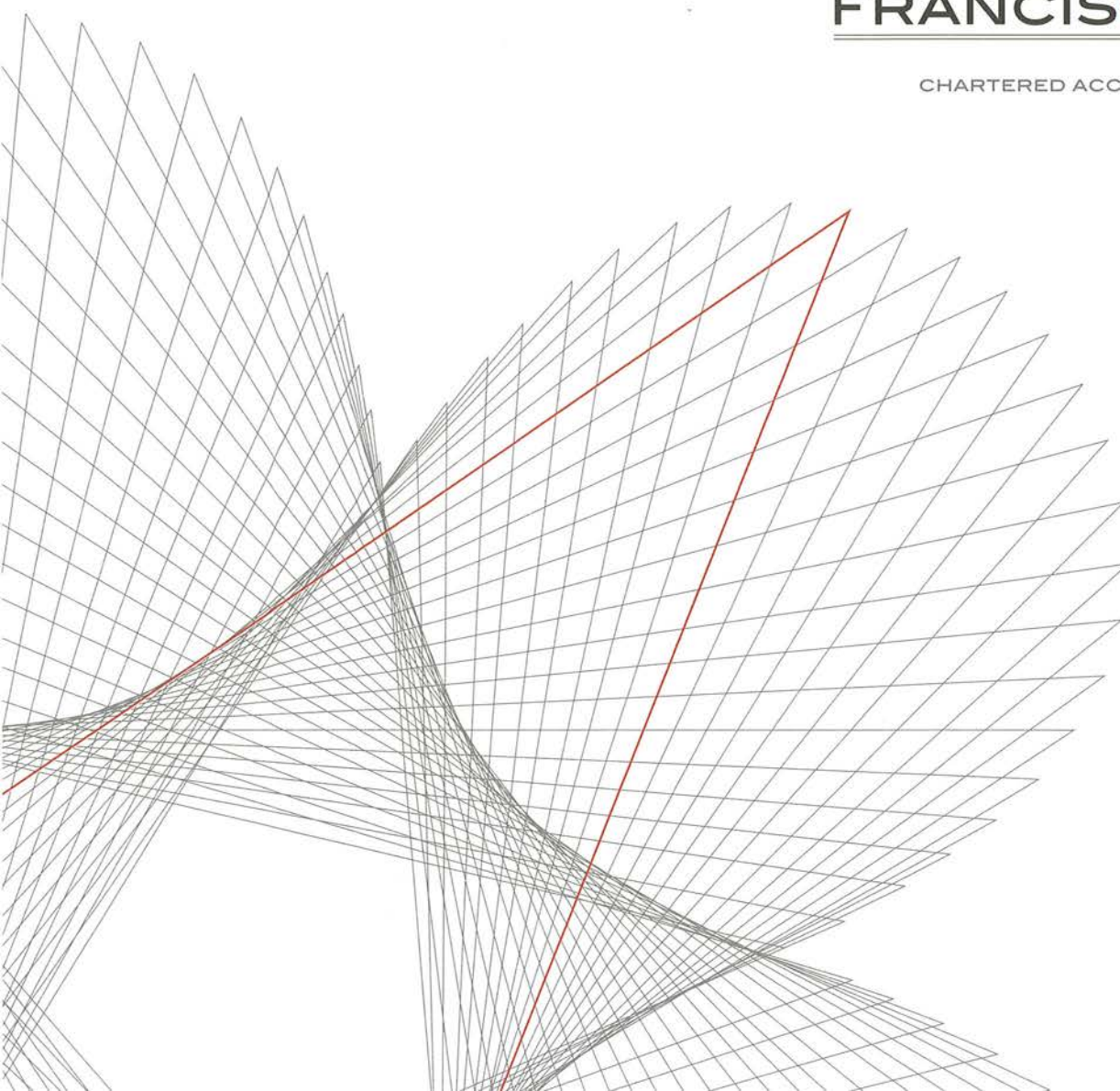


FALMOUTH HARBOUR COMMISSIONERS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

FRANCISCLARK

CHARTERED ACCOUNTANTS



FALMOUTH HARBOUR COMMISSIONERS

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FALMOUTH HARBOUR COMMISSIONERS

LIST OF COMMISSIONERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISORS (as at 31 December 2014)

Commissioners:	Captain M Sansom D Ellis G Tomlinson C Gilmore C Jarvis R Reed R Yates G Tranter	Chief Executive and Harbour Master Chairman Deputy Chairman (retired Dec 2014) (appointed 1 Jan 2014)
Deputy Harbour Master:	Captain D Paul	
Leisure Services Manager:	B Buist	
Finance and Admin Manager:	L Allan	
Falmouth Harbour Commissioners	44 Arwenack Street Falmouth	
Bankers:	Barclays Bank plc Killigrew Street Falmouth Lloyds Bank plc Killigrew Street Falmouth HSBC Bank plc Market Street Falmouth	
Auditors:	Francis Clark LLP Lowin House Tregolls Road Truro TR1 2NA	
Solicitors:	Bircham Dyson Bell Burgess Salmon Hartnell Taylor Cook Howell Hylton Solicitors Mills & Co Gardline Environmental Limited Rubric Law Limited Stephens Scown LLP	

FALMOUTH HARBOUR COMMISSIONERS

COMMISSIONERS' REPORT

The Commissioners present their report and financial statements of Falmouth Harbour for the year ended 31 December 2014.

Principal activities

The principal activities of the Harbour Commissioners are the administration of the affairs of Falmouth Harbour and the administration of pilotage services as a competent harbour authority under the Pilotage Act 1987.

State of affairs

These financial statements record a surplus before tax of £109,777 as set out on page 5. The results are worse than 2013 caused by poor bunker market conditions and the impact of the Pilots National Pension Fund and Cornwall Council Pension Fund deficit contributions.

Commercial shipping activity declined further and some leisure activities also showed a slight decrease on the previous year.

Due to anticipated poor results for 2014, the Commissioners have increased charges from 1st January 2015 and undertaken a review of costs.

Pilots pension fund

A court ruling gave the Fund Trustee wide powers to seek deficit contributions from Competent Harbour Authorities (CHA) engaged or having been previously engaged in employing or authorising pilots and Falmouth Harbour Commissioners has a liability on this basis. The liability share has been allocated by the Trustee to CHAs as a percentage of the deficit and the Falmouth Harbour Commissioners share has been estimated at £2,996,000 based on a valuation undertaken in 2010. The updated FRS17 report as at 31 December 2014 indicates that this liability has increased to £3,030,000.

The estimated deficit is shown in the accounts on page 7. A further valuation of the Fund was received at the end of 2014 and despite a worsening deficit, contributions have not been increased from those previously notified.

Commissioners

The following Commissioners held office during the year:

Captain M Sansom	Chief Executive and Harbour Master
D Ellis	Chairman
G Tomlinson	Deputy Chairman
C Gilmore	
C Jarvis	
R Reed	
R Yates	(retired Dec 2014)
G Tranter	(appointed 1 Jan 2014)

FALMOUTH HARBOUR COMMISSIONERS

COMMISSIONERS' REPORT (continued)

Commissioners' responsibilities

Relevant law requires the Commissioners to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the undertaking and of the surplus or deficit of the undertaking for that period. In preparing those financial statements, the Commissioners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, 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 undertaking will continue in business.

The Commissioners are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the undertaking and to enable them to ensure that the financial statements comply with the Statutory Harbour Undertakings (Accounts etc) Regulations 1983, the Falmouth Harbour Orders 1870-1991 and the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988. They are also responsible for safeguarding the assets of the undertaking and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each Commissioner is aware, there is no relevant information of which auditors are unaware, and each Commissioner has taken all the steps that he or she ought to have taken as a Commissioner to make his or herself aware of any relevant audit information and to establish that the auditors are aware of the information.

By Order of the Commissioners;


.....
D Ellis
Chairman

Date: 25/8/15

FALMOUTH HARBOUR COMMISSIONERS

REPORT OF THE AUDITORS TO FALMOUTH HARBOUR COMMISSIONERS

We have audited the financial statements of Falmouth Harbour Commissioners for the year ended 31 December 2014 on pages 5 to 25. 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).

This report is made solely to the Commissioners, 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 Commissioners those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of commissioners and auditors

As explained more fully in the Statement of Commissioners responsibilities set out on page 3, the Commissioners 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 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 Commissioners; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the undertaking's affairs as at 31 December 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the provisions of the Statutory Harbour Undertakings (Accounts etc) Regulations 1983, the Falmouth Harbour Orders 1870–1991 and the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 applicable to small undertakings.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Commissioners 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 Commissioners' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Thomas Roach FCA (Senior Statutory Auditor)
Francis Clark LLP
Chartered Accountants and Statutory Auditors
Lowin House
Tregolls Road
Truro TR1 2NA
Date:.....1/9/15

FALMOUTH HARBOUR COMMISSIONERS
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	£	2014 £	£	2013 £
Turnover			2,799,645		2,995,759
Staff Costs & Pilots fees	4	1,585,928		1,608,453	
Depreciation	6	159,029		164,256	
Other operating charges		836,028		912,736	
		-----	(2,580,985)	-----	(2,685,445)
			218,660		310,314
Cornwall Council Pension Fund deficit contribution		52,664		48,000	
Pilots National Pension Fund deficit contribution		166,618		121,567	
Merchant Navy Officers Pension Fund deficit contribution		-		6,289	
Other professional pension costs		3,777		26,624	
		-----	(223,059)	-----	(202,480)
Operating (deficit)/surplus	2		(4,399)		107,834
Interest receivable and similar income	3	13,951		35,997	
Other finance income		-		5,864	
Grant income		2,225		2,225	
		-----	16,176	-----	44,086
Surplus before defined benefit pension adjustments			11,777		151,920
Pension scheme net service adjustment	15		233,000		146,000
Pension scheme interest adjustment	15		(135,000)		(131,000)
			-----	-----	-----
Surplus for the year before taxation			109,777		166,920
Taxation	5		3,784		(8,916)
Surplus for the financial year			113,561		158,004
			=====		=====

Continuing operations

None of the undertakings' activities were acquired or discontinued during the above two financial years.

FALMOUTH HARBOUR COMMISSIONERS
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Surplus for the financial year	12	113,561	158,004
Actuarial (loss) on Cornwall Council pension scheme	15	(79,000)	(612,000)
Actuarial liability on Pilots National Pension Fund	15	227,000	28,000
UK deferred tax attributable to actuarial loss	10	(108,000)	(28,000)
Total recognised gains/(losses) for the year		<u><u>153,561</u></u>	<u><u>(453,996)</u></u>

The accounting policies and notes on pages 9 to 23 form an integral part of these financial statements.

FALMOUTH HARBOUR COMMISSIONERS

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	6		1,593,237		1,586,784
Current assets					
Stock		13,558		4,848	
Debtors	7	542,415		629,433	
Cash at bank and in hand		2,522,835		2,607,249	
		<u>3,078,808</u>		<u>3,241,530</u>	
Creditors: amounts due within one year	8	<u>(316,090)</u>		<u>(377,695)</u>	
Net current assets			2,762,718		2,863,835
Net assets			<u>4,355,955</u>		<u>4,450,619</u>
Accruals and deferred income	9		(17,788)		(20,013)
Pilots National Pension Fund Scheme liability	15		(3,030,000)		(3,350,000)
Cornwall Council Pension scheme liability	15		(1,553,000)		(1,479,000)
			<u>(244,833)</u>		<u>(398,394)</u>
Reserves					
Accumulated funds	11		(339,221)		(492,782)
Revaluation reserve	11		94,388		94,388
			<u>(244,833)</u>		<u>(398,394)</u>

Approved on behalf of the Board:



D Ellis
Chairman



Captain M Sansom
Chief Executive and Harbour Master

Date: 25/8/15

FALMOUTH HARBOUR COMMISSIONERS
NOTE OF HISTORICAL COST SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
Surplus before taxation	109,777	166,920
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	-
Historical surplus before taxation	<u>109,777</u>	<u>166,920</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

a) Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

b) Turnover

Turnover represents income net of value added tax.

Income is calculated so as to spread the income over the period that it covers. Any deferred income is included within creditors and released in the period to which it relates.

c) Tangible fixed assets

Tangible fixed assets are included at cost, being purchase price, less accumulated depreciation. It is the policy of Falmouth Harbour Commissioners not to capitalise items under £500 or have an expected useful life of less than 18 months.

d) Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold property (excluding land)	0%	
Office equipment, Harbour Master's Craft and Buoys	10% or 20%	p.a. reducing balance
Pilot Boats	13% or 15%	w.d.v. until nbv = 25% cost
Computers	20% or 25%	p.a. straight line
Yacht Haven:		
- Amenity Centre	10%	p.a. straight line
- Dredging	10%	p.a. straight line
- Pontoons	4%, 6.66% or 10%	p.a. straight line
Equipment:		
- Pilotage	33.33%	p.a. straight line
- Grant funded	20% or 33.33%	p.a. straight line
Fuel Barge	4%	p.a. straight line

For the freehold property re-valued prior to the implementation of FRS 15, the transitional provisions are being followed and the valuation has not been updated since.

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

f) Deferred taxation

Deferred taxation is recognised, on a discounted basis, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the Commissioners consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

g) **Pension costs**

The company operates both a defined benefit and defined contribution pension scheme.

Defined Contribution Scheme

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The amount charged against the surplus represents the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

Full details of the defined benefit pension schemes are given in note 15.

h) **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against the surplus as incurred.

i) **Grants**

The grant in respect of capital expenditure is credited to deferred revenue. This grant is released to the income and expenditure account over the expected useful life of the assets.

The grant in respect of revenue expenditure is released to the income and expenditure account as the related expenditure is incurred.

2. **Operating surplus**

Operating surplus is stated after charging:

2014	2013
£	£

Auditors' remuneration	5,627	5,661
Non audit costs	5,858	8,884
Elected Commissioners' fees	40,232	36,457
Operating lease rentals – Plant and Machinery	9,866	8,725

3. **Interest receivable and similar income**

2014	2013
£	£

Bank interest	13,951	35,997
---------------	--------	--------

4. **Staff costs**

Operating surplus is stated after charging:

2014	2013
£	£

Wages and salaries	901,402	872,675
Pilots' fees	501,499	558,901
Social security costs	65,462	67,611
Other pension costs	117,565	109,266
	-----	-----
	1,585,928	1,608,453
	=====	=====

Other pension costs:

Balance included in Other Creditors b/fwd	(11,881)	(11,731)
Amounts paid on the year	115,908	109,116
Balance included in Other Creditors c/fwd	13,538	11,881
	-----	-----
	117,565	109,266
	=====	=====

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Number of employees

The average monthly number of employees during the year was:	2014	2013
Departmental administration	28	28
Pilot boat crew	10	10
	<u>38</u>	<u>38</u>

5. Taxation

Tax on the surplus on ordinary activities

Analysis of charge in the year:

	2014	2013
	£	£
Current tax		
UK Corporation Tax charge	-	16,781
Deferred tax		
Timing differences, origination and reversal	(3,784)	(7,865)
Total	<u>(3,784)</u>	<u>8,916</u>

Factors affecting tax charge for the year:

	2014	2013
	£	£
Surplus on ordinary activities	109,777	166,920
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (31 December 2013: 20%)	21,955	33,384
Expenses not deductible for tax purposes *	(21,201)	(4,381)
Surplus on pilot boat operations	(35,291)	(36,548)
Depreciation for the period more than capital allowances	(7,448)	24,326
Tax losses	41,985	-
Corporation tax credit in respect of previous years	-	-
Current tax charge for the year	<u>-</u>	<u>16,781</u>

* including non-allowable depreciation

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6. Tangible fixed assets

	Freehold Property £	Office Furniture and Computer Equipment £	Craft £	Pontoons and Fuel Barge £	Equipment £	Total £
Cost or valuation						
At 1 January 2014	593,797	166,566	1,483,820	749,977	128,321	3,122,481
Additions	-	20,748	26,969	114,490	3,275	165,482
Disposals	-	-	-	-	(11,746)	(11,746)
At 31 December 2014	593,797	187,314	1,510,789	864,467	119,850	3,276,217
Depreciation						
At 1 January 2014	105,134	143,638	807,875	397,094	81,956	1,535,697
Charge for the year Eliminated on disposal	-	15,074	91,156	39,916	12,883	159,029
At 31 December 2014	105,134	158,712	899,031	437,010	83,093	1,682,980
Written down values						
At 31 December 2014	488,663	28,602	611,758	427,457	36,757	1,593,237
At 31 December 2013	488,663	22,928	675,945	352,883	46,365	1,586,784

The freehold property at 44 Arwenack Street, Falmouth was revalued on an open market basis on 18 March 1997 by Stratton Creber Chartered Surveyors. The historical cost of the freehold land and buildings included above at the revaluation of £125,000 was £2,692 and the aggregate depreciation thereon would have been £1,346 (2013 - £1,346).

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

7. Debtors

	2014 £	2013 £
Operating debtors	222,565	238,759
Other debtors	87,300	63,982
Prepayments	47,089	37,015
Deferred tax asset	185,461	289,677
	<u>542,415</u>	<u>629,433</u>

The deferred tax asset of £185,461 is due after more than one year.

8. Creditors: amounts falling due within one year

	2014 £	2013 £
Operating creditors	204,887	219,105
Other creditors	21,038	19,462
Corporation tax	-	16,781
Other taxation and social security	22,722	22,140
Accruals	67,443	100,207
	<u>316,090</u>	<u>377,695</u>

The undertaking has adopted a policy of settling all outstanding creditor invoices not under dispute within 32 days of the end of the month of receipt.

9. Accruals and deferred income

	2014 £	2013 £
At 1 January 2014	20,013	22,238
Released in the year	(2,225)	(2,225)
At 31 December 2014	<u>17,788</u>	<u>20,013</u>
Deferred income due in over 5 years	<u>6,663</u>	<u>8,888</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. Deferred taxation

The amount provided, which represents full provision, is as follows:

	2014	2013
	£	£
Capital allowances in excess of depreciation	76,539	80,323
Pension schemes tax asset	(262,000)	(370,000)
	<u> </u>	<u> </u>
Deferred tax asset (see note 7)	(185,461)	(289,677)
	<u> </u>	<u> </u>
Provision for (asset) at 1 January 2014	(289,677)	(309,812)
Deferred tax (credit) in income and expenditure account	(3,784)	(7,865)
Deferred tax charge in the STRGL	108,000	28,000
	<u> </u>	<u> </u>
Deferred tax (asset) at 31 December 2014 (see note 7)	(185,461)	(289,677)
	<u> </u>	<u> </u>

The potential deferred taxation on the revalued property has been estimated at approximately £3,000.

11. Reserves

	Accumulated fund	Revaluation reserve	Total
	£	£	£
Balance at 1 January 2014	(492,782)	94,388	(398,394)
Retained surplus for the financial year	113,561	-	113,561
Other recognised gains	40,000	-	40,000
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2014	(339,221)	94,388	(244,833)
	<u> </u>	<u> </u>	<u> </u>

12. Reconciliation of movement on reserves

	2014
	£
Opening reserves at 1 January 2014	(398,394)
Surplus for the financial year after taxation	113,561
Other recognised gains	40,000
	<u> </u>
Closing reserves at 31 December 2014	(244,833)
	<u> </u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

13. Financial commitments

Operating leases

At 31 December 2014 the Commissioners had annual commitments under non-cancellable operating leases as follows:

	2014 £	2013 £
Operating leases expiring in under one year: Equipment	3,166	4,221
Operating leases expiring between one and five years: Equipment	3,828	3,660
	<u>6,994</u>	<u>7,881</u>
Equipment summarised between:		
Forklift (5 year lease expiring September 2015)	3,166	4,221
Photocopiers (5 year lease expiring July 2019)	3,828	3,660
	<u>6,994</u>	<u>7,881</u>

14. Capital Commitments

Details of capital commitments at 31 December 2014 are as follows:

	2014 £	2013 £
Contracted for but not provided for in the financial statements: Tangible Assets: Fuel Barge – Refit	-	16,030
	<u>-</u>	<u>16,030</u>

15. Pension Scheme

Amounts Shown in the Profit and Loss account

	Year to 31 December 2014 £	Year to 31 December 2013 £
<u>Net Service Adjustment</u>		
Employers contributions -		
Cornwall Council defined benefit scheme (LGPS)	171,000	157,000
Pilots National Pension Fund (PNPF)	172,000	151,000
Current service adjustment -		
Cornwall Council defined benefit scheme (LGPS)	(135,000)	(149,000)
Pilots National Pension Fund (PNPF)	(14,000)	(13,000)
Past service adjustment -		
Cornwall Council defined benefit scheme (LGPS)	-	-
Pilots National Pension Fund (PNPF)	39,000	-
	<u>233,000</u>	<u>146,000</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Amounts Shown in the Profit and Loss account (continued)

	Year to 31 December 2014 £	Year to 31 December 2013 £
<u>Net Interest Adjustment</u>		
Expected return on assets -		
Cornwall Council defined benefit scheme (LGPS)	142,000	113,000
Pilots National Pension Fund (PNPF)	210,000	205,000
Interest adjustments -		
Cornwall Council defined benefit scheme (LGPS)	(173,000)	(140,000)
Pilots National Pension Fund (PNPF)	(314,000)	(309,000)
	-----	-----
Net Interest adjustment per profit and loss	(135,000)	(131,000)
	=====	=====

Amounts shown on the Balance Sheet

Pilots National Pension Fund (PNPF) Defined Benefit Scheme

	2014 £
Pension liability at 1 January 2014	(3,350,000)
Net Service Adjustment	197,000
Net Interest Adjustment	(104,000)
Actuarial gains in the year	227,000

Pension liability at 31 December 2014	(3,030,000)
	=====

Cornwall Council Defined Benefit Scheme (LGPS)

	2014 £
Pension liability at 1 January 2014	(1,479,000)
Net Service Adjustment	36,000
Net Interest Adjustment	(31,000)
Actuarial (losses) in the year	(79,000)

Pension liability at 31 December 2014	(1,553,000)
	=====

Pilots National Pension Fund (PNPF) Defined Benefit Scheme

The PNPF is a centralised multi-employer defined benefit scheme for non-associated employers. It provides benefits for employed and self-employed maritime pilots. The trustee of the PNPF has sought the guidance of the court on a number of issues relating to the trustee's powers under the rules of the PNPF, including who is liable to contribute (as set out in note 17).

Until the legal status of the PNPF had been clarified, the Commissioners were unable to determine their share of the liabilities of the PNPF. However following the court's determination and further information being made available on the extent of the PNPF's liabilities, the Commissioners are now able to do so. The last actuarial valuation of the PNPF was completed as at 31 December 2010. The results of these calculations have been updated to 31 December 2014 by a qualified actuary and incorporated into the financial statements.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension Scheme (continued)

The major assumptions used by the actuary were:

	At 31/12/2014 (% p.a.)	At 31/12/2013 (% p.a.)	At 31/12/2012 (% p.a.)
Salary increases	3.5%	3.9%	3.5%
Pension increases	2.9%	3.2%	2.3%
RPI inflation	3.0%	3.4%	4.9%
Discount rate	3.4%	4.3%	4.1%

Mortality:

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.3 years
Future pensioners	24.0 years	26.2 years

Expected return on assets:

The assumed expected long-term rate of return for PNPf assets as at 31 December 2014 is based on the PNPf's current asset allocation and the yields currently available in the appropriate investment markets.

The long-term rate is based on the assumptions in the table below. A deduction of 0.2% p.a. is made to each of the assumed returns below to allow for investment management expenses.

The scheme is a multi-employer scheme and the assets in the scheme and the expected rates of return are:

	Long term rate of return expected for 31/12/2014 % p.a.	Assets at 31/12/2014 £,000	Long term rate of return expected for 31/12/2013 % p.a.	Assets at 31/12/2013 £,000	Long term rate of return expected for 31/12/2012 % p.a.	Assets at 31/12/2012 £,000
Equities	6.5%	703	7.2%	741	7.7%	908
Bonds	3.2%	1,859	4.3%	1,610	4.1%	2,519
Growth Funds	5.5%	728	6.2%	716	0.0%	-
Hedge Funds	5.5%	780	6.2%	703	6.7%	666
Gilts	2.0%	626	3.6%	370	0.0%	-
Cash	0.3%	121	0.9%	21	0.9%	229
	-----	-----	-----	-----	-----	-----
Total value of assets		4,817		4,161		4,322
Present value of scheme liabilities		7,847		7,511		7,734
		-----		-----		-----
Deficiency in scheme		(3,030)		(3,350)		(3,412)
Related deferred tax asset *		173		257		319
		-----		-----		-----
Net pension liability		(2,857)		(3,093)		(3,093)
		=====		=====		=====

* This assumes a corporation tax rate of 20% for 31/12/2015. The deferred tax asset on the deficiency in the scheme has been discounted.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension scheme (continued)

Analysis of amounts charged to operating surplus

	Year to 31 December 2014 £,000	Year to 31 December 2013 £,000	Year to 31 December 2012 £,000
Service adjustment	14	13	-
Past service (gains)	(39)	-	-
	-----	-----	-----
	<u>(25)</u>	<u>13</u>	<u>-</u>

Analysis of amount debited to interest payable

	Year to 31 December 2014 £,000	Year to 31 December 2013 £,000
Expected return on employer assets	210	205
Interest adjustment	(314)	(309)
	-----	-----
Net adjustment	<u>(104)</u>	<u>(104)</u>
Net revenue account adjustment	<u>79</u>	<u>117</u>
Actual return on plan assets	<u>895</u>	<u>87</u>

Reconciliation of defined benefit obligation

	Year to 31 December 2014 £,000	Year to 31 December 2013 £,000
Defined benefit obligation at 1 January 2014	7,511	7,734
Movement in year;		
Current service adjustment	14	13
Interest adjustment	314	309
Contributions by members	30	31
Actuarial losses due to re-classification	-	-
Actuarial loss/(gain) on liability due to change in assumptions	483	(180)
Past service (gain)	(39)	-
Experience (gain)/loss arising on liability	(25)	34
Estimated benefits paid	(441)	(430)
	-----	-----
Defined benefit obligation at 31 December 2014	<u>7,847</u>	<u>7,511</u>

Reconciliation of fair value of employer assets

	Year to 31 December 2014 £,000	Year to 31 December 2013 £,000
Fair value of employer assets at 1 January 2014	4,161	4,322
Expected return on assets	210	205
Contributions by members	30	31
Employer contributions	172	151
Estimated benefits paid	(441)	(430)
Actuarial gains due to re-classification	-	-
Actuarial gain/(loss) on assets	685	(118)
	-----	-----
Fair value of employer assets at 31 December 2014	<u>4,817</u>	<u>4,161</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension scheme (continued)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 31 December 2014 £,000	Year to 31 December 2013 £,000
Actuarial gain / due to re-classification	227	28
Actuarial gain / recognised in STRGL	<u>227</u>	<u>28</u>

The above reflects the effect on the STRGL that has been made for the scheme deficit to be reflected in these financial statements.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension scheme (continued)

History of experience gains and losses

	Year to 31 December 2014 £,000	Year to 31 December 2013 £,000	Year to 31 December 2012 £,000
Difference between the expected and actual return on assets			
Value of assets	685	(118)	-
% of assets	4,817 14.2%	4,161 (2.8%)	4,322 n/a
Experience gain / (losses) on liabilities	25	(34)	-
Total present value of liabilities	7,847	7,511	7,734
% of the total present value of the liabilities	0.3%	(0.5%)	n/a
Actuarial gain / (losses) recognised in STRGL	227	28	(3,412)
Total present value of liabilities	7,847	7,511	7,734
% of the total present value of the liabilities	2.9%	0.4%	(44.1%)
(Deficit)	(3,030)	(3,350)	(3,412)

Estimated contributions for the year ended 31 December 2015

The estimated employer's contributions for the year to 31 December 2015 are approximately £180,000.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension Scheme (continued)

Cornwall Council Defined Benefit Scheme

The undertaking operates a defined benefit scheme through Cornwall Council. An actuarial valuation was carried out at 31 December 2014 for the purposes of FRS17 by a qualified independent actuary. This represents the most appropriate, available, valuation for the purposes of FRS17, and the Commissioners consider this the best estimate of the position at 31 December 2014. These figures have therefore been incorporated into the financial statements.

The major assumptions used by the actuary were:

	At 31/12/2014 (% p.a.)	At 31/03/2014 (% p.a.)	At 31/03/2013 (% p.a.)
Salary increases	3.95%	4.6%	5.1%
Pension increases	2.15%	2.8%	2.8%
Expected return on assets	3.6%	5.6%	5.0%
Discount rate	3.6%	4.3%	4.5%

Mortality:

Life expectancy is based on Industry Standard Table S1PMA with improvements in line with CMI 2010 model with a peaked long term rate of 1.25% p.a. The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners	24.5 years	26.9 years

Expected return on assets:

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The assumed returns are net of investment expenses. The expected administration adjustments of the fund are reflected in the current service adjustment.

Commutation

An allowance is included for future retirements to elect to take 40% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 70% of the maximum tax-free cash for post-April 2008 service.

The scheme is a multi-employer scheme and the assets in the scheme and the expected rates of return are:

	Long term rate of return expected for 31/12/2014 % p.a.	Assets at 31/12/2014 £,000	Long term rate of return expected for 31/03/2014 % p.a.	Assets at 31/03/2014 £,000	Long term rate of return expected for 31/03/2013 % p.a.	Assets at 31/03/2013 £,000
Equities	6.2%	1,796	6.5%	1,596	5.7%	1,512
Bonds	3.5%	634	3.8%	699	3.5%	474
Property	5.2%	195	4.8%	150	3.9%	113
Cash/Other	0.7%/6.2%	88	3.7%	50	3.0%	158
	-----	-----	-----	-----	-----	-----
Total value of assets		2,713		2,495		2,257
Present value of scheme liabilities		4,266		3,974		3,105
		-----		-----		-----
Deficiency in scheme		(1,553)		(1,479)		(848)
Related deferred tax asset *		89		113		79
		-----		-----		-----
Net pension liability		(1,464)		(1,366)		(769)
		=====		=====		=====

* This assumes a corporation tax rate of 20% 31/03/2015. The deferred tax asset has been discounted.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension scheme (continued)

Analysis of amounts charged to operating surplus

	Period to 31 December 2014 £,000	Year to 31 March 2014 £,000
Service adjustment	135	149
Past service (gains) **	-	-
	<u>135</u>	<u>149</u>

Analysis of amount debited to interest payable

	Period to 31 December 2014 £,000	Year to 31 March 2014 £,000
Expected return on employer assets	142	113
Interest adjustment	(173)	(140)
	<u>(31)</u>	<u>(27)</u>
Net adjustment		
Net revenue account adjustment	<u>166</u>	<u>176</u>
Actual return on plan assets	<u>100</u>	<u>105</u>

Reconciliation of defined benefit obligation

	Period to 31 December 2014 £,000	Year to 31 March 2014 £,000
Defined benefit obligation at 1 January 2014	3,974	3,105
Movement in year;		
Current service adjustment	135	149
Interest adjustment	173	140
Contributions by members	42	39
Actuarial losses	37	731
Estimated benefits paid	(95)	(190)
	<u>4,266</u>	<u>3,974</u>
Defined benefit obligation at 31 December 2014		

Reconciliation of fair value of employer assets

	Period to 31 December 2014 £,000	Year to 31 March 2014 £,000
Fair value of employer assets at 1 January 2014	2,495	2,257
Expected return on assets	142	113
Contributions by members	42	39
Employer contributions	171	157
Estimated benefits paid	(95)	(190)
Actuarial gains	(42)	119
	<u>2,713</u>	<u>2,495</u>
Fair value of employer assets at 31 December 2014		

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension scheme (continued)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	Period to 31 December 2014 £,000	Year to 31 March 2014 £,000
Actual return less expected return on pension scheme assets	(42)	119
Experience gains / (losses) arising on scheme liabilities	11	(524)
Changes on financial assumptions underlying the present value of scheme liabilities	(48)	(207)
	-----	-----
Actuarial (loss) recognised in STRGL	<u>(79)</u>	<u>(612)</u>

The above reflects the effect on the STRGL that has been made for the scheme deficit to be reflected in these financial statements.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Pension scheme (continued)

History of experience gains and losses

	Period to 31 December 2014 £,000	Year to 31 March 2014 £,000	Year to 31 March 2013 £,000	Year to 31 March 2011 £,000	Year to 31 March 2010 £,000
Difference between the expected and actual return on assets	(42)	119	164	(86)	15
Value of assets	2,713	2,495	2,257	1,901	1,759
% of assets	(1.5%)	4.8%	7.2%	(4.5%)	0.9%
Experience gain / (losses) on liabilities	11	(524)	2	(13)	(147)
Total present value of liabilities	4,266	3,974	3,105	2,603	2,335
% of the total present value of the liabilities	0.3%	(13.2%)	0.06%	(0.5%)	(6.3%)
Actuarial (losses) / gain recognised in STRGL	(79)	(612)	(162)	(161)	351
Total present value of liabilities	4,266	3,974	3,105	2,603	2,335
% of the total present value of the liabilities	(1.9%)	(15.4%)	(5.2%)	(6.2%)	15.0%
(Deficit)	(1,553)	(1,479)	(848)	(702)	(576)

Estimated contributions for the year ended 31 December 2015

The estimated employer's contributions for the year to 31 December 2015 are approximately £183,000.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

16. Deferred Tax Provisions

Deferred tax provisions have been calculated at the rate of 20% which is consistent with the effective tax rate at the Balance Sheet date which the Commissioners believe will be incurred by the business in the future.

17. Pilots National Pension Fund

A court ruling gave the Fund Trustee wide powers to seek deficit contributions from Competent Harbour Authorities (CHA) engaged or having been previously engaged in employing or authorising pilots and Falmouth Harbour Commissioners has a liability on this basis. The liability share has been allocated by the Trustee to CHAs as a percentage of the deficit and the Falmouth Harbour Commissioners share has been estimated at £2,996,000 based on a valuation undertaken in 2010. The updated FRS17 report as at 31 December 2014 indicates that this liability has increased to £3,030,000.

The estimated deficit is shown in the accounts on page 7. A further valuation of the Fund was received at the end of 2014 and despite a worsening deficit, contributions have not been increased from those previously notified.

18. Remuneration of Commissioners and Related Party Transactions

	2014	2013
	£	£
Elected Commissioners remuneration	<u>40,232</u>	<u>36,457</u>

We are committed to ensuring that our Board remains balanced and fit for purpose. The skills identified as being of particular relevance to the management of the Harbour have been identified and are listed in the Falmouth Harbour Revision Order 2004. When vacancies occur, the Board will decide which special skills are most appropriate for the new Commissioner and a job description and person specification will be drawn up. Vacancies are advertised regionally as well as locally and the recruitment process is open to all. Appropriate remuneration is paid to commissioners and the levels kept under review to help ensure that Board membership remains attractive.

The Chairman of the Board has a specific responsibility to ensure continuity and Commissioner development; appraisals are undertaken to ensure there are suitable candidates to take over as Chair and Deputy Chair when the time comes.

19. Going Concern

The balance sheet shows that Falmouth Harbour Commissioners has a net deficit on reserves of £244,833. However the Commissioners consider that it is appropriate for the accounts to continue to be prepared on a going concern basis for the reasons set out below.

The net deficit on the balance sheet has arisen primarily as a result of the liabilities of the pension schemes.

Falmouth Harbour Commissioners hold substantial current assets which cover the repayment liabilities relating to the pension deficits for the next 12 months by a factor of 9. They have dues raising powers and expect to be able to trade with sufficient reserves to cover the necessary repayments on an annual basis going forward.