



REPORT AND FINANCIAL STATEMENTS
For The Year Ended
31 December 2014



Developing the port to bring jobs and investment to Peterhead



**£47'm investment planned to secure Peterhead's
position as the leading fishing port in Europe**

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PETERHEAD PORT AUTHORITY

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FOR THE YEAR ENDED 31 DECEMBER 2014**

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PETERHEAD PORT AUTHORITY

AUTHORITY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014

MEMBERS:	Mr W J M R Mackie	- Convenor
	Mr J Maxwell	- Deputy Convenor
	Mr J E Wallace	- Chief Executive and Secretary
	Mr D Armstrong	
	Mr I Armstrong	
	Mr J Buchan	- retired 31 December 2014
	Mr J G Buchan	
	Mr R A Buchan	
	Mr B Davidson	
	Capt R Middleton	
	Dr I Moir	
	Mr G Thain	- appointed 1 January 2015
PRINCIPAL OFFICERS:	Mr J E Wallace	- Chief Executive
	Mr S Paterson	- Deputy Chief Executive & Chief Financial Officer
	Capt J Forman	- Harbour Master
	Mr D Buchan	- Senior Port Engineer
AUDITORS:	Bain Henry Reid Statutory Auditors Chartered Accountants 28 Broad Street Peterhead Aberdeenshire AB42 1BY	
PRINCIPAL BANKERS:	Clydesdale Bank plc 43 Broad Street Peterhead Aberdeenshire AB42 1JB	
SOLICITORS:	Masson & Glennie	Mackinnons
	Broad House Broad Street Peterhead AB42 1HY	14 Carden Place Aberdeen AB10 1UR

**CONVENOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

TRADING REVIEW

2014 represented an excellent trading year for the business with port activity buoyant across most business sectors. Peterhead achieved a record for the highest annual value of fish handled - £171 million, retaining its position as the UK's top fishing port. Of this total, £88 million represented white fish species such as cod and haddock. Mackerel remained the most important species with landings of 85,000 tonnes valued at £64 million.

A record tonnage of commercial shipping was also achieved. Last year saw the port exceed 12,000,000 gross tonnes of shipping, up 15% on the previous best set in 2013. The main growth has been in the number of port calls by offshore oil-related vessels but exports of agricultural products and frozen fish and imports of wind turbines also contributed to the total.

FINANCIAL REVIEW

The results for the year and financial position of the Authority are shown on the attached Financial Statements.

Turnover was £11,221,959, up 22.3% on 2013. The largest growth was in revenue from mackerel landings. This followed the merger of Fresh Catch and Interfish to form Northbay Pelagic Ltd on 1 January 2014 and the partnership attracted increased landings to the processing factory.

Maintenance costs during 2014 totalled £712,119 plus dredging £359,535. The largest projects included roadway repairs around the estate, quayside repairs at Blubber Box Quay and maintenance dredging of silt over a large section of the inner harbours.

Updated information regarding participation in various multi-employer defined benefit pension schemes is given in Note 20. This shows that the Authority's share of the deficit in the North East of Scotland Pension Fund has increased from £350,350 to £691,250.

Fixed Asset additions included the cost of various studies associated with the redevelopment of the Inner Harbours (see below) totalling £940,400. Expenditure to strengthen and raise the height of the sea wall at Alexandra Parade cost £1,019,302 and this was partially funded by a £650,000 grant under the Scottish Government's Fisheries Harbour Repair Scheme. The new wall will alleviate the concerns of businesses leasing land and buildings in that area, some of which were flooded in 2012.

Significant expenditure was incurred repairing the outstanding storm damage sustained in December 2012. This included replacing the North Breakwater light, cathodic protection system on the Tanker Jetty and electrics at Princess Royal Jetty. These costs were largely covered by insurance receipts totalling £1,275,000.

INNER HARBOUR REDEVELOPMENT

As reported last year, a preferred option for progressing the Port Masterplan has been selected. This investment in new infrastructure is aimed at ensuring the port remains at the forefront of the fishing and seafood processing industry. In addition, it will enhance and diversify the range of berths for commercial vessels.

The project will develop the inner harbours into a fully integrated modern fishing hub by the end of 2016. The project includes constructing a 9,000+ box fish market to cater for continued growth in the sector. The current market at Merchants Quay will then be removed and the berth dredged to 7.5m. This will create a 185m long sheltered quay supported by a 14,000m² working area.

The new fishing hub in the North Harbour will bring together all of the services and facilities required by the industry. A 9,000+ box chilled market will be complemented by covered landing canopies for vessels discharging privately sold fish. Facilities will be integrated to handle discards and plans are under consideration to develop an adjacent seafood processing hub. It is also hoped to incorporate a facility for market visitors to promote locally caught fish and provide training for fish filleting. Access to the new market will be improved by dredging from 3.5m to 6.5m and removing obstructions which restrict navigation. The dredged material will be reused to reclaim up to 35,000m² of land adjacent to Smith Quay. We are confident that these strategic proposals will inject fresh confidence into local industry and position Peterhead as the premier fishing port in Europe.

INNER HARBOUR REDEVELOPMENT CONT'D

During 2014 good progress was made optimising proposals for the preferred port development Masterplan. Preliminary studies concentrated on refining the plan, site investigation, preparing an environmental statement, detailed design and drafting documents for tender and to obtain the necessary consents. This process is ongoing. The overall budget for the project is £47 million which will be funded from a combination of cash balances, new loans and grants. Progress is dependent on securing a grant of £10 million towards the costs and it is hoped this can be secured from the Scottish Government/European Marine Fisheries Fund. This new grant scheme is scheduled to open for applications around the third quarter of 2015 and by that time it is hoped that all other preliminaries will be complete. Works could start soon after the funding package is complete and are expected to take 18 months to complete. Offers for the bank loans have been received and are in the process of being finalised.

During 2014 as preparation for funding the Masterplan investment, discussions were concluded with NorSea Group Ltd to lease Smith Quay to the company. NorSea play a leading role providing marine logistics in the Norwegian sector and will bring a choice of provider for clients operating from Peterhead.

A study by Biggar Economics looked at the impact that Peterhead Port has on the local, regional and national economy. It was calculated that trade through the port contributed £0.8 billion annually to the economy and supported nearly 10,000 jobs. Most employment was associated with the fishing industry but the greatest gross value added was from oil and gas operations.

LOOKING FORWARD

The drop in the value of oil from around \$110 to \$45 during the final months of 2014 has caused oil producers to re-evaluate plans for 2015 and 2016. This has led to the cancellation and deferment of many projects and a focus on efforts to reduce supply chain costs. It is expected that drilling activity will reduce during the second half of 2015, resulting in fewer vessels using the port. A recovery will be contingent on a higher stable oil price and realising reductions in operating costs. The expected reduction in business from existing clients will be partially offset by the success of logistics company, ASCO in securing the contract to support Statoil's Mariner Development from its base at Peterhead. We look forward to welcoming Statoil to Peterhead and working with them over the coming years.

Landings of pelagic fish during 2015 will be impacted by the major fire at Northbay Pelagic Ltd which destroyed a large part of the factory. A new facility is being built on the existing site and the value of lost business is dependent on whether the factory is operational by the time of the important mackerel fishery in October. Stocks of white fish species are generally assessed as healthy and Peterhead has enjoyed a good run of steadily increasing values handled at the port. This is expected to continue in 2015.

The main focus of attention in the coming months will be to complete preliminaries to allow a final investment decision to be taken on the Port Masterplan. If this is positive, construction work is expected to start during 2015.

I would like to take this opportunity to thank the employees of the Authority and my colleagues on the Board for their care and commitment which have contributed to such a successful year - both in terms of trading results and laying foundations for the future development of the port. I look forward to working with them in the months ahead as we seek to grow the business and increase the benefit the port delivers to stakeholders and the local economy.

ON BEHALF OF THE BOARD:



Mr W J M R Mackie - Convenor

4 June 2015

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The members present their report with the financial statements of the Authority for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

Peterhead Port Authority was established by the Peterhead Port Authority Harbour (Constitution) Revision Order 2005. The Statutory Instrument transferred responsibility for the holding, managing, maintaining and developing Peterhead Bay Harbour from Peterhead Bay Authority to Peterhead Harbour Trustees. The enlarged organisation was then reconstituted and renamed Peterhead Port Authority.

Peterhead Port Authority caters mainly for the fishing and offshore oil and gas industries. Peterhead is the foremost fishing port in the UK and provides a comprehensive range of modern facilities for the industry including the UK's busiest fishmarket, ship repair facilities and a portfolio of fish processing and workshop properties. The port is also an important centre for servicing the offshore oil industry and is particularly well placed to act as a base for logistics and subsea support operations. A range of commodities are handled and Peterhead is also a port of call for cruise ships and hosts a marina for leisure vessels, which is owned and operated by the Authority.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

See Convenor's Report on page 2.

CHARITABLE CONTRIBUTIONS

During the year the Authority made various charitable contributions totalling £16,349.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Authority's objectives are subject to a number of risks. The key business risks and uncertainties affecting the Authority relate to periodic downturns in the fishing and offshore oil and gas industries, failure of a major customer and to the potential loss of business to other ports. These risks and uncertainties are formally reviewed by the Board and processes are put in place to monitor them and to deal with them as far as possible.

FINANCIAL RISK MANAGEMENT

The Authority's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Authority's operations.

The Authority has also entered into derivative transactions in the form of interest rate swaps, the purpose of which is to manage the interest rate risk arising from the Authority's operations and its sources of finance.

The main risk arising out of the Authority's financial instruments is interest rate risk which is reviewed by the Board and policies are agreed for managing this risk in order to generate the desired interest rate profile and to manage the Authority's exposure to interest rate fluctuations.

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

The members are required to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Authority and of the profit or loss of the Authority for that period. In preparing these financial statements, the members 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 Authority will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Authority'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 Section 42 of the Harbours Act 1964 as amended by Schedule 6 of the Transport Act 1981. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF MEMBERS' RESPONSIBILITIES CONT'D

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The members of the Authority are appointed in accordance with the Peterhead Port Authority Harbour (Constitution) Revision Order 2005 and the guiding principles set out in the "Modern Trust Ports for Scotland (Guidance for Good Governance)" document issued by Transport Scotland.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the members and principal officers are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Authority's auditors are unaware, and each member and principal officer has taken all the steps that he or she ought to have taken in order to make himself or herself aware of any relevant audit information and to establish that the Authority's auditors are aware of that information.

AUDITORS

The auditors, Bain Henry Reid, will be proposed for re-appointment.

ON BEHALF OF THE BOARD:


.....
Mr J E Wallace - Chief Executive

4 June 2015

PETERHEAD PORT AUTHORITY

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PETERHEAD PORT AUTHORITY

We have audited the financial statements of Peterhead Port Authority for the year ended 31 December 2014 on pages seven to twenty three. 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 Authority'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 Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As explained more fully in the Statement of Members' Responsibilities set out on page four, the members 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 and express an opinion on 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Members' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

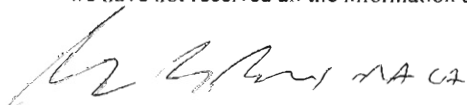
In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2014 and of its profit 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 Section 42 of the Harbours Act 1964 as amended by Schedule 6 of the Transport Act 1981.
- the information given in the Members' Report on pages 4 and 5 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 we are required 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 members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Gillian E Burns MA CA (Senior Statutory Auditor)
for and on behalf of Bain Henry Reid
Statutory Auditors
Chartered Accountants
28 Broad Street
Peterhead
Aberdeenshire
AB42 1BY

4 June 2015

PETERHEAD PORT AUTHORITY

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £	2013 £
TURNOVER	2	11,221,959	9,178,290
Cost of sales		<u>(4,878,597)</u>	<u>(5,168,048)</u>
GROSS PROFIT		6,343,362	4,010,242
Administrative expenses		<u>(1,470,329)</u>	<u>(1,336,929)</u>
OPERATING PROFIT	5	4,873,033	2,673,313
Income from shares in group undertakings	10	330,797	161,132
Interest receivable and similar income	6	<u>91,461</u>	<u>93,204</u>
		5,295,291	2,927,649
Interest payable and similar charges	7	<u>(602,470)</u>	<u>(678,706)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,692,821	2,248,943
Tax on profit on ordinary activities	8	<u>(1,187,034)</u>	<u>(708,285)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>3,505,787</u>	<u>1,540,658</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £	2013 £
PROFIT FOR THE FINANCIAL YEAR		3,505,787	1,540,658
Actuarial (losses)/gains on pension scheme	20	(361,900)	387,230
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		3,143,887	1,927,888
Prior year adjustment	23	-	(734,580)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		3,143,887	1,193,308

The notes form part of these financial statements

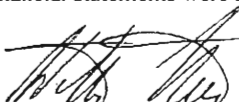


PETERHEAD PORT AUTHORITY

**BALANCE SHEET
31 DECEMBER 2014**

	Notes	2014 £	2013 £
FIXED ASSETS			
Tangible assets	9	61,296,179	61,118,726
Investments	10	<u>2,319,252</u>	<u>1,988,455</u>
		<u>63,615,431</u>	<u>63,107,181</u>
CURRENT ASSETS			
Stocks	11	16,625	48,069
Debtors	12	2,186,327	2,637,901
Cash at bank and in hand		<u>9,622,795</u>	<u>7,106,609</u>
		11,825,747	9,792,579
CREDITORS			
Amounts falling due within one year	13	<u>(3,723,789)</u>	<u>(3,645,948)</u>
NET CURRENT ASSETS		<u>8,101,958</u>	<u>6,146,631</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		71,717,389	69,253,812
CREDITORS			
Amounts falling due after more than one year	14	(6,820,137)	(8,080,996)
PROVISIONS FOR LIABILITIES	17	(322,632)	(305,289)
ACCRUALS AND DEFERRED INCOME	18	(8,930,699)	(8,708,393)
PENSION LIABILITY	20	<u>(691,250)</u>	<u>(350,350)</u>
NET ASSETS		<u>54,952,671</u>	<u>51,808,784</u>
RESERVES			
Profit and loss account	19	<u>54,952,671</u>	<u>51,808,784</u>

The financial statements were approved by the Board of Members on 20 May 2015 and were signed on its behalf by:


.....
Mr W J M R Mackie - Convenor


.....
Mr J E Wallace - Chief Executive

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £	2013 £
Net cash inflow from operating activities	1	6,935,304	3,725,604
Returns on investments and servicing of finance	2	(568,431)	(568,395)
Taxation		(1,006,943)	(736,298)
Capital expenditure and financial investment	2	(1,576,830)	(80,308)
		3,783,100	2,340,603
Financing	2	(1,208,307)	(1,157,648)
Increase in cash in the period		<u>2,574,793</u>	<u>1,182,955</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase in cash in the period		2,574,793	1,182,955
Cash outflow from decrease in debt		<u>1,208,307</u>	<u>1,157,648</u>
Change in net debt resulting from cash flows		<u>3,783,100</u>	<u>2,340,603</u>
Movement in net debt in the period		3,783,100	2,340,603
Net debt at 1 January		<u>(2,241,507)</u>	<u>(4,582,110)</u>
Net funds/(debt) at 31 December		<u>1,541,593</u>	<u>(2,241,507)</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Operating profit	4,873,033	2,673,313
Depreciation charges	1,911,583	1,896,861
Profit on disposal of fixed assets	(4,268)	(41,391)
Pension cost adjustment	(21,000)	3,000
Government grants	(295,983)	(275,280)
Decrease/(increase) in stocks	31,444	(3,046)
Decrease/(increase) in debtors	358,410	(597,990)
Increase in creditors	82,085	70,137
Net cash inflow from operating activities	<u>6,935,304</u>	<u>3,725,604</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	37,926	109,902
Interest paid	(606,357)	(678,297)
Net cash outflow for returns on investments and servicing of finance	<u>(568,431)</u>	<u>(568,395)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,253,499)	(409,884)
Sale of tangible fixed assets	26,669	172,172
Government grants received	650,000	157,404
Net cash outflow for capital expenditure and financial investment	<u>(1,576,830)</u>	<u>(80,308)</u>
Financing		
Loan repayments in year	(1,208,307)	(1,157,648)
Net cash outflow from financing	<u>(1,208,307)</u>	<u>(1,157,648)</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.14 £	Cash flow £	At 31.12.14 £
Net cash:			
Cash at bank and in hand	7,106,609	2,516,186	9,622,795
Bank overdraft	(58,607)	58,607	-
	<u>7,048,002</u>	<u>2,574,793</u>	<u>9,622,795</u>
Debt:			
Debts falling due within one year	(1,208,513)	(52,552)	(1,261,065)
Debts falling due after one year	(8,080,996)	1,260,859	(6,820,137)
	<u>(9,289,509)</u>	<u>1,208,307</u>	<u>(8,081,202)</u>
Total	<u>(2,241,507)</u>	<u>3,783,100</u>	<u>1,541,593</u>

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the invoiced value of services supplied, excluding value added tax and trade discounts.

Tangible fixed assets

Depreciation is provided on a straight line basis in order to write off each asset over its estimated useful life:

Harbour structures	- 25 to 50 years
Buildings and improvements	- 25 to 50 years
Plant and equipment	- 5 to 15 years
Motor vehicles	- 4 years
Leasehold improvements	- over the lease term

Stocks

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

Deferred tax

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

Deferred tax assets and liabilities are not discounted.

Pension costs and other post-retirement benefits

The Authority operates a group personal pension scheme (money purchase defined contribution scheme). Contributions are charged to the profit and loss account for the year in which they are payable to the scheme. The contributions are invested separately from the Authority's assets and the Authority has no liabilities to the scheme other than the annual contributions payable to the scheme.

The Authority also participates in a multi-employer defined benefit pension scheme and the Authority's share of the assets and liabilities of the scheme are incorporated in the financial statements based on information provided by the actuary to the scheme.

The net pension scheme asset or liability is included in the balance sheet.

Net actuarial gains and losses are recognised in the statement of total recognised gains and losses in the period in which they occur.

The current service cost and interest on pension liabilities less expected return on assets are charged to the profit and loss account in the period in which they occur. The current pension cost reflects the amount that would need to be paid at the start of the reporting period in order to meet the cost of the benefit accrual during the period based on projected salaries at retirement or earlier leaving.

Investments in subsidiary

The profits or losses of the Authority's subsidiary, Peterhead Port Services, are accounted for under a separate heading in the profit and loss account. The fixed asset investment is increased by the profits or losses of Peterhead Port Services, and reduced by any distributions actually received from the subsidiary. No distributions have ever been received.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

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

2. TURNOVER

	2014 £	2013 £
Turnover consists entirely of sales made in the United Kingdom.		
Dues on ships	2,415,005	2,216,424
Dues on goods and passengers	5,548,807	4,243,801
	7,963,812	6,460,225
Rental income	1,580,252	1,398,407
General revenue and services	1,677,895	1,319,658
	11,221,959	9,178,290

3. STAFF COSTS

	2014 £	2013 £
Wages and salaries	2,298,921	2,081,046
Social security costs	234,571	212,322
Pension costs	239,631	212,683
	2,773,123	2,506,051
Less: staff costs recovered from Peterhead Port Services	916,161	856,220
	1,856,962	1,649,831

The average weekly number of employees during the year was as follows:

Non-executive members	10	10
Administrative and managerial	25	25
Operating and maintenance	32	33
	67	68

4. NON-EXECUTIVE MEMBERS' EMOLUMENTS

	2014 £	2013 £
Aggregate emoluments	87,972	85,907
Social security costs	1,157	1,195
	89,129	87,102

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

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2014 £	2013 £
Depreciation - owned assets	1,911,583	1,896,861
Profit on disposal of fixed assets	(4,268)	(41,391)
Auditors' remuneration	8,750	8,500
Auditors' remuneration for non audit work	2,250	2,000
Amortisation of grants	<u>(295,983)</u>	<u>(275,280)</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £	2013 £
Bank interest receivable	<u>91,461</u>	<u>93,204</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £	2013 £
Bank loan interest	<u>602,470</u>	<u>678,706</u>

8. TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2014 £	2013 £
Current tax:		
UK corporation tax	1,169,691	736,943
Deferred tax	<u>17,343</u>	<u>(28,658)</u>
Tax on profit on ordinary activities	<u>1,187,034</u>	<u>708,285</u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>4,692,821</u>	<u>2,248,943</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.493% (2013 - 23.247%)	1,008,628	522,812
Effects of:		
Expenses not deductible for tax purposes	(3,691)	1,463
Depreciation in excess of capital allowances	235,853	250,126
Share of profit of subsidiary undertaking	<u>(71,099)</u>	<u>(37,458)</u>
Current tax charge	<u>1,169,691</u>	<u>736,943</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

9. TANGIBLE FIXED ASSETS

	Land, Buildings & Improvements £	Current developments £	Plant and machinery £	Motor vehicles £	Totals £
COST					
At 1 January 2014	79,595,958	-	5,150,438	122,464	84,868,860
Additions	1,019,302	940,400	120,297	16,450	2,096,449
Disposals	-	-	-	(73,043)	(73,043)
At 31 December 2014	<u>80,615,260</u>	<u>940,400</u>	<u>5,270,735</u>	<u>65,871</u>	<u>86,892,266</u>
DEPRECIATION					
At 1 January 2014	21,156,357	-	2,492,579	101,198	23,750,134
Charge for year	1,541,807	-	360,894	8,882	1,911,583
Eliminated on disposal	-	-	-	(65,630)	(65,630)
At 31 December 2014	<u>22,698,164</u>	<u>-</u>	<u>2,853,473</u>	<u>44,450</u>	<u>25,596,087</u>
NET BOOK VALUE					
At 31 December 2014	<u>57,917,096</u>	<u>940,400</u>	<u>2,417,262</u>	<u>21,421</u>	<u>61,296,179</u>
At 31 December 2013	<u>58,439,601</u>	<u>-</u>	<u>2,657,859</u>	<u>21,266</u>	<u>61,118,726</u>

Included within land and buildings are long leasehold structures with a NBV of £44,293,092 (2013: £45,235,872) and short leasehold structures with a NBV of £4,749,144 (2013: £5,052,766).

10. FIXED ASSET INVESTMENTS

	2014 £
Peterhead Port Services:	
At 1 January 2014	1,988,455
Profit/(loss) for year	<u>330,797</u>
At 31 December 2014	<u>2,319,252</u>

Peterhead Port Authority wholly owns Peterhead Port Services which is an unincorporated association providing pilotage services within the Port of Peterhead.

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

10. FIXED ASSET INVESTMENTS - continued

The Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 require the separate disclosure of revenue and expenditure applicable to pilotage activities. Pilotage at Peterhead is undertaken by Peterhead Port Services, which provides pilotage services for vessels visiting the Port of Peterhead. The financial statements of Peterhead Port Services for the year ended 31 December 2014 are summarised as follows:

	2014 £	2013 £
Revenue and Expenditure Account		
Revenue from pilotage services	<u>1,112,182</u>	<u>914,640</u>
Aggregate expenditure incurred on:		
Providing the services of a pilot	347,277	299,552
Providing, maintaining and operating the pilot boat	402,342	366,003
Administration and other costs	<u>140,622</u>	<u>133,640</u>
Total pilotage expenditure	<u>890,241</u>	<u>799,195</u>
Profit on pilotage activities	221,941	115,445
Net other income/(expenditure)	195,215	86,176
Taxation	<u>(86,359)</u>	<u>(40,489)</u>
Surplus for year	<u>330,797</u>	<u>161,132</u>
Balance Sheet		
Fixed assets, at cost	635,874	635,295
Aggregate depreciation	<u>(575,754)</u>	<u>(570,091)</u>
	<u>60,120</u>	<u>65,204</u>
Current assets:		
Debtors	275,281	392,176
Investments	78,405	78,405
Cash and bank balances	<u>2,069,617</u>	<u>1,740,125</u>
	<u>2,423,303</u>	<u>2,210,706</u>
Creditors: amounts falling due within one year:		
Creditors and accruals	77,812	246,966
Corporation tax	<u>86,359</u>	<u>40,489</u>
	<u>164,171</u>	<u>287,455</u>
Net current assets	<u>2,259,132</u>	<u>1,923,251</u>
Net assets	<u>2,319,252</u>	<u>1,988,455</u>

11. STOCKS

	2014 £	2013 £
Stocks	<u>16,625</u>	<u>48,069</u>

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

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£
Trade debtors	1,619,724	1,593,874
Other debtors	234,994	691,995
Prepayments and accrued income	331,609	352,032
	<u>2,186,327</u>	<u>2,637,901</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£
Bank loans and overdrafts (see note 15)	1,261,065	1,267,120
Trade creditors	655,820	921,324
Tax	619,691	456,943
Social security and other taxes	88,319	102,488
Other creditors and accruals	1,098,894	898,073
	<u>3,723,789</u>	<u>3,645,948</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014	2013
	£	£
Bank loans (see note 15)	<u>6,820,137</u>	<u>8,080,996</u>

15. LOANS

	2014	2013
	£	£
Repayable by instalments over 20 years to 2020 Bank loan at 5.68% per annum (fixed by interest rate swap)	1,304,230	1,506,838
Repayable by instalments over 15 years to 2018 Bank loan at 5.99% per annum (fixed)	3,000,980	3,691,825
Repayable by instalments over 15 years to 2025 Bank loan at 5.55% per annum (fixed by interest rate swap)	<u>3,775,992</u>	<u>4,090,847</u>
	<u>8,081,202</u>	<u>9,289,510</u>
Included in current liabilities	1,261,065	1,208,513
Amounts falling due between one and two years	1,317,479	1,261,064
Amounts falling due between two and five years	3,161,881	3,910,293
Amounts falling due in more than five years	<u>2,340,777</u>	<u>2,909,640</u>
	<u>8,081,202</u>	<u>9,289,510</u>

At 31 December 2014, in addition to the above loans, the Authority had interest rate swaps in place on £2,500,664 (2013: £2,609,218) at 4.43% to 30 June 2025.

Bank loans are secured by a legal charge over property and quays at Peterhead Port.

16. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	Land and buildings		Other operating leases	
	2014	2013	2014	2013
	£	£	£	£
Expiring:				
Between one and five years	-	-	15,576	15,576
In more than five years	<u>50,000</u>	<u>50,000</u>	-	-
	<u>50,000</u>	<u>50,000</u>	<u>15,576</u>	<u>15,576</u>

17. PROVISIONS FOR LIABILITIES

	2014	2013
	£	£
Deferred tax	<u>322,632</u>	<u>305,289</u>
		Deferred tax
		£
Balance at 1 January 2014		305,289
Charge to Profit and Loss Account during year		<u>17,343</u>
Balance at 31 December 2014		<u>322,632</u>

18. ACCRUALS AND DEFERRED INCOME

	2014	2013
	£	£
Government grants		
At 1 January 2014	8,708,393	8,694,557
Receivable during year	518,289	289,116
Amortisation in year	<u>(295,983)</u>	<u>(275,280)</u>
At 31 December 2014	<u>8,930,699</u>	<u>8,708,393</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

19. RESERVES

	Profit and loss account £
At 1 January 2014	51,808,784
Profit for the year	3,505,787
Actuarial gain/(loss) relating to net pension deficit	<u>(361,900)</u>
At 31 December 2014	<u><u>54,952,671</u></u>
Profit and loss account excluding pension liability	55,643,921
Pension deficit	<u>(691,250)</u>
Profit and loss account	<u><u>54,952,671</u></u>

20. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit schemes

Peterhead Port Authority

PPA participates in the North East Scotland Pension Fund which is part of the Local Government Pension Scheme (Scotland), a multi-employer, defined benefits scheme. The contribution rate required for PPA is set on a grouped basis, combining the experience of the employer with a number of other employers also participating in the Fund.

Information about the overall funding position of the North East Scotland Pension Fund has been provided by the actuary to the Fund. The results of the actuarial valuation as at 31 December 2013 have been updated to 31 December 2014 by the qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2014	2013
	£	£
Present value of funded obligations	(4,151,000)	(3,429,000)
Fair value of plan assets	<u>3,276,000</u>	<u>2,974,000</u>
	(875,000)	(455,000)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	(875,000)	(455,000)
Deferred tax asset	<u>183,750</u>	<u>104,650</u>
Net liability	<u><u>(691,250)</u></u>	<u><u>(350,350)</u></u>

None of the fair values of the assets shown above include any of the Authority's own financial instruments or any property occupied by, or other assets used by, the Authority.

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

20. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2014	2013
	£	£
Current service cost	83,000	77,000
Interest cost	159,000	148,000
Expected return	(186,000)	(154,000)
Past service cost	-	-
	<u>56,000</u>	<u>71,000</u>
Actual return on plan assets	<u>256,000</u>	<u>461,000</u>

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

	Defined benefit pension plans	
	2014	2013
	£	£
Opening defined benefit obligation	3,429,000	3,438,000
Current service cost	83,000	77,000
Contributions by scheme participants	34,000	30,000
Interest cost	159,000	148,000
Actuarial losses/(gains)	511,000	(195,000)
Benefits paid	(65,000)	(69,000)
	<u>4,151,000</u>	<u>3,429,000</u>

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

	Defined benefit pension plans	
	2014	2013
	£	£
Opening fair value of scheme assets	2,974,000	2,484,000
Contributions by employer	77,000	68,000
Contributions by scheme participants	34,000	30,000
Expected return	186,000	154,000
Actuarial gains/(losses)	70,000	307,000
Benefits paid	(65,000)	(69,000)
	<u>3,276,000</u>	<u>2,974,000</u>

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

20. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in the statement of recognised gains and losses are as follows:

	Defined benefit pension plans	
	2014	2013
	£	£
Actuarial gains/(losses)	(441,000)	502,000
Deferred tax adjustment	79,100	(114,770)
	<u>(361,900)</u>	<u>387,230</u>
Cumulative amount of actuarial gains/(losses)	<u>(361,900)</u>	<u>387,230</u>

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

	Defined benefit pension plans	
	2014	2013
Equities	78.40%	83.70%
Government bonds	6.80%	6.40%
Other bonds	1.20%	2.20%
Property	6.60%	5.80%
Cash/liquidity	2.80%	1.90%
Other	4.20%	-
	<u>100.00%</u>	<u>100.00%</u>

Expected long term rates of return

The long term rate of return on cash is determined as the actuary's best estimate at the balance sheet dates. The long term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The expected long term rates of return applicable at the start of each period are as follows:

	Period Commencing 01/01/14 % per annum	Period Commencing 01/01/13 % per annum	Period Commencing 01/01/12 % per annum
Equity	7.00	7.00	7.00
Government bonds	3.60	2.70	2.80
Other bonds	4.60	3.80	4.10
Property	6.20	6.00	6.00
Cash/liquidity	0.50	0.50	0.50
Other	7.00	7.00	7.00
Expenses deduction	0.27	0.34	0.34
Overall for scheme	6.29	6.15	6.08

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

	2014	2013
Discount rate	3.60%	4.60%
Expected of CPI Inflation	2.10%	2.40%
Rate of increase in salaries	3.60%	4.15%
Rate of increase in pensions	2.10%	2.40%

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

20. EMPLOYEE BENEFIT OBLIGATIONS - continued

The mortality assumptions adopted at 31 December 2014 imply the following future life expectancies:

	Future Life Expectancy (years)
Male retiring at 65 in 2014	22.1
Female retiring at 65 in 2014	24.6
Male retiring at age 65 in 2034	24.2
Female retiring at age 65 in 2034	27.4

Amounts for the current and previous four periods are as follows:

	2014 £	2013 £	2012 £	2011 £	2010 £
Defined benefit obligation	(4,151,000)	(3,429,000)	(3,438,000)	-	-
Fair value of scheme assets	3,276,000	2,974,000	2,484,000	-	-
Deficit	(875,000)	(455,000)	(954,000)	-	-
Experience gains/(losses) on scheme liabilities	(182,000)	-	-	-	-
Experience gains/(losses) on scheme assets	70,000	307,000	128,000	-	-

Peterhead Port Services

Peterhead Port Services is a member of two multi-employer final salary pension schemes both of which are currently in deficit.

The Pilots National Pension Fund had its last actuarial valuation at 31 December 2013 which reported a deficit of £203 million (representing a 57% funding level). Interim funding update results at 31 December 2014 report an improved position, with a deficit of £190 million (representing a 62% funding level). A 16 year recovery plan was put in place by the Fund Trustees which commenced in 2013. The total outstanding contributions due by Peterhead Port Services under recovery plan at 31 December 2014 is £865,584 of which £49,308 is payable in 2015.

The Merchant Navy Officers Pension Fund had its last actuarial valuation at 31 March 2012 which reported a deficit of £152 million (representing a 94.3% funding level). A funding plan, the objective of which is to pay off the deficit over a period of 12 years has been agreed. The Peterhead Port Services contribution to this deficit was £13,441 which was paid in full during 2013. Interim funding update results at 31 December 2014 report an improved position, with a deficit of £23 million (representing a 99% funding level) after allowing for deficit contributions due to the scheme. Peterhead Port Services currently has one employee contributing to the fund.

21. CAPITAL COMMITMENTS

	2014 £	2013 £
Contracted but not provided for in the financial statements	<u>187,000</u>	<u>1,043,808</u>

22. RELATED PARTY DISCLOSURES

All transactions during the year with related parties were concluded on normal commercial terms.

23. PRIOR YEAR ADJSUTMENT

Adoption of FRS 17 full disclosure at 31 December 2012.