



REPORT AND FINANCIAL STATEMENTS
For The Year Ended
31 December 2015



PETERHEAD PORT AUTHORITY

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FOR THE YEAR ENDED 31 DECEMBER 2015**

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PETERHEAD PORT AUTHORITY

AUTHORITY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2015

MEMBERS:

Mr W J M R Mackie	- Convenor
Mr J Maxwell	- Deputy Convenor (Retired 31 December 2015)
Mr G Thain	- Deputy Convenor (Appointed 1 January 2016)
Mr J E Wallace	- Chief Executive and Secretary
Mr D Armstrong	
Mr I Armstrong	
Mr J G Buchan	
Mr R A Buchan	
Mr B Davidson	
Capt R Middleton	
Dr I Moir	- Retired 31 December 2015
Cllr A Gardiner	- Appointed 1 January 2016
Mr M Skitmore	- Appointed 1 January 2016

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

BANKERS:

Santander UK Plc
Bridle Road
Bootle
L30 4GB

SOLICITORS:

Mackinnons	Masson & Glennie
14 Craden Place	Broad House
Aberdeen	Broad Street
AB10 1UR	Peterhead
	AB42 1HY

TRADING REVIEW

The reduction in the value of oil from around \$110 to \$40 per barrel has resulted in a drop in vessel activity associated with this sector. Operators have deferred or cancelled development projects and focused efforts on reducing supply chain costs and improving efficiency. Trade for the first part of the year was ahead of the record levels experienced in 2014 but then dropped back in the second half of the year.

Overall the tonnage of commercial shipping using the port reduced from 12 million tonnes to 11.6 million tonnes which still represents the second highest annual total achieved.

The value of white fish species handled at Peterhead was £88.7 million, an increase of 1.2% and a new record value, although the tonnage of fish is still well below the volumes landed in the mid-1990s. There was a decrease in the value of pelagic landings from £72 million in 2014 to £34 million in 2015. This was mainly attributable to a large fire at the Northbay Pelagic Ltd factory which destroyed the processing plant and resulted in a 12 month closure whilst a replacement facility was constructed in its place. The company recommenced landing and processing in January 2016.

FINANCIAL REVIEW

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

Turnover was £9,985,839, down 11.1% from 2014, mainly on account of the two factors mentioned above. There was also a slow start to agricultural exports and the impact of the Russian ban on importing fish led to a reduction in exports of frozen fish. Rental income increased mainly due to the first full year of NorSea Group operating Smith Quay. This change also resulted in a reduction in General Revenue & Services which previously included ad hoc quayside storage income from that site.

Operating costs continued at a similar level to 2014 with the largest item included in the annual total being £1,037,014 for maintenance. Significant projects completed during the year included replacing worn mooring chains at Peterhead Bay Marina (£129,926) and repairing the rails at the slipway (£127,942). There was a 19% increase in Administrative Expenses mainly associated with costs incurred refinancing the business and changing banks.

A number of changes to the presentation of the accounts are included for the first time following implementation of FRS 102. These include bringing in the market value of the interest rate swap and recognising a liability in Peterhead Port Services for its contribution to the deficit recovery plan for the Pilots National Pensions Fund (£742,494).

Capital Expenditure during 2015 was mainly in relation to design, site investigation and consents in connection with the planned inner harbour development and fish market extension. These costs totalled £1,156,255 during 2015, bringing preliminary expenditure up to £2,096,655. The final section of work on the sea wall at Alexandra Parade was also completed at a cost of £153,327.

INNER HARBOUR REDEVELOPMENT

The vision of the ambitious Peterhead Port Masterplan is to position Peterhead as Scotland's Seafood Centre of Excellence, incorporating integrated fish landing, seafood processing and discard handling hubs. The project includes reconfiguring and deepening the inner harbours to improve navigational access and the provision of a much larger fish market to cater for the increasing volume of white fish being sold through Peterhead. Dredged material will be used to reclaim 20,000 square metres of working space adjacent to Smith Quay. The site of the existing fish market at Merchants Quay will then be developed into a 180m long deepwater berth for commercial traffic. Future stages of the Plan envisage providing additional fish processing units and constructing additional berths at the shiplift ship repair facility.

Significant progress has been made on the project. Consents including a Harbour Revision Order have been secured, comprehensive site investigations completed and designs prepared and tendered.

Most of the cost will be met through use of cash reserves and bank loans secured through Santander Bank. However, the project is also dependent on the success of a £7 million grant application under the European Maritime & Fisheries Fund. The scheme was two years late in opening and this has delayed the start of the project. However, this time has been beneficially used to further optimise and enhance the project. The grant application was submitted in March 2016 and it is hoped an announcement will be made by July. The grant is the last major prerequisite before the Board makes a final investment decision on the £49 million scheme. All going to schedule, a contract could be signed in July, on site works start in September and the works be complete in early 2018.

PETERHEAD PORT AUTHORITY

**CONVENOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

LOOKING FORWARD

There are many challenges ahead as the oil industry seeks to adjust to the low oil price. This is expected to lead to further reductions in commercial traffic during 2016. There is optimism about the value of demersal and shellfish landings and encouragement that Northbay Pelagic Ltd is operational again.

The Inner Harbour Development is the main focus of attention as efforts are made to finalise all aspects of the project and secure a positive outcome to the grant award. This will allow a commitment to be made around the middle of the year.

Following 15 years as Chief Executive at Peterhead Bay Authority and Peterhead Port Authority, Mr John Wallace will retire on 15th July 2016. During his period of tenure he has successfully lead the merger of the two former Authorities and has overseen a significant period of growth and development which has greatly benefited this business as well as the wider local economy. On behalf of the Board, I would like to recognise his leadership and vision over this period and wish him a long and happy retirement. His successor will be Mr Ian Laidlaw, who has been Project Manager for the Inner Harbour Development and was previously Resident Engineer on the Smith Embankment Project. I look forward to working with Ian over the years ahead as we seek to develop this business and maximise the value it delivers to the local and regional economy.

I also thank all of the employees of the Authority and my colleagues on the Board for their attention and dedication, which has brought us to the brink of another transformational investment in the port's infrastructure and the legacy of Peterhead Harbour.

ON BEHALF OF THE BOARD:



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

1 June 2016

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The members present their report with the financial statements of the Authority for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

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.

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 for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 Authority 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.

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.

PETERHEAD PORT AUTHORITY

**MEMBERS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 ought to have taken in order to make himself 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

1 June 2016

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 2015 on pages seven to twenty eight. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Convenor's Report and 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 2015 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.



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

1 June 2016

PETERHEAD PORT AUTHORITY

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
TURNOVER	2	9,985,839	11,238,156
Cost of sales		<u>(4,930,896)</u>	<u>(4,942,794)</u>
GROSS PROFIT		5,054,943	6,295,362
Administrative expenses		<u>(1,761,211)</u>	<u>(1,480,533)</u>
OPERATING PROFIT	5	3,293,732	4,814,829
Fair value gains/(losses)	6	<u>140,096</u>	<u>(247,537)</u>
		3,433,828	4,567,292
Income from shares in group undertakings		453,089	430,416
Interest receivable and similar income	7	<u>83,570</u>	<u>91,461</u>
		3,970,487	5,089,169
Interest payable and similar charges	8	<u>(501,326)</u>	<u>(602,470)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,469,161	4,486,699
Tax on profit on ordinary activities	9	<u>(773,050)</u>	<u>(1,088,954)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>2,696,111</u>	<u>3,397,745</u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
PROFIT FOR THE YEAR		2,696,111	3,397,745
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on pension scheme	22	175,000	(393,000)
Deferred taxation	22	<u>(31,950)</u>	<u>79,100</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>143,050</u>	<u>(313,900)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,839,161</u>	<u>3,083,845</u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**BALANCE SHEET
31 DECEMBER 2015**

	Notes	2015 £	2014 £
FIXED ASSETS			
Tangible assets	10	60,789,727	61,296,179
Investments	11	<u>2,584,859</u>	<u>2,131,770</u>
		<u>63,374,586</u>	<u>63,427,949</u>
CURRENT ASSETS			
Stocks	12	14,921	16,625
Debtors	13	1,737,562	2,186,327
Cash at bank and in hand		<u>11,122,852</u>	<u>9,622,795</u>
		12,875,335	11,825,747
CREDITORS			
Amounts falling due within one year	14	<u>(2,309,760)</u>	<u>(3,633,870)</u>
NET CURRENT ASSETS		<u>10,565,575</u>	<u>8,191,877</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		73,940,161	71,619,826
CREDITORS			
Amounts falling due after more than one year	15	(7,802,319)	(7,970,052)
PROVISIONS FOR LIABILITIES	19	(166,425)	(133,132)
ACCRUALS AND DEFERRED INCOME	20	(8,630,363)	(8,930,699)
PENSION LIABILITY	22	<u>(607,200)</u>	<u>(691,250)</u>
NET ASSETS		<u>56,733,854</u>	<u>53,894,693</u>
RESERVES			
Retained earnings	21	<u>56,733,854</u>	<u>53,894,693</u>
		<u>56,733,854</u>	<u>53,894,693</u>

The financial statements were approved by the Board of Members on 18 May 2016 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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Retained earnings £	Total equity £
Balance at 1 January 2014	50,810,848	50,810,848
Changes in equity		
Total comprehensive income	<u>3,083,845</u>	<u>3,083,845</u>
Balance at 31 December 2014	<u>53,894,693</u>	<u>53,894,693</u>
Changes in equity		
Total comprehensive income	<u>2,839,161</u>	<u>2,839,161</u>
Balance at 31 December 2015	<u><u>56,733,854</u></u>	<u><u>56,733,854</u></u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

		2015	2014
		£	£
Cash flows from operating activities			
Cash generated from operations	1	4,998,521	6,908,304
Interest paid		(486,956)	(606,357)
Pension cost adjustment		59,000	27,000
Tax paid		(917,745)	(1,006,943)
Net cash from operating activities		<u>3,652,820</u>	<u>5,322,004</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,373,421)	(2,253,499)
Sale of tangible fixed assets		6,459	26,669
Government grants received		-	650,000
Interest received		145,401	37,926
Net cash from investing activities		<u>(1,221,561)</u>	<u>(1,538,904)</u>
Cash flows from financing activities			
New loans in year		7,150,000	-
Loan repayments in year		(8,081,202)	(1,208,307)
Net cash from financing activities		<u>(931,202)</u>	<u>(1,208,307)</u>
Increase in cash and cash equivalents		<u>1,500,057</u>	<u>2,574,793</u>
Cash and cash equivalents at beginning of year	2	<u>9,622,795</u>	<u>7,048,002</u>
Cash and cash equivalents at end of year	2	<u><u>11,122,852</u></u>	<u><u>9,622,795</u></u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2015	2014
	£	£
Profit before taxation	3,469,161	4,486,699
Depreciation charges	1,923,597	1,911,583
Profit on disposal of fixed assets	(2,707)	(4,268)
Fair value adjustment on interest rate swap	(140,096)	247,537
Government grants	(300,336)	(295,983)
Interest payable and similar charges	501,326	602,470
Income from shares in group undertakings	(453,089)	(430,416)
Interest receivable and similar income	(83,570)	(91,461)
	4,914,286	6,426,161
Decrease in stocks	1,704	31,444
Decrease in trade and other debtors	386,933	358,410
(Decrease)/increase in trade and other creditors	(304,402)	92,289
Cash generated from operations	<u>4,998,521</u>	<u>6,908,304</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2015

	31/12/15	1/1/15
	£	£
Cash and cash equivalents	<u>11,122,852</u>	<u>9,622,795</u>

Year ended 31 December 2014

	31/12/14	1/1/14
	£	£
Cash and cash equivalents	9,622,795	7,106,609
Bank overdrafts	-	(58,607)
	<u>9,622,795</u>	<u>7,048,002</u>

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." The financial statements have been prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

These financial statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102. The date of transition is 1 January 2014.

The transition to FRS 102 has resulted in a small number of changes in accounting policies to those used previously.

The nature of these changes and their impact on opening equity and profit for the comparative period are explained in note 25.

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 Authority'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.

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 other comprehensive income 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.

1. ACCOUNTING POLICIES - continued

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.

Debtors and creditors

Short term debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Government grants

Government grants in respect of capital expenditure are credited to the profit and loss account over the estimated useful life of the relevant fixed assets. The grants shown in the balance sheet represent the total grants receivable to date less the amount so far credited to the profit and loss account. Other grants are credited to the profit and loss account when received.

Financial instruments

The Authority uses interest rate swaps to adjust interest rate exposures. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the interest rate swap is calculated using the present value of the estimated cash flows based on observable yield curves.

2. TURNOVER

	2015 £	2014 £
Turnover consists entirely of sales made in the United Kingdom.		
Dues on ships	2,517,161	2,415,005
Dues on goods and passengers	4,492,399	5,548,807
	<u>7,009,560</u>	<u>7,963,812</u>
Rental income	1,822,352	1,580,252
General revenue and services	1,153,927	1,694,092
	<u>9,985,839</u>	<u>11,238,156</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. STAFF COSTS

	2015 £	2014 £
Wages and salaries	2,274,468	2,309,125
Social security costs	238,682	234,571
Pension costs	251,974	239,631
	<u>2,765,124</u>	<u>2,783,327</u>
Less: staff costs recovered from Peterhead Port Services	<u>924,456</u>	<u>916,161</u>
	<u><u>1,840,668</u></u>	<u><u>1,867,166</u></u>

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	32
	<u>67</u>	<u>67</u>

4. NON-EXECUTIVE MEMBERS' AND KEY MANAGEMENT EMOLUMENTS

	2015 £	2014 £
Non-Executive members:		
Aggregate emoluments	89,403	87,972
Social security costs	929	1,157
	<u>90,332</u>	<u>89,129</u>
Key management:		
Aggregate emoluments	416,848	385,160
Pension contributions	72,226	67,294
	<u><u>72,226</u></u>	<u><u>67,294</u></u>

Information regarding the highest paid member of key management for the year ended 31 December 2015 is as follows:

	2015 £
Emoluments etc	134,599
Pension contributions	<u>27,751</u>

5. OPERATING PROFIT

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

	2015 £	2014 £
Depreciation - owned assets	1,923,597	1,911,583
Profit on disposal of fixed assets	(2,707)	(4,268)
Auditors' remuneration	9,000	8,750
Auditors' remuneration for non audit work	3,500	2,250
Amortisation of grants	<u>(300,336)</u>	<u>(295,983)</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

6. FAIR VALUE GAINS/(LOSSES)

	2015 £	2014 £
Gain/(loss) on interest rate swaps	<u>140,096</u>	<u>(247,537)</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Bank interest receivable	<u>83,570</u>	<u>91,461</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Bank loan interest	<u>501,326</u>	<u>602,470</u>

9. TAXATION

Analysis of the tax charge

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

	2015 £	2014 £
Current tax:		
UK corporation tax	785,694	1,053,564
Tax re previous years	<u>(45,937)</u>	<u>-</u>
Total current tax	739,757	1,053,564
Deferred tax	<u>33,293</u>	<u>35,390</u>
Tax on profit on ordinary activities	<u>773,050</u>	<u>1,088,954</u>

Reconciliation of total tax charge included in profit and loss

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

	2015 £	2014 £
Profit on ordinary activities before tax	<u>3,469,161</u>	<u>4,486,699</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.247% (2014 - 21.493%)	702,401	964,326
Effects of:		
Expenses not deductible for tax purposes	7,250	3,192
Share of profit of subsidiary undertaking	(91,737)	(92,509)
Depreciation on non qualifying assets	313,487	331,381
Amortisation on non qualifying assets	(51,598)	(53,838)
Loss on disposal of non qualifying assets	-	3,221
Enhanced capital allowances	(53,969)	(57,290)
Effective rate change in deferred tax	(507)	(1,030)
Adjustment re prior year deferred tax	(6,340)	(8,499)
Adjustment re prior year tax	<u>(45,937)</u>	<u>-</u>
Total tax charge	<u>773,050</u>	<u>1,088,954</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

9. **TAXATION - continued**
Tax effects relating to effects of other comprehensive income

	Gross £	2015 Tax £	Net £
Actuarial gains/(losses) on pension scheme	175,000	-	175,000
Deferred taxation	(31,950)	-	(31,950)
	<u>143,050</u>	<u>-</u>	<u>143,050</u>
	Gross £	2014 Tax £	Net £
Actuarial gains/(losses) on pension scheme	(393,000)	-	(393,000)
Deferred taxation	79,100	-	79,100
	<u>(313,900)</u>	<u>-</u>	<u>(313,900)</u>

10. **TANGIBLE FIXED ASSETS**

	Land, Buildings & Improvements £	Current developments £	Plant and machinery £	Motor vehicles £	Totals £
COST					
At 1 January 2015	80,615,260	940,400	5,270,736	65,872	86,892,268
Additions	153,327	1,156,255	76,821	34,492	1,420,895
Disposals	(205,163)	-	(24,622)	(25,475)	(255,260)
At 31 December 2015	<u>80,563,424</u>	<u>2,096,655</u>	<u>5,322,935</u>	<u>74,889</u>	<u>88,057,903</u>
DEPRECIATION					
At 1 January 2015	22,698,164	-	2,853,473	44,450	25,596,087
Charge for year	1,548,314	-	358,463	16,820	1,923,597
Eliminated on disposal	(202,085)	-	(23,948)	(25,475)	(251,508)
At 31 December 2015	<u>24,044,393</u>	<u>-</u>	<u>3,187,988</u>	<u>35,795</u>	<u>27,268,176</u>
NET BOOK VALUE					
At 31 December 2015	<u>56,519,031</u>	<u>2,096,655</u>	<u>2,134,947</u>	<u>39,094</u>	<u>60,789,727</u>
At 31 December 2014	<u>57,917,096</u>	<u>940,400</u>	<u>2,417,263</u>	<u>21,422</u>	<u>61,296,181</u>

Included within land and buildings are long leasehold structures with a NBV of £43,350,252 (2014: £44,293,092) and short leasehold structures with a NBV of £4,449,500 (2014: £4,749,144).

11. **FIXED ASSET INVESTMENTS**

	2015 £
Peterhead Port Services:	
At 1st January 2015	2,131,770
Profit/(loss) for year	<u>453,089</u>
At 31st December 2015	<u>2,584,859</u>

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

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. 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 31st December 2015 are summarised as follows:

	2015 £	2014 £
Revenue and Expenditure Account		
Revenue from pilotage services	<u>1,102,231</u>	<u>1,112,182</u>
Aggregate expenditure incurred on:		
Providing the services of a pilot	336,226	347,277
Providing, maintaining and operating the pilot boat	374,080	402,342
Administration and other costs	<u>136,497</u>	<u>140,622</u>
Total pilotage expenditure	<u>846,803</u>	<u>890,241</u>
Profit on pilotage activities	255,428	221,941
Net other income/(expenditure)	311,971	330,195
Taxation	<u>(114,310)</u>	<u>(121,721)</u>
Surplus for year	<u>453,089</u>	<u>430,416</u>
Balance Sheet		
Fixed assets, at cost	655,315	635,874
Aggregate depreciation	<u>(584,030)</u>	<u>(575,754)</u>
	<u>71,285</u>	<u>60,120</u>
Current assets:		
Debtors	248,401	321,109
Investments	627,695	625,925
Cash and bank balances	<u>2,509,183</u>	<u>2,069,617</u>
	<u>3,385,279</u>	<u>3,016,651</u>
Creditors: amounts falling due within one year:		
Creditors and accruals	28,330	77,812
Corporation tax	<u>100,881</u>	<u>86,359</u>
	<u>129,211</u>	<u>164,171</u>
Total assets less current liabilities	3,327,353	2,912,600
Provision for liabilities	<u>742,494</u>	<u>780,830</u>
Net assets	<u>2,584,859</u>	<u>2,131,770</u>

12. STOCKS

	2015 £	2014 £
Stocks	<u>14,921</u>	<u>16,625</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade debtors	1,327,998	1,619,724
Other debtors	78,808	234,994
Prepayments and accrued income	330,756	331,609
	<u>1,737,562</u>	<u>2,186,327</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Bank loans and overdrafts (see note 16)	357,500	1,261,065
Trade creditors	383,054	655,820
Tax	325,576	503,564
Social security and other taxes	85,814	88,319
Other creditors and accruals	1,157,816	1,125,102
	<u>2,309,760</u>	<u>3,633,870</u>

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

	2015 £	2014 £
Bank loans (see note 16)	6,792,500	6,820,137
Financial liabilities (see note 18)	1,009,819	1,149,915
	<u>7,802,319</u>	<u>7,970,052</u>

16. LOANS

	2015 £	2014 £
Repayable by instalments over 20 years to 2020 Bank loan at 5.68% per annum (fixed by interest rate swap)	-	1,304,230
Repayable by instalments over 15 years to 2018 Bank loan at 5.99% per annum (fixed)	-	3,000,980
Repayable by instalments over 15 years to 2025 Bank loan at 5.55% per annum (fixed by interest rate swap)	-	3,775,992
Repayable by instalments over 10 years to 2025 Bank loan at 1.78% per annum (fixed by interest rate swap)	7,150,000	-
	<u>7,150,000</u>	<u>8,081,202</u>
Included in current liabilities	357,500	1,261,065
Amounts falling due between one and two years	357,500	1,317,479
Amounts falling due between two and five years	1,072,500	3,161,881
Amounts falling due in more than five years	5,362,500	2,340,777
	<u>7,150,000</u>	<u>8,081,202</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

17. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases calculated at present value using a pre-tax discount rate fall due as follows:

	2015	2014
	£	£
Within one year	72,669	65,017
Between one and five years	217,564	200,930
In more than five years	<u>2,703,568</u>	<u>2,709,341</u>
	<u>2,993,801</u>	<u>2,975,288</u>

18. FINANCIAL INSTRUMENTS

	2015	2014
	£	£
Financial assets measured at amortised costs		
Trade and other debtors	1,406,806	1,854,718
Financial liabilities at fair value through profit or loss		
Interest rate swaps	(1,009,819)	(1,149,915)
Financial liabilities measured at amortised cost		
Loans	(7,150,000)	(8,081,202)
Trade creditors	(383,054)	(655,820)

The fair value of the interest rate swap held at fair value through profit and loss at the balance sheet date is calculated by discounting the expected future cash flows at prevailing interest rates.

19. PROVISIONS FOR LIABILITIES

	2015	2014
	£	£
Deferred tax	<u>166,425</u>	<u>133,132</u>
		Deferred tax
		£
Balance at 1 January 2015		133,132
Charge to Income Statement during year		<u>33,293</u>
Balance at 31 December 2015		<u>166,425</u>

20. ACCRUALS AND DEFERRED INCOME

	2015	2014
	£	£
Government grants		
At 1st January 2015	8,930,699	8,708,393
Receivable during year	-	518,289
Amortisation in year	<u>(300,336)</u>	<u>(295,983)</u>
At 31st December 2015	<u>8,630,363</u>	<u>8,930,699</u>

21. RESERVES

	Retained earnings £
At 1 January 2015	53,894,693
Profit for the year	2,696,111
Actuarial gain/(loss) relating to net pension deficit	<u>143,050</u>
At 31 December 2015	<u><u>56,733,854</u></u>

22. 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 31st December 2014 have been updated to 31st December 2015 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	
	2015 £	2014 £
Present value of funded obligations	(4,028,000)	(4,116,000)
Fair value of plan assets	<u>3,302,000</u>	<u>3,276,000</u>
	<u>(726,000)</u>	(840,000)
Present value of unfunded obligations	<u>(33,000)</u>	<u>(35,000)</u>
Deficit	(759,000)	(875,000)
Deferred tax asset	<u>151,800</u>	<u>183,750</u>
Net liability	<u><u>(607,200)</u></u>	<u><u>(691,250)</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.

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2015	2014
	£	£
Current service cost	111,000	85,000
Net interest from net defined benefit asset/liability	30,000	18,000
Past service cost	-	-
Administration expenses	2,000	1,000
	<u>143,000</u>	<u>104,000</u>
Actual return on plan assets	<u>160,000</u>	<u>199,000</u>

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

	Defined benefit pension plans	
	2015	2014
	£	£
Opening defined benefit obligation	4,151,000	3,429,000
Current service cost	111,000	85,000
Contributions by scheme participants	36,000	34,000
Interest cost	146,000	156,000
Remeasurements	(131,000)	512,000
Benefits paid	(252,000)	(65,000)
	<u>4,061,000</u>	<u>4,151,000</u>

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

	Defined benefit pension plans	
	2015	2014
	£	£
Opening fair value of scheme assets	3,276,000	2,974,000
Contributions by employer	84,000	77,000
Contributions by scheme participants	36,000	34,000
Administration expenses	(2,000)	(1,000)
Interest on plan assets	116,000	138,000
Remeasurements	44,000	119,000
Benefits paid	(252,000)	(65,000)
	<u>3,302,000</u>	<u>3,276,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2015	2014
	£	£
Actuarial gains/(losses)	175,000	(393,000)
Deferred tax adjustment	(31,950)	79,100
	<u>143,050</u>	<u>(313,900)</u>

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

	Defined benefit pension plans	
	2015	2014
Equities	79.60%	78.40%
Government bonds	9.70%	6.80%
Other bonds	2.30%	1.20%
Property	7.00%	6.60%
Cash/liquidity	1.30%	2.80%
Other	0.10%	4.20%
	<u>100.00%</u>	<u>100.00%</u>

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

	2015	2014
Discount rate	3.80%	3.60%
Rate of increase in salaries	3.60%	3.60%
Rate of increase in pensions	2.10%	2.10%
CPI inflation	2.10%	2.10%

Duration information as at the end of the accounting period

Estimated Macaulay duration of liabilities (at later of 31 March 2014 & admission date):

Duration profile used to determine assumptions: **16 years very mature**

Post retirement mortality assumptions (normal health)

Non - retired members	SIPA CMI 2013 [1.5%](107% males, 97% females)	SIPA CMI 2013 [1.5%](107% males, 97% females)
Retired members	SIPA CMI 2013 [1.5%](106% males, 103% females)	SIPA CMI 2013 [1.5%](106% males, 103% females)

The mortality assumptions adopted at 31 December 2015 imply the following future life expectancies:

	Future Life Expectancy (years)
Male retiring at 65 in 2015	22.1
Female retiring at 65 in 2015	24.7
Male retiring at age 65 in 2035	24.3
Female retiring at age 65 in 2035	27.5

Peterhead Port Services

Peterhead Port Services (PPS) 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 31st December 2013 which reported a deficit of £203 million (representing a 57% funding level). Interim funding update results at 31st December 2015 report an improved position, with a deficit of £169.3 million (representing a 64% funding level). A 16 year recovery plan was put in place by the Fund Trustees which commenced in 2013. In accordance with FRS 102, a liability of £742,494 (2014: £780,830) has been provided for in the financial statements being the total present value of outstanding contributions due by Peterhead Port Services under the recovery plan.

The Merchant Navy Officers Pension Fund had its last actuarial valuation at 31st 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 PPS contribution to this deficit was £13,441 which was paid in full during 2013. Preliminary valuation results at 31st March 2015 report an improved position, with a deficit of £5 million (representing a 100% funding level) after allowing for deficit contributions due to the scheme. PPS currently has one employee contributing to the fund.

23. CAPITAL COMMITMENTS

	2015	2014
	£	£
Contracted but not provided for in the financial statements	<u>496,461</u>	<u>187,000</u>

24. RELATED PARTY DISCLOSURES

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

25. TRANSITION TO FRS 102

The Authority has adopted FRS 102 for the year ended 31 December 2015 and has restated the comparative year amounts.

PETERHEAD PORT AUTHORITY

RECONCILIATION OF EQUITY

1 JANUARY 2014

(DATE OF TRANSITION TO FRS 102)

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Tangible assets		61,118,726	-	61,118,726
Investments	(i)	<u>1,988,455</u>	<u>(287,100)</u>	<u>1,701,355</u>
		<u>63,107,181</u>	<u>(287,100)</u>	<u>62,820,081</u>
CURRENT ASSETS				
Stocks		48,069	-	48,069
Debtors		2,637,901	-	2,637,901
Cash at bank and in hand		<u>7,106,609</u>	<u>-</u>	<u>7,106,609</u>
		<u>9,792,579</u>	<u>-</u>	<u>9,792,579</u>
CREDITORS				
Amounts falling due within one year	(ii)	<u>(3,645,948)</u>	<u>(16,004)</u>	<u>(3,661,952)</u>
NET CURRENT ASSETS		<u>6,146,631</u>	<u>(16,004)</u>	<u>6,130,627</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		69,253,812	(303,104)	68,950,708
CREDITORS				
Amounts falling due after more than one year	(iii)	<u>(8,080,996)</u>	<u>(902,378)</u>	<u>(8,983,374)</u>
PROVISIONS FOR LIABILITIES	(iv)	<u>(305,289)</u>	207,547	<u>(97,742)</u>
ACCRUALS AND DEFERRED INCOME		<u>(8,708,393)</u>	-	<u>(8,708,393)</u>
PENSION LIABILITY		<u>(350,350)</u>	<u>-</u>	<u>(350,350)</u>
NET ASSETS		<u>51,808,784</u>	<u>(997,935)</u>	<u>50,810,849</u>
RESERVES				
Retained earnings	(i – iv)	<u>51,808,784</u>	<u>(997,935)</u>	<u>50,810,849</u>
		<u>51,808,784</u>	<u>(997,935)</u>	<u>50,810,849</u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

RECONCILIATION OF EQUITY - continued
31 DECEMBER 2014

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Tangible assets		61,296,179	-	61,296,179
Investments	(i)	<u>2,319,252</u>	<u>(187,482)</u>	<u>2,131,770</u>
		<u>63,615,431</u>	<u>(187,482)</u>	<u>63,427,949</u>
CURRENT ASSETS				
Stocks		16,625	-	16,625
Debtors		2,186,327	-	2,186,327
Cash at bank and in hand		<u>9,622,795</u>	<u>-</u>	<u>9,622,795</u>
		<u>11,825,747</u>	<u>-</u>	<u>11,825,747</u>
CREDITORS				
Amounts falling due within one year	(ii)	<u>(3,723,789)</u>	<u>89,919</u>	<u>(3,633,870)</u>
NET CURRENT ASSETS		<u>8,101,958</u>	<u>89,919</u>	<u>8,191,877</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		71,717,389	(97,563)	71,619,826
CREDITORS				
Amounts falling due after more than one year	(iii)	(6,820,137)	(1,149,915)	(7,970,052)
PROVISIONS FOR LIABILITIES ACCRUALS AND DEFERRED INCOME PENSION LIABILITY	(iv)	<u>(322,632)</u> <u>(8,930,699)</u> <u>(691,250)</u>	<u>189,500</u> <u>-</u> <u>-</u>	<u>(133,132)</u> <u>(8,930,699)</u> <u>(691,250)</u>
NET ASSETS		<u>54,952,671</u>	<u>(1,057,978)</u>	<u>53,894,693</u>
RESERVES				
Retained earnings	(i - iv)	<u>54,952,671</u>	<u>(1,057,978)</u>	<u>53,894,693</u>
		<u>54,952,671</u>	<u>(1,057,978)</u>	<u>53,894,693</u>

The notes form part of these financial statements

Notes to the reconciliation of equity

(i) Fixed Asset Investments

On the adoption of FRS 102, Peterhead Port Services now has to recognise current asset investments at fair value along with recognising a liability for the net present value of pension deficit contributions. The provision of deferred taxation on the fair value adjustments to current asset investments and pension deficit liabilities is also required.

As a result of the transition adjustments in Peterhead Port Services the adjustment at 1 January 2014 and 31 December 2014 was £287,100 and £187,482 respectively.

The movement in share of profits in the year to 31 December 2014 of £99,619 has been recognised in the profit and loss.

(ii) Short-term compensated absences

Prior to the adoption of FRS 102, the Authority did not make provision for holiday pay earned but not taken before the year end. FRS 102 requires the cost of short-term compensated absences to be recognised when employees render the service that increases their entitlement.

Consequently an additional accrual of £16,004 at 1 January 2014 has been made to reflect this. The provision at 31 December 2014 had increased to £26,208 and the increase in provision of £10,204 has been charged to the profit and loss in the year ended 31 December 2014.

(iii) Financial Instruments

The Authority was not previously required to recognise derivative financial instruments on the balance sheet. Instead the effects of the derivative financial instruments were recognised in profit and loss on settlement.

Under FRS 102, derivative financial instruments are classified as other financial instruments and are recognised as financial assets or a financial liability, at fair value, when an entity becomes party to the contractual provisions of the instrument.

On the adoption of the requirement of FRS 102, a financial liability of £902,378 has been recognised on the balance sheet at the date of transition, 1 January 2014.

At 31 December 2014, the fair value of the financial liability was £1,149,915. The movement in fair value of £247,537 has been recognised in the profit and loss.

(iv) Deferred taxation

FRS 102 requires the provision of deferred taxation on the fair value adjustments to financial instruments, for which provision was not required prior to the adoption of FRS 102.

Consequently, the provision for deferred taxation at 1 January 2014 and 31 December 2014 has been decreased by £207,547 and £189,500, respectively.

The decrease in the provision in the year to 31 December 2014, £18,047 has been recognised in the profit and loss.

PETERHEAD PORT AUTHORITY

RECONCILIATION OF PROFIT
FOR THE YEAR ENDED 31 DECEMBER 2014

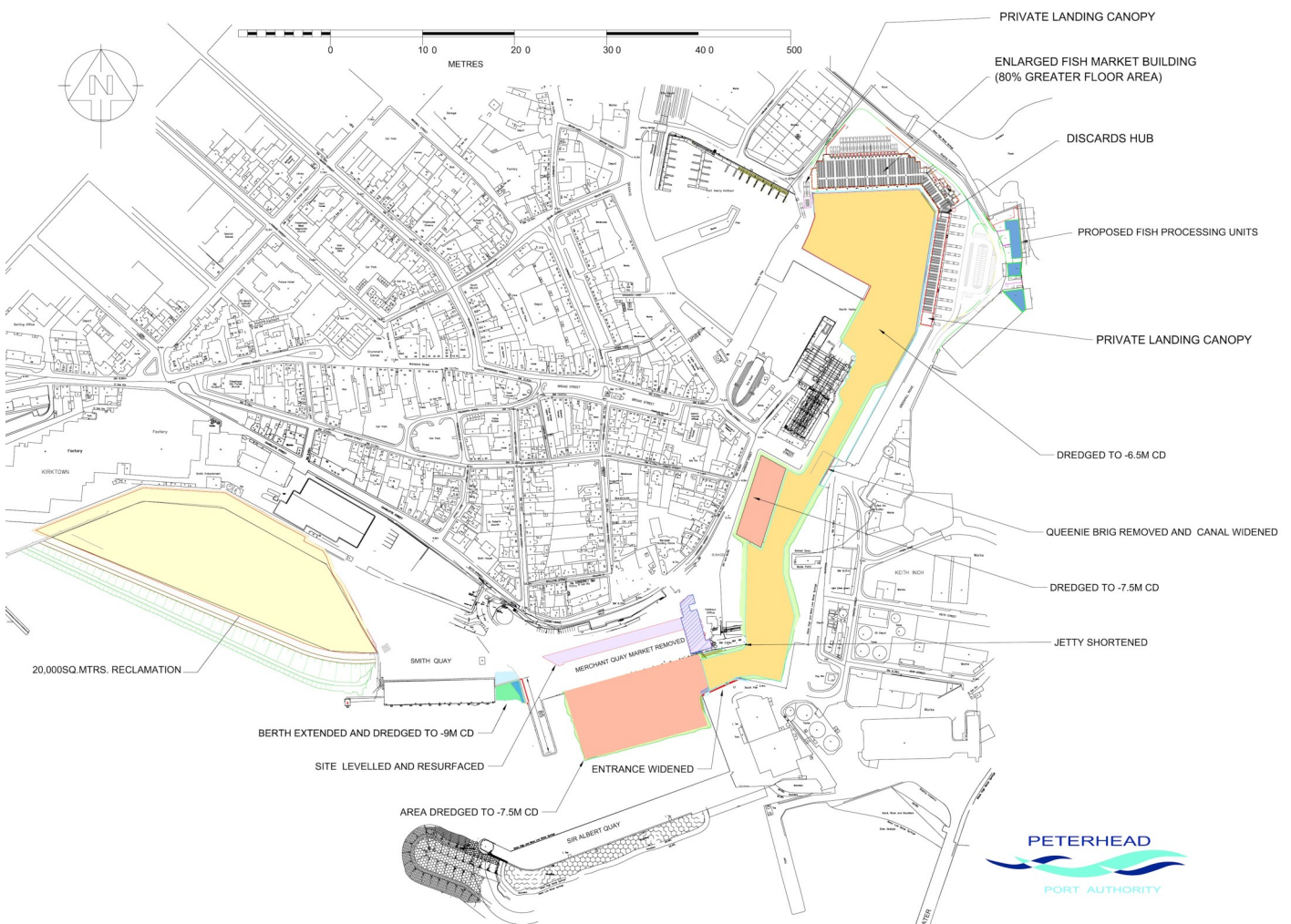
	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
TURNOVER		11,221,959	-	11,221,959
Cost of sales	(i)	<u>(4,878,597)</u>	<u>(48,000)</u>	<u>(4,926,597)</u>
GROSS PROFIT		6,343,362	(48,000)	6,295,362
Administrative expenses		<u>(1,470,329)</u>	<u>(10,204)</u>	<u>(1,480,533)</u>
OPERATING PROFIT		4,873,033	(58,204)	4,814,829
Fair value losses		-	(247,537)	(247,537)
Income from shares in group undertakings		330,797	99,619	430,416
Interest receivable and similar income		91,461	-	91,461
Interest payable and similar charges		<u>(602,470)</u>	<u>-</u>	<u>(602,470)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,692,821	(206,122)	4,486,699
Tax on profit on ordinary activities		<u>(1,187,034)</u>	<u>98,080</u>	<u>(1,088,954)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>3,505,787</u>	<u>(108,042)</u>	<u>3,397,745</u>

Notes to the reconciliation of profit or loss

(i) Cost of sales

The adjustment of £48,000 to cost of sales is a result of pension disclosures changing from FRS 17 disclosures to FRS 102 disclosures.

Developing the port to bring jobs and investment to Peterhead



£49m investment planned to secure Peterhead's position as the leading fishing port in Europe

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