

FALMOUTH HARBOUR COMMISSIONERS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

FALMOUTH HARBOUR COMMISSIONERS

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FALMOUTH HARBOUR COMMISSIONERS

**LIST OF COMMISSIONERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISORS
(as at 31 December 2013)**

Commissioners: Captain M Sansom Chief Executive and Harbour Master
D Ellis Chairman
G Tomlinson Deputy Chairman
P Fish (retired 31 Dec 2013)
C Gilmore (appointed 1 Jan 2013)
C Jarvis (appointed 7 Jun 2013)
R Reed
R Yates

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 2013.

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 £166,920 as set out on page 5. The surplus shows an increase on 2012 despite challenging 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. The surplus was achieved by increased harbour dues charges and reducing expenditure, including a reduction in extra-ordinary expenditure (not including deficit contributions).

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 2013 indicates that this liability has increased to £3,350,000.

The estimated deficit is shown in the accounts on page 7. A further valuation of the Fund is due at the end of 2013, which has not yet been received, and revised deficit contributions are expected to be notified as a result.

Commissioners

The following Commissioners held office during the year:

Captain M Sansom	Chief Executive and Harbour Master
D Ellis	Chairman
G Tomlinson	Deputy Chairman
P Fish	(retired 31 December 2013)
C Gilmore	(appointed 1 January 2013)
C Jarvis	(appointed 7 June 2013)
R Reed	
R Yates	

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: 14.8.14

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 2013 on pages 5 to 23. 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 2013 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:.....26/8/14.....

FALMOUTH HARBOUR COMMISSIONERS
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	£	2013 £	£	2012 £
Turnover			2,995,759		3,018,680
Staff Costs & Pilots fees	4	1,600,453		1,698,288	
Depreciation	6	164,256		177,789	
Other operating charges		977,216		1,136,055	
		-----	(2,741,925)	-----	(3,012,132)
Operating surplus	2		253,834		6,548
Interest receivable and similar income	3	35,997		41,225	
Other finance income		5,864		871	
Grant income		2,225		2,225	
Interest payable		(131,000)		(20,254)	
		-----	(86,914)	-----	24,067
Surplus for the year before taxation			166,920		30,615
Taxation	5		(8,916)		48,263
Surplus for the financial year			158,004		78,878
			=====		=====

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 2013

	Note	2013 £	2012 £
Surplus for the financial year	12	158,004	78,878
Actuarial (loss) on Cornwall Council pension scheme	15	(612,000)	(162,000)
Actuarial liability on Pilots National Pension Fund	15	28,000	(3,412,000)
UK deferred tax attributable to actuarial loss	10	(28,000)	257,600
Total recognised (losses) for the year		<u>(453,996)</u>	<u>(3,237,522)</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 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	6		1,586,784		1,791,606
Current assets					
Stock		4,848		7,320	
Debtors	7	629,433		900,254	
Cash at bank and in hand		2,607,249		2,180,482	
			<u>3,241,530</u>	<u>3,088,056</u>	
Creditors: amounts due within one year	8	(377,695)		(541,822)	
Net current assets			<u>2,863,835</u>		<u>2,546,234</u>
Net assets			4,450,619		4,337,840
Accruals and deferred income	9		(20,013)		(22,238)
Pilots National Pension Fund Scheme liability	15		(3,350,000)		(3,412,000)
Cornwall Council Pension scheme liability	15		(1,479,000)		(848,000)
			<u>(398,394)</u>		<u>55,602</u>
Reserves					
Accumulated funds	11		(492,782)		(38,786)
Revaluation reserve	11		94,388		94,388
			<u>(398,394)</u>		<u>55,602</u>

Approved on behalf of the Board:



D Ellis
Chairman



Captain M Sansom
Chief Executive and Harbour Master

Date: 14/8/14

FALMOUTH HARBOUR COMMISSIONERS
NOTE OF HISTORICAL COST SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
Surplus before taxation	166,920	30,615
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	-
Historical surplus before taxation	<u>166,920</u>	<u>30,615</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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%	wdv 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%, 5% or 6.66%	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 2013

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:

	2013	2012
	£	£
Auditors' remuneration	5,661	5,439
Non audit costs	8,884	3,061
Elected Commissioners' fees	36,457	38,285
Operating lease rentals – Plant and Machinery	8,725	8,725

3. **Interest receivable and similar income**

	2013	2012
	£	£
Bank interest	35,997	41,225

4. **Staff costs**

Operating surplus is stated after charging:

	2013	2012
	£	£
Wages and salaries	872,675	891,492
Pilots' fees	558,901	669,948
Social security costs	67,611	68,906
Other pension costs	101,266	67,942
	<u>1,600,453</u>	<u>1,698,288</u>

Other pension costs:

Balance included in Other Creditors b/fwd	(11,731)	(10,796)
Amounts paid on the year	109,116	102,007
Service cost adjustments	(8,000)	(35,000)
Balance included in Other Creditors c/fwd	11,881	11,731
	<u>101,266</u>	<u>67,942</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Number of employees

The average monthly number of employees during the year was:	2013	2012
Departmental administration	28	26
Pilot boat crew	10	10
	<u>38</u>	<u>36</u>

5. Taxation

Tax on the surplus on ordinary activities

Analysis of charge in the year:

	2013	2012
	£	£
Current tax		
UK Corporation Tax charge / (credit)	16,781	(49,011)
Deferred tax		
Timing differences, origination and reversal	(7,865)	748
Total	<u>8,916</u>	<u>(48,263)</u>

Factors affecting tax charge for the year:

	2013	2012
	£	£
Surplus on ordinary activities	166,920	30,615
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (31 December 2012: 20%)	33,384	6,123
Expenses not deductible for tax purposes *	(4,381)	10,898
Surplus on pilot boat operations	(36,548)	(39,421)
Depreciation for the period more than capital allowances	24,326	16,873
Tax losses	-	5,527
Corporation tax credit in respect of previous years	-	(49,011)
Current tax charge / (credit) for the year	<u>16,781</u>	<u>(49,011)</u>

* including non-allowable depreciation

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

6. Tangible fixed assets

	Freehold Property	Office Furniture and Computer Equipment	Craft	Pontoons and Fuel Barge	Equipment	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2013	588,414	166,566	1,631,614	749,977	128,321	3,264,892
Additions	5,383	-	-	-	-	5,383
Disposals	-	-	(147,794)	-	-	(147,794)
At 31 December 2013	593,797	166,566	1,483,820	749,977	128,321	3,122,481
Depreciation						
At 1 January 2013	105,134	132,200	805,114	362,841	67,997	1,473,286
Charge for the year	-	11,438	104,606	34,253	13,959	164,256
Eliminated on disposal	-	-	(101,845)	-	-	(101,845)
At 31 December 2013	105,134	143,638	807,875	397,094	81,956	1,535,697
Written down values						
At 31 December 2013	488,663	22,928	675,945	352,883	46,365	1,586,784
At 31 December 2012	483,280	34,366	826,500	387,136	60,324	1,791,606

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 (2012 - £1,346).

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7. Debtors	2013	2012
	£	£
Operating debtors	238,759	212,181
Other debtors	63,982	344,275
Prepayments	37,015	33,986
Deferred tax asset	289,677	309,812
	<u>629,433</u>	<u>900,254</u>

The deferred tax asset of £289,677 is due after more than one year.

8. Creditors: amounts falling due within one year	2013	2012
	£	£
Operating creditors	219,105	334,683
Other creditors	19,462	19,231
Corporation tax	16,781	-
Other taxation and social security	22,140	21,639
Accruals	100,207	166,269
	<u>377,695</u>	<u>541,822</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	2013	2012
	£	£
At 1 January 2013	22,238	24,463
Released in the year	(2,225)	(2,225)
At 31 December 2013	<u>20,013</u>	<u>22,238</u>
Deferred income due in over 5 years	<u>8,888</u>	<u>11,113</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

10. Deferred taxation

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

	2013	2012
	£	£
Capital allowances in excess of depreciation	80,323	88,188
Pension schemes tax asset	(370,000)	(398,000)
	<u> </u>	<u> </u>
Deferred tax asset (see note 7)	<u>(289,677)</u>	<u>(309,812)</u>
Provision for (asset) at 1 January 2013	(309,812)	(52,960)
Deferred tax (credit) / charge in income and expenditure account	(7,865)	748
Deferred tax charge / (credit) in the STRGL	28,000	(257,600)
	<u> </u>	<u> </u>
Deferred tax asset at 31 December 2013 (see note 7)	<u>(289,677)</u>	<u>(309,812)</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 2013	(38,786)	94,388	55,602
Retained surplus for the financial year	158,004	-	158,004
Other recognised losses	(612,000)	-	(612,000)
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2013	<u>(492,782)</u>	<u>94,388</u>	<u>(398,394)</u>

12. Reconciliation of movement on reserves

	2013
	£
Opening reserves at 1 January 2013	55,602
Surplus for the financial year after taxation	158,004
Other recognised losses	(612,000)
	<u> </u>
Closing reserves at 31 December 2013	<u>(398,394)</u>
Pension reserve:	£
Accumulated fund excluding pension liability	4,060,606
Pension liabilities including deferred tax	(4,459,000)
	<u> </u>
Accumulated reserve including pension liability	<u>(398,394)</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

13. Financial commitments

Operating leases

At 31 December 2013 the Commissioners had annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Operating leases expiring in under one year: Equipment	4,221	-
Operating leases expiring between one and five years: Equipment	3,660	8,725
	<u>7,881</u>	<u>8,725</u>
Equipment summarised between:		
Forklift (5 year lease expiring September 2014)	4,221	5,065
Photocopiers (5 year lease expiring July 2016)	3,660	3,660
	<u>7,881</u>	<u>8,725</u>

14. Capital Commitments

Details of capital commitments at 31 December 2013 are as follows:

	2013 £	2012 £
Contracted for but not provided for in the financial statements: Tangible Assets: Fuel Barge – Refit	16,030	-
	<u>16,030</u>	<u>-</u>

15. Pension Scheme

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 2013 by a qualified actuary and incorporated into the financial statements.

The major assumptions used by the actuary were:

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

Mortality:

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

	Males	Females
Current pensioners	22.5 years	24.9 years
Future pensioners	24.3 years	26.9 years

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Pension Scheme (continued)

Expected return on assets:

The assumed expected long-term rate of return for PNPf assets as at 31 December 2013 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 31/12/2013 % 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	7.2%	741	7.7%	908
Bonds	4.3%	1,610	4.1%	2,519
Growth Funds	6.2%	716	0.0%	-
Hedge Funds	6.2%	703	6.7%	666
Gilts	3.6%	370	0.0%	-
Cash	0.9%	21	0.9%	229
	-----	-----	-----	-----
Total value of assets		4,161		4,322
Present value of scheme liabilities		7,511		7,734
		-----		-----
Deficiency in scheme		(3,350)		(3,412)
Related deferred tax asset *		257		319
		-----		-----
Net pension liability		(3,093)		(3,093)
		=====		=====

* This assumes a corporation tax rate of 20% for 31/12/2014. The deferred tax asset on the deficiency in the scheme has been discounted.

Analysis of amounts charged to operating surplus

	Year to 31 December 2013 £,000	Year to 31 December 2012 £,000
Service cost	13	-
Past service (gains)	-	-
	-----	-----
	13	-
	=====	=====

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Pension scheme (continued)

Analysis of amount debited to interest payable

	Year to 31 December 2013 £,000	Year to 31 December 2012 £,000
Expected return on employer assets	205	-
Interest cost	(309)	-
	<u>-----</u>	<u>-----</u>
Net cost	(104)	-
	<u>=====</u>	<u>=====</u>
Net revenue account cost	117	-
	<u>=====</u>	<u>=====</u>
Actual return on plan assets	87	-
	<u>=====</u>	<u>=====</u>

Reconciliation of defined benefit obligation

	Year to 31 December 2013 £,000	Year to 31 December 2012 £,000
Defined benefit obligation at 1 January 2013	7,734	-
Movement in year;		
Current service cost	13	-
Interest cost	309	-
Contributions by members	31	-
Actuarial losses due to re-classification	-	7,734
Actuarial (gain) on liability due to change in assumptions	(180)	-
Past service (gain)	-	-
Experience (gain) arising on liability	34	-
Estimated benefits paid	(430)	-
	<u>-----</u>	<u>-----</u>
Defined benefit obligation at 31 December 2013	7,511	7,734
	<u>=====</u>	<u>=====</u>

Reconciliation of fair value of employer assets

	Year to 31 December 2013 £,000	Year to 31 December 2012 £,000
Fair value of employer assets at 1 January 2013	4,322	-
Expected return on assets	205	-
Contributions by members	31	-
Employer contributions	151	-
Estimated benefits paid	(430)	-
Actuarial gains due to re-classification	-	4,322
Actuarial loss on assets	(118)	-
	<u>-----</u>	<u>-----</u>
Fair value of employer assets at 31 December 2013	4,161	4,322
	<u>=====</u>	<u>=====</u>

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

	Year to 31 December 2013 £,000	Year to 31 December 2012 £,000
Actuarial gain / (losses) due to re-classification	28	(3,412)
	<u>-----</u>	<u>-----</u>
Actuarial gain / (losses) recognised in STRGL	28	(3,412)
	<u>=====</u>	<u>=====</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 2013

Pension scheme (continued)

History of experience gains and losses

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

Estimated contributions for the year ended 31 December 2014

The estimated employer's contributions for the year to 31 December 2014 are approximately £171,972.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 March 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 2013. These figures have therefore been incorporated into the financial statements.

The major assumptions used by the actuary were:

	At 31/03/2014 (% p.a.)	At 31/03/2013 (% p.a.)	At 31/03/2012 (% p.a.)
Salary increases	4.6%	5.1%	4.8%
Pension increases	2.8%	2.8%	2.5%
Expected return on assets	5.6%	5.0%	5.5%
Discount rate	4.3%	4.5%	4.8%

Mortality:

Life expectancy is based on the Fund's VitaCurves 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	22.2 years	24.4 years
Future pensioners	24.4 years	26.8 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 (i.e. as at 31 March 2013 for the year to 31 March 2014, or date of joining the fund if later). The assumed returns are net of investment expenses. The expected administration costs of the fund are reflected in the current service cost.

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 31/03/2014 % 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	Long term rate of return expected for 31/03/2012 % p.a.	Assets at 31/03/2012 £,000
Equities	6.5%	1,596	5.7%	1,512	6.2%	1,293
Bonds	3.8%	699	3.5%	474	4.0%	304
Property	4.8%	150	3.9%	113	4.4%	133
Cash	3.7%	50	3.0%	158	3.5%	171
	-----	-----	-----	-----	-----	-----
Total value of assets		2,495	5.0%	2,257	5.5%	1,901
Present value of scheme liabilities		3,974		3,105		2,603
		-----		-----		-----
Deficiency in scheme		(1,479)		(848)		(702)
Related deferred tax asset *		113		79		140
		-----		-----		-----
Net pension liability		(1,366)		(769)		(562)
		=====		=====		=====

* This assumes a corporation tax rate of 20% 31/03/2014. The deferred tax asset has been

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Pension scheme (continued)

discounted.

Analysis of amounts charged to operating surplus

	Year to 31 March 2014 £,000	Year to 31 March 2013 £,000
Service cost	149	117
Past service (gains) **	-	-
	<u>149</u>	<u>117</u>

Analysis of amount debited to interest payable

	Year to 31 March 2014 £,000	Year to 31 March 2013 £,000
Expected return on employer assets	113	107
Interest cost	(140)	(126)
Net cost	<u>(27)</u>	<u>(19)</u>
Net revenue account cost	<u>176</u>	<u>136</u>
Actual return on plan assets	<u>105</u>	<u>272</u>

Reconciliation of defined benefit obligation

	Year to 31 March 2014 £,000	Year to 31 March 2013 £,000
Defined benefit obligation at 1 January 2013	3,105	2,603
Movement in year;		
Current service cost	149	117
Interest cost	140	126
Contributions by members	39	38
Actuarial losses	731	326
Estimated benefits paid	(190)	(105)
Defined benefit obligation at 31 December 2013	<u>3,974</u>	<u>3,105</u>

Reconciliation of fair value of employer assets

	Year to 31 March 2014 £,000	Year to 31 March 2013 £,000
Fair value of employer assets at 1 January 2013	2,257	1,901
Expected return on assets	113	107
Contributions by members	39	38
Employer contributions	157	152
Estimated benefits paid	(190)	(105)
Actuarial gains	119	164
Fair value of employer assets at 31 December 2013	<u>2,495</u>	<u>2,257</u>

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Pension scheme (continued)

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

	Year to 31 March 2014 £,000	Year to 31 March 2013 £,000
Actual return less expected return on pension scheme assets	119	164
Experience (losses) / gains arising on scheme liabilities	(524)	2
Changes on financial assumptions underlying the present value of scheme liabilities	(207)	(328)
Actuarial (loss) recognised in STRGL	<u>(612)</u>	<u>(162)</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 2013

Pension scheme (continued)

History of experience gains and losses

	Year to 31 March 2014 £,000	Year to 31 March 2013 £,000	Year to 31 March 2012 £,000	Year to 31 March 2011 £,000	Year to 31 March 2010 £,000
Difference between the expected and actual return on assets	119	164	(86)	15	282
Value of assets	2,495	2,257	1,901	1,759	1,693
% of assets	4.8%	7.2%	(4.5%)	0.9%	16.7%
Experience (losses) / gain on liabilities	(524)	2	(13)	(147)	-
Total present value of liabilities	3,974	3,105	2,603	2,335	2,823
% of the total present value of the liabilities	(13.2%)	0.06%	(0.5%)	(6.3%)	-%
Actuarial (losses) / gain recognised in STRGL	(612)	(162)	(161)	351	(709)
Total present value of liabilities	3,974	3,105	2,603	2,335	2,823
% of the total present value of the liabilities	(15.4%)	(5.2%)	(6.2%)	15.0%	(25.1%)
(Deficit)	(1,479)	(848)	(702)	(576)	(1,130)

Estimated contributions for the year ended 31 March 2015

The estimated employer's contributions for the year to 31 March 2015 are approximately £166,000.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 indicates that this liability has increased to £3,350,000.

The estimated deficit is shown in the accounts on page 7. A further valuation of the Fund is due at the end of 2013, which has not yet been received, and revised deficit contributions are expected to be notified as a result.

18. Remuneration of Commissioners and Related Party Transactions

	2013	2012
	£	£
Elected Commissioners remuneration	<u>36,457</u>	<u>38,285</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 £398,394. 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 a deterioration in the liability of the Cornwall Council Pension Scheme (to which FHC is an admitted body).

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 10. 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.

FALMOUTH HARBOUR COMMISSIONERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The following pages are for the commissioners only