognition of deferred tax	(2,103)	-
Tax expense for the year	(2,103)	(27,940)

8 Financial instruments

	2019 £	2018 £
Carrying amount of financial liabilities		
Measured at amortised cost	2,525	2,525

9 Creditors: amounts falling due within one year

	2019 £	2018 £
Accruals and deferred income	2,525	2,525

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

10 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	11	-	2,103

11 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Tax losses	-	(42,547)
Retirement benefit obligations	-	44,650
	-	2,103
Movements in the year:		2019 £
Liability at 1 April 2018		2,103
Credit to profit or loss		(2,103)
Liability at 31 March 2019		-

12 Share capital

	2019 £	2018 £
Issued and fully paid		
501 Ordinary 'A' shares of £1 each	501	501
499 Ordinary 'B' shares of £1 each	499	499
	1,000	1,000

13 Retirement benefit schemes

Defined contribution scheme

The company operates a defined contribution pension scheme for qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

13 Retirement benefit schemes

(Continued)

Defined benefit schemes

The employees of Orkney Towage Company Limited were assimilated into the Orkney Islands Council's workforce on 1 April 2018 which resulted in the company becoming an exiting employer from the Orkney Islands Council Pension Fund and triggering the requirement to prepare a cessation valuation in accordance with Regulation 62 of the Local Government Pension Scheme (Scotland) Regulations 2014.

Orkney Islands Council had agreed to act as guarantor in the event of Orkney Towage Company Limited being unable to pay any deficit payment arising from the cessation valuation. The guarantee signed on 23 July 2018 from Orkney Islands Council allowed the Towage Company's notional assets and liabilities in the Orkney Islands Council Pension Fund to be transferred to Orkney Islands Council should the Towage Company have insufficient funds to meet the deficit payment. The deficit payment calculated by the pension fund actuary was in excess of the available company funds so that the Towage Company's notional assets and liabilities in the Orkney Islands Council Pension Fund have been transferred to Orkney Islands Council and the pension scheme admission agreement with Orkney Islands Council has been closed.

<i>Key assumptions</i>	2019	2018
	%	%
Discount rate	-	2.7
Expected rate of increase of pensions in payment	-	2.4
Expected rate of salary increases	-	2.8
	<u> </u>	<u> </u>
<i>Mortality assumptions</i>	2019	2018
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	-	21.7
- Females	-	23.8
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	-	23.3
- Females	-	26.2
	<u> </u>	<u> </u>
	2019	2018
<i>Amounts recognised in the profit and loss account</i>	£	£
Current service cost	-	239,000
Net interest on defined benefit liability/(asset)	-	18,000
Notional surplus on LGPS transferred to parent entity	782,000	-
	<u> </u>	<u> </u>
Total costs	<u>782,000</u>	<u>257,000</u>

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

13 Retirement benefit schemes	(Continued)	
	2019	2018
	£	£
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	-	(487,000)
Less: calculated interest element	-	245,000
	<hr/>	<hr/>
Return on scheme assets excluding interest income	-	(242,000)
Actuarial changes related to obligations	-	(1,342,000)
	<hr/>	<hr/>
Total costs/(income)	-	(1,584,000)
	<hr/> <hr/>	<hr/> <hr/>
The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:		
	2019	2018
	£	£
Present value of defined benefit obligations	-	9,443,000
Fair value of plan assets	-	(10,225,000)
	<hr/>	<hr/>
Deficit/(surplus) in scheme	-	(782,000)
	<hr/> <hr/>	<hr/> <hr/>
2019		
£		
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 April 2018		9,443,000
Liabilities transferred to parent		(9,443,000)
		<hr/> <hr/>
The defined benefit obligations arise from plans which are wholly or partly funded.		
2019		
£		
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 April 2018		10,225,000
Assets transferred to parent		(10,225,000)
		<hr/> <hr/>
	2019	2018
	£	£
<i>Fair value of plan assets at the reporting period end</i>		
Equity instruments	-	8,896,000
Debt instruments	-	1,125,000
Other assets	-	204,000
	<hr/>	<hr/>
	-	10,225,000
	<hr/> <hr/>	<hr/> <hr/>

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

13 Retirement benefit schemes

(Continued)

Other long term benefits

The company does not expect to make any defined benefit pension contributions in the year ending 31 March 2020.

Merchant Navy Officers Pension Fund (MNOFF)

In prior years, some employees qualified to contribute to the MNOFF, a defined benefit scheme, with an employer contribution rate of 20%. The company made no contributions to this fund 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, dated 31 March 2018, the liabilities of the MNOFF were greater than its assets. The Technical provisions funding level as at 31 March 2018 has increased to 98% (2015: 90%) while the deficit of assets relative to technical provisions has decreased to £73 million (2015: £329 million).

Due to the relatively low value of the deficit, the fund's trustees agreed not to seek additional deficit contributions from the participating employers. However, the trustees may in future request further deficit contributions depending on the results of future actuarial valuations of the fund. Valuations are carried out at 3 yearly intervals

14 Financial commitments, guarantees and contingent liabilities

The company has been an active employer contributing to the Merchant Navy Officers Pension Fund (MNOFF). Although the scheme has since closed to future accruals, in certain circumstances the company may become liable to make further deficit contributions. Those circumstances include where the company is liquidated; if the MNOFF (or DB section) is wound up; or if the directors elect to trigger the debt under s.75 of the Pensions Act 1995.

15 Controlling party

The ultimate parent organisation is Orkney Islands Council, a local authority incorporated under the Local Government Scotland Act 1973. Consolidated group accounts can be obtained from Orkney Islands Council, School Place, Kirkwall, Orkney, KW15 1NY.

The company has taken advantage of the exemptions available from disclosing transactions with its ultimate parent organisation.

The results of the entity are consolidated into the financial statements of the entity's parent, Orkney Islands Council.

ORKNEY TOWAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

16 Cash generated from operations

	2019	2018
	£	£
(Loss)/profit for the year after tax	(782,922)	3,000,937
Adjustments for:		
Taxation credited	(2,103)	(27,940)
Finance costs	-	18,000
Pension scheme non-cash movement	782,000	125,000
Movements in working capital:		
(Decrease) in creditors	-	(3,122,164)
Cash absorbed by operations	<u>(3,025)</u>	<u>(6,167)</u>

17 Auditors' ethical standards

The relevant circumstances requiring disclosure in accordance with the requirements of APB Ethical Standard - Provisions Available for Small Entities are that, in common with many companies of our size and nature we use our auditors to assist with the preparation of the accounts.

ORKNEY TOWAGE COMPANY LIMITED
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

ORKNEY TOWAGE COMPANY LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	£	2019 £	£	2018 £
Turnover				
Sales of goods		-		1
Cost of sales				
Staff pension costs defined benefit (allocation)	-		125,000	
		-		(125,000)
Gross loss		-		(124,999)
Administrative expenses		(3,025)		(4,054)
Exceptional items				
Parent company loan written off	-		3,120,050	
LGPS transferred to parent	(782,000)		-	
		(782,000)		3,120,050
Operating (loss)/profit		(785,025)		2,990,997
Interest payable and similar expenses				
Net interest on defined benefit liability		-		(18,000)
(Loss)/profit before taxation		(785,025)		2,972,997

ORKNEY TOWAGE COMPANY LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Administrative expenses		
Audit fees	3,000	4,000
Bank charges	25	54
	<hr/>	<hr/>
	3,025	4,054
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