



REPORT AND FINANCIAL STATEMENTS
For The Year Ended
31 December 2017



PETERHEAD PORT AUTHORITY

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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PETERHEAD PORT AUTHORITY

**AUTHORITY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

MEMBERS:	Mr G Thain	- Convenor
	Mr W J M R Mackie MBE	- Deputy Convenor
	Mr J E Wallace	- Chief Executive (from 20 November 2017)
	Mr I Laidlaw	- Chief Executive (to 20 November 2017)
	Mr D Armstrong	
	Mr I Armstrong	
	Mr J G Buchan	- Resigned 16 August 2017
	Mr R A Buchan	
	Cllr A Gardiner	
	Mr M Skitmore	
	Mr J I Buchan	
PRINCIPAL OFFICERS:	Mr J E Wallace	- Chief Executive (from 20 November 2017)
	Mr I Laidlaw	- Chief Executive (to 20 November 2017)
	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 Carden Place	Broad House
	Aberdeen	Broad Street
	AB10 1UR	Peterhead
		AB42 1HY

**CONVENOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The members present their strategic report for the year ended 31 December 2017.

TRADING REVIEW

The overall value of fish handled through Peterhead was a record £195 million. The value of white fish species was £124 million, an increase of 16% on the previous year, and 67% over the 2012 total. This was achieved through greater tonnage being landed but mainly a higher average selling price. It is particularly encouraging to see confidence for the future returning to the fishing sector. Whilst the tonnage of pelagic species landed remained steady, there was a decrease in the value from £67 million in 2016 to £60 million in 2017, because of the relatively low average price for herring and blue whiting.

The reduction in the price of oil resulted in a significant drop in oil and gas related vessel activity from the peak in 2014. This has been recovering as the supply chain has focussed on reducing costs to encourage new projects and maintenance work. Over the last three years the tonnage of commercial shipping using the port reduced from 12.0 million tonnes to 10.9 million tonnes. However the 2017 total was 10.9% higher than the previous year.

FINANCIAL REVIEW

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

Turnover was £11,324,383, up by 4.4% from 2016, on account of the relatively buoyant fishing sector and increase in commercial traffic.

Cost of Sales increased from £4,350,843 in 2016 to £4,734,773 in 2017. The main contributory factor was an increase of £378,764 in maintenance costs, mainly associated with the repair and refurbishment of Queenie Bridge, and increased cost of dealing with waste collected from vessels.

Capital Expenditure during 2017 was mainly in relation to the Inner Harbour development. This included ongoing construction costs and professional fees. These costs totalled £31,362,137 during 2017, bringing total project expenditure up to £38,627,646 from an estimated total of £53 million. The final stage of the project involves demolition of much of the Merchants Quay Fish Market. The building therefore has a short remaining economic life and it was decided to account for a £1,787,000 impairment charge.

INNER HARBOUR DEVELOPMENT

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 berthing and the provision of a much larger fish market to cater for the increasing volume of white fish being sold through Peterhead. Future stages of the Plan envisage providing additional fish processing units and constructing additional ship repair berths at the shiplift repair facility.

A contract with a joint venture between McLaughlin & Harvey and Boskalis for the Marine Works was signed in September 2016 and is scheduled to be completed by September 2018. This includes the dredging, reclamation and quay reconstruction work. An £8.4 million contract for construction of a new fish market was signed in November 2016 with Chap Construction and on-site work started in March 2017. It is planned that first sale in the new market will be in June 2018.

PERSONNEL

The Chief Executive, Mr Ian Laidlaw, resigned from the Authority on 20 November 2017. The previous Chief Executive, Mr John Wallace, who retired in 2016 after 15 years in the post has returned as Acting Chief Executive. He will remain in post to complete the harbour development and oversee recruitment of a replacement. I would specifically like to thank him on behalf of the Board for putting his retirement on hold and stepping in to lead the business at this critical time.

LOOKING FORWARD

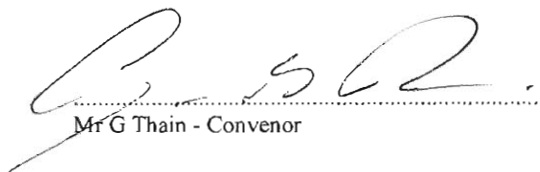
Completion of the Inner Harbour Development is the main focus of attention as efforts are made to finalise the works and prepare for the relocation of the fish auction.

There is optimism about the tonnage and value of demersal and shellfish landings for the year ahead but this is tempered by ongoing difficulties in the pelagic sector, particularly in attracting foreign vessels to land at Peterhead. As negotiations continue on the terms of the UK departure from the EU, the fishing sector are optimistic that this will have a positive outcome on their industry.

We expect to see a further upturn in commercial traffic during 2018 and are working on various options as we seek to develop this business and maximise the value it delivers to the local and regional economy. These include an expectation of handling 11 large offshore wind farm foundations for the Aberdeen Offshore Wind Farm. Recent tenders by key Peterhead based oil operator clients have been retained by Asco and Norse Group has been successful in attracting decommissioning projects to Smith Quay.

In closing, I 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 completing a transformational investment in the port's infrastructure and future.

ON BEHALF OF THE BOARD:



Mr G Thain - Convenor

21 March 2018

The members present their report with the financial statements of the authority for the year ended 31 December 2017.

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 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 2017**


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

21 March 2018

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

Opinion

We have audited the financial statements of Peterhead Port Authority (the 'Authority') for the year ended 31 December 2017 on pages eight to twenty seven. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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.

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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; and
- The information given in the Members' Report on pages 4 and 5 is consistent with the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members are responsible for the other information. The other information comprises the information in the Convenor's Report and the Members' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters

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

- the information given in the Convenor's Report and the Members' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Convenor's Report and the Members' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we have not identified material misstatements in the Convenor's Report or Members' Report.

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.

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

Responsibilities of Members

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 and for such internal control as the members determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.



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

21 March 2018

PETERHEAD PORT AUTHORITY

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
TURNOVER	3	11,324,383	10,841,876
Cost of sales		<u>(4,734,773)</u>	<u>(4,350,843)</u>
GROSS PROFIT		6,589,610	6,491,033
Administrative expenses		<u>(1,600,217)</u>	<u>(1,721,772)</u>
OPERATING PROFIT	6	4,989,393	4,769,261
Fair value adjustments	7	<u>244,221</u>	<u>343,942</u>
		5,233,614	5,113,203
Income from shares in group undertakings		479,865	337,497
Interest receivable and similar income	8	<u>29,441</u>	<u>103,631</u>
		5,742,920	5,554,331
Impairment of fixed assets	9	<u>(1,787,000)</u>	<u>-</u>
		3,955,920	5,554,331
Interest payable and similar expenses	10	<u>(409,953)</u>	<u>(405,197)</u>
PROFIT BEFORE TAXATION		3,545,967	5,149,134
Tax on profit	11	<u>(1,126,545)</u>	<u>(1,168,695)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>2,419,422</u>	<u>3,980,439</u>

The notes form part of these financial statements



PETERHEAD PORT AUTHORITY

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
PROFIT FOR THE YEAR		2,419,422	3,980,439
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on pension scheme	24	730,000	(511,000)
Deferred taxation	24	<u>(138,070)</u>	<u>113,000</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>591,930</u>	<u>(398,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,011,352</u>	<u>3,582,439</u>

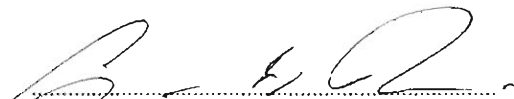
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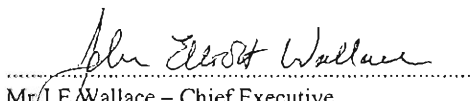
PETERHEAD PORT AUTHORITY

BALANCE SHEET
31 DECEMBER 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	12	92,168,579	64,195,647
Investments	13	<u>3,402,221</u>	<u>2,922,356</u>
		<u>95,570,800</u>	<u>67,118,003</u>
CURRENT ASSETS			
Stocks	14	10,812	12,808
Debtors	15	3,161,584	2,837,601
Cash at bank and in hand		<u>756,479</u>	<u>11,011,357</u>
		3,928,875	13,861,766
CREDITORS			
Amounts falling due within one year	16	<u>(19,277,441)</u>	<u>(3,974,302)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(15,348,566)</u>	<u>9,887,464</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		80,222,234	77,005,467
CREDITORS			
Amounts falling due after more than one year	17	(6,499,156)	(7,100,877)
PROVISIONS FOR LIABILITIES	21	(272,107)	(196,830)
ACCRUALS AND DEFERRED INCOME	22	(9,583,056)	(8,332,267)
PENSION LIABILITY	24	<u>(540,270)</u>	<u>(1,059,200)</u>
NET ASSETS		<u><u>63,327,645</u></u>	<u><u>60,316,293</u></u>
RESERVES			
Retained earnings	23	<u>63,327,645</u>	<u>60,316,293</u>
		<u><u>63,327,645</u></u>	<u><u>60,316,293</u></u>

The financial statements were approved by the Board of Members on 21 March 2018 and were signed on its behalf by:


Mr G Thain - 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 2017**

	Retained earnings £	Total equity £
Balance at 1 January 2016	56,733,854	56,733,854
Changes in equity		
Total comprehensive income	<u>3,582,439</u>	<u>3,582,439</u>
Balance at 31 December 2016	<u>60,316,293</u>	<u>60,316,293</u>
Changes in equity		
Total comprehensive income	<u>3,011,352</u>	<u>3,011,352</u>
Balance at 31 December 2017	<u><u>63,327,645</u></u>	<u><u>63,327,645</u></u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	8,945,199	5,457,556
Interest paid		(411,451)	(409,969)
Pension cost adjustment		73,000	54,000
Tax paid		<u>(1,053,290)</u>	<u>(905,576)</u>
Net cash from operating activities		<u>7,553,458</u>	<u>4,196,011</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(31,125,339)	(4,053,637)
Government grants received		1,543,701	-
Interest received		<u>29,441</u>	<u>103,631</u>
Net cash from investing activities		<u>(29,552,197)</u>	<u>(3,950,006)</u>
Cash flows from financing activities			
New loans in year		12,101,361	-
Loan repayments in year		<u>(357,500)</u>	<u>(357,500)</u>
Net cash from financing activities		<u>11,743,861</u>	<u>(357,500)</u>
Decrease in cash and cash equivalents		(10,254,878)	(111,495)
Cash and cash equivalents at beginning of year	2	<u>11,011,357</u>	<u>11,122,852</u>
Cash and cash equivalents at end of year	2	<u><u>756,479</u></u>	<u><u>11,011,357</u></u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	2017	2016
	£	£
Profit before taxation	3,545,967	5,149,134
Depreciation charges	1,784,275	1,830,275
Fair value adjustment on interest rate swap	(244,221)	(343,941)
Impairment of fixed assets	1,787,000	-
Government grants	(292,912)	(298,096)
Interest payable and similar charges	409,953	405,197
Income from shares in group undertakings	(479,865)	(337,497)
Interest receivable and similar income	(29,441)	(103,631)
	<u>6,480,756</u>	<u>6,301,441</u>
Decrease in stocks	1,996	2,113
Increase in trade and other debtors	(323,983)	(1,100,039)
Increase in trade and other creditors	<u>2,786,430</u>	<u>254,041</u>
Cash generated from operations	<u>8,945,199</u>	<u>5,457,556</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 2017

	31/12/17	1/1/17
	£	£
Cash and cash equivalents	<u>756,479</u>	<u>11,011,357</u>

Year ended 31 December 2016

	31/12/16	1/1/16
	£	£
Cash and cash equivalents	<u>11,011,357</u>	<u>11,122,852</u>

1. STATUTORY INFORMATION

Peterhead Port Authority is a trust port having its principal place of business in Scotland. The registered office is Harbour Office, West Pier, Peterhead, AB42 1DW.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared under the historic cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The presentation currency of the financial statements is the Pound Sterling (£).

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Useful economic lives of tangible assets - The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Defined benefit pension schemes - Accounting for pensions and other-post retirement benefits involves judgements about uncertain events including estimated retirement dates, salary levels at retirement, mortality rates, determination of discount rates for measuring plans obligations and net interest expense and assumptions for inflation rates.

Pension and other post retirement assumptions are reviewed by the Board at the end of each year. These assumptions are used to determine the projected benefit obligations at the year end and hence surpluses and deficits are recorded on the Board's balance sheet, and pension and other post-retirement benefit expense for the following year.

The assumptions used are provided in Note 24.

Revenue recognition

Turnover

Turnover is measured at the fair value of the consideration received in respect of services provided in the normal course of business stated net of value added tax.

Rental income

Rents receivable are recognised on a straight line basis over the lease term.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, over their estimated useful life or, if held under a finance lease, over the term of the lease, whichever is the shorter. The rates applicable are:

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

2. ACCOUNTING POLICIES - continued

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Fixed asset investments

Investments held are stated at cost less accumulated impairment losses.

Stocks

Stocks have been valued at the lower of cost and estimated selling price less costs to sell, after making due allowance for obsolete and slow moving items.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value.

Taxation

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of timing differences.

The tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

2. ACCOUNTING POLICIES - continued

Leases

Leases are classified as finance leases or hire purchase contracts whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Authority. All other leases are classified as operating leases.

Assets held under finance lease or hire purchase contracts are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease or hire purchase contract obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases or hire purchase contracts are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the authority recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

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.

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.

Provision for liabilities

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Authority recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the salary cost payable for the period of absence.

2. ACCOUNTING POLICIES - continued

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 liabilities when the fair value is negative.

Debt instruments like loans and other accounts receivable and payable are initially measured at the present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate, or in the case of an outright short term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the net present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the Authority would receive for the asset if it were to be sold at the reporting date.

3. TURNOVER

	2017 £	2016 £
Turnover consists entirely of sales made in the United Kingdom.		
Dues on ships	2,210,689	2,184,965
Dues on goods and passengers	<u>6,057,626</u>	<u>5,577,051</u>
	8,268,315	7,762,016
Rental income	2,076,159	2,012,843
General revenue and services	<u>979,909</u>	<u>1,067,017</u>
	<u><u>11,324,383</u></u>	<u><u>10,841,876</u></u>

4. EMPLOYEES AND MEMBERS

	2017 £	2016 £
Wages and salaries	2,431,556	2,375,455
Social security costs	256,336	249,082
Pension costs	273,767	261,728
	<u>2,961,659</u>	<u>2,886,265</u>
Less staff costs recovered from Peterhead Port Services	<u>1,018,039</u>	<u>963,656</u>
	<u>1,943,620</u>	<u>1,922,609</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	33	31
	<u>68</u>	<u>66</u>

5. NON-EXECUTIVE MEMBERS' AND KEY MANAGEMENT EMOLUMENTS

	2017 £	2016 £
Non-Executive members:		
Aggregate emoluments	81,117	90,165
Social security costs	2,708	1,212
	<u>83,825</u>	<u>91,377</u>

Key management:		
Aggregate emoluments	474,909	419,267
Pension contributions	77,322	57,690

Information regarding the highest paid member of key management for the year ended 31 December 2017 is as follows:

	2017 £	2016 £
Emoluments etc	169,764	108,885
Pension contributions	26,871	22,438

6. OPERATING PROFIT

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

	2017 £	2016 £
Depreciation - owned assets	1,784,275	1,830,275
Auditors' remuneration	9,250	9,500
Auditors' remuneration for non audit work	3,500	6,000
Amortisation of grants	<u>(292,912)</u>	<u>(298,096)</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. FAIR VALUE GAINS

	2017	2016
	£	£
Gain on interest rate swaps	<u>244,221</u>	<u>343,942</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Bank interest receivable	<u>29,441</u>	<u>103,631</u>

9. IMPAIRMENT OF FIXED ASSETS

	2017	2016
	£	£
Impairment of fixed assets	<u>1,787,000</u>	<u>-</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Bank loan interest	409,661	405,197
Other interest paid	<u>292</u>	<u>-</u>
	<u>409,953</u>	<u>405,197</u>

11. TAXATION

Analysis of the tax charge

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

	2017	2016
	£	£
Current tax:		
UK corporation tax	1,051,268	1,138,290
Deferred tax	<u>75,277</u>	<u>30,405</u>
Tax on profit	<u>1,126,545</u>	<u>1,168,695</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:

	2017	2016
	£	£
Profit before tax	<u>3,545,967</u>	<u>5,149,134</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.247% (2016 - 20%)	682,492	1,029,827
Effects of:		
Expenses not deductible for tax purposes	14,870	11,508
Share of profit of subsidiary undertaking	(92,358)	(67,499)
Depreciation on non qualifying assets	287,093	298,690
Amortisation on non qualifying assets	(47,243)	(50,521)
Impairment of fixed assets	343,937	-
Enhanced capital allowances	(51,302)	(53,310)
Effective rate change in deferred tax	(1,105)	-
Adjustment re prior year deferred tax	<u>(9,840)</u>	<u>-</u>
Total tax charge	<u>1,126,545</u>	<u>1,168,695</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

11. TAXATION - continued

Tax effects relating to effects of other comprehensive income

	Gross £	2017 Tax £	Net £
Actuarial gains/(losses) on pension scheme	730,000	-	730,000
Deferred taxation	(138,070)	-	(138,070)
	<u>591,930</u>	<u>-</u>	<u>591,930</u>
	Gross £	2016 Tax £	Net £
Actuarial gains/(losses) on pension scheme	(511,000)	-	(511,000)
Deferred taxation	113,000	-	113,000
	<u>(398,000)</u>	<u>-</u>	<u>(398,000)</u>

12. TANGIBLE FIXED ASSETS

	Land, Buildings & Improvements £	Current developments £	Plant and machinery £	Motor vehicles £	Totals £
COST					
At 1 January 2017	80,559,308	7,265,509	5,095,369	74,889	92,995,075
Additions	-	31,362,137	180,570	1,500	31,544,207
Impairments	(2,678,000)	-	-	-	(2,678,000)
At 31 December 2017	<u>77,881,308</u>	<u>38,627,646</u>	<u>5,275,939</u>	<u>76,389</u>	<u>121,861,282</u>
DEPRECIATION					
At 1 January 2017	25,537,840	-	3,210,052	51,536	28,799,428
Charge for year	1,491,658	-	279,392	13,225	1,784,275
Impairments	(891,000)	-	-	-	(891,000)
At 31 December 2017	<u>26,138,498</u>	<u>-</u>	<u>3,489,444</u>	<u>64,761</u>	<u>29,692,703</u>
NET BOOK VALUE					
At 31 December 2017	<u>51,742,810</u>	<u>38,627,646</u>	<u>1,786,495</u>	<u>11,628</u>	<u>92,168,579</u>
At 31 December 2016	<u>55,021,468</u>	<u>7,265,509</u>	<u>1,885,317</u>	<u>23,353</u>	<u>64,195,647</u>

Included within land and buildings are long leasehold structures from The Crown Estate Commissioners with a NBV of £45,312,442 (2016: £46,555,523)

13. FIXED ASSET INVESTMENTS

	2017 £
Peterhead Port Services:	
At 1st January 2017	2,922,356
Profit/(loss) for year	<u>479,865</u>
At 31st December 2017	<u>3,402,221</u>

Peterhead Port Authority wholly owns Peterhead Port Services which is a Pilotage Authority providing pilotage and Vessel Traffic Services within the Port of Peterhead.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

13. 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 2017 are summarised as follows:

	2017 £	2016 £
Revenue and Expenditure Account		
Revenue from pilotage services	<u>1,140,084</u>	<u>979,683</u>
Aggregate expenditure incurred on:		
Providing the services of a pilot	364,249	343,301
Providing, maintaining and operating the pilot boat	375,330	387,636
Administration and other costs	<u>165,685</u>	<u>149,350</u>
Total pilotage expenditure	<u>905,264</u>	<u>880,287</u>
Profit on pilotage activities	234,820	99,396
Net other income/(expenditure)	355,538	320,240
Taxation	<u>(110,493)</u>	<u>(82,139)</u>
Surplus for year	<u>479,865</u>	<u>337,497</u>
Balance Sheet		
Fixed assets, at cost	655,315	655,315
Aggregate depreciation	<u>(602,150)</u>	<u>(593,090)</u>
	<u>53,165</u>	<u>62,225</u>
Current assets:		
Debtors	479,312	214,136
Investments	877,822	744,858
Cash and bank balances	<u>3,040,625</u>	<u>2,772,088</u>
	<u>4,397,759</u>	<u>3,731,082</u>
Creditors: amounts falling due within one year:		
Creditors and accruals	281,041	117,589
Corporation tax	<u>77,898</u>	<u>51,483</u>
	<u>358,939</u>	<u>169,072</u>
Total assets less current liabilities	4,091,985	3,624,235
Provision for liabilities	<u>689,764</u>	<u>701,879</u>
Net assets	<u>3,402,221</u>	<u>2,922,356</u>

14. STOCKS

	2017 £	2016 £
Stocks	<u>10,812</u>	<u>12,808</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade debtors	1,774,030	1,708,114
Other debtors	994,508	789,465
Prepayments and accrued income	393,046	340,022
	<u>3,161,584</u>	<u>2,837,601</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Bank loans (see note 18)	12,458,861	357,500
Trade creditors	3,538,611	564,465
Tax	556,268	558,290
Social security and other taxes	106,549	94,100
Other creditors and accruals	2,617,152	2,399,947
	<u>19,277,441</u>	<u>3,974,302</u>

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

	2017	2016
	£	£
Bank loans (see note 18)	6,077,500	6,435,000
Financial liabilities	421,656	665,877
	<u>6,499,156</u>	<u>7,100,877</u>

18. BANK LOANS

	2017	2016
	£	£
Development funding loan to be refinanced on project completion	12,101,361	-
Repayable by instalments over 10 years to 2025		
Bank loan at 1.78% per annum (fixed by interest rate swap)	6,435,000	6,792,500
	<u>18,536,361</u>	<u>6,792,500</u>
Included in current liabilities	12,458,861	357,500
Amounts falling due between one and two years	357,500	357,500
Amounts falling due between two and five years	1,072,500	1,072,500
Amounts falling due in more than five years	4,647,500	5,005,000
	<u>18,536,361</u>	<u>6,792,500</u>

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

19. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £	2016 £
Within one year	105,451	80,993
Between one and five years	24,174	37,100
	<u>129,625</u>	<u>118,093</u>

Due to the change in the calculation of the base rent element of The Crown Estate lease, only the minimum lease payment due within one year is quantifiable, and as such no future periods have been disclosed in the financial statements.

20. FINANCIAL INSTRUMENTS

	2017 £	2016 £
Financial assets measured at amortised costs		
Trade and other debtors	2,768,538	2,497,579
Financial liabilities at fair value through profit or loss		
Interest rate swaps	(421,656)	(665,877)
Financial liabilities measured at amortised cost		
Bank loans	(18,536,361)	(6,792,500)
Trade creditors	(3,538,611)	(564,465)

The fair value of the interest rate swaps 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. Included in the interest rate swap above is the fair value of a swap relating to a future loan that has been committed for at the year end.

21. PROVISIONS FOR LIABILITIES

	2017 £	2016 £
Deferred tax	<u>272,107</u>	<u>196,830</u>
		Deferred tax
		£
Balance at 1 January 2017		196,830
Charge to Income Statement during year		<u>75,277</u>
Balance at 31 December 2017		<u>272,107</u>

22. ACCRUALS AND DEFERRED INCOME

	2017 £	2016 £
Government grants		
At 1st January 2017	8,332,267	8,630,363
Received in year	1,543,701	-
Amortisation in year	<u>(292,912)</u>	<u>(298,096)</u>
At 31st December 2017	<u>9,583,056</u>	<u>8,332,267</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

23. RESERVES

	Retained earnings £
At 1 January 2017	60,316,293
Profit for the year	2,419,422
Actuarial gain/(loss) relating to net pension deficit	<u>591,930</u>
At 31 December 2017	<u><u>63,327,645</u></u>

Retained earnings

This reserve records all current and prior period retained profit and losses.

24. 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 2016 have been updated to 31st December 2017 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	
	2017 £	2016 £
Present value of funded obligations	(5,250,000)	(4,990,000)
Fair value of plan assets	<u>4,611,000</u>	<u>3,706,000</u>
	(639,000)	(1,284,000)
Present value of unfunded obligations	<u>(28,000)</u>	<u>(40,000)</u>
Deficit	(667,000)	(1,324,000)
Deferred tax asset	<u>126,730</u>	<u>264,800</u>
Net liability	<u><u>(540,270)</u></u>	<u><u>(1,059,200)</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.

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2017	2016
	£	£
Current service cost	124,000	103,000
Net interest from net defined benefit asset/liability	34,000	27,000
Past service cost	-	-
Administration expenses	2,000	2,000
	<u>160,000</u>	<u>132,000</u>
Actual return on plan assets	<u>864,000</u>	<u>548,000</u>

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

	Defined benefit pension plans	
	2017	2016
	£	£
Opening defined benefit obligation	5,030,000	4,061,000
Current service cost	124,000	103,000
Contributions by scheme participants	43,000	35,000
Interest cost	135,000	150,000
Remeasurements	33,000	936,000
Benefits paid	(87,000)	(255,000)
	<u>5,278,000</u>	<u>5,030,000</u>

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

	Defined benefit pension plans	
	2017	2016
	£	£
Opening fair value of scheme assets	3,706,000	3,302,000
Contributions by employer	87,000	78,000
Contributions by scheme participants	43,000	35,000
Administration expenses	(2,000)	(2,000)
Interest on plan assets	101,000	123,000
Remeasurements	763,000	425,000
Benefits paid	(87,000)	(255,000)
	<u>4,611,000</u>	<u>3,706,000</u>

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2017	2016
	£	£
Actuarial gains/(losses)	730,000	(511,000)
Deferred tax adjustment	(138,070)	113,000
	<u>591,930</u>	<u>(398,000)</u>

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

	Defined benefit pension plans	
	2017	2016
Equities	65.70%	65.00%
Government bonds	7.50%	12.00%
Other bonds	1.30%	2.00%
Property	7.30%	7.00%
Cash/liquidity	1.60%	3.00%
Other	16.60%	11.00%
	<u>100.00%</u>	<u>100.00%</u>

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

	2017	2016
Discount rate	2.50%	2.70%
Rate of increase in salaries	3.70%	3.80%
Rate of increase in pensions	2.20%	2.30%
CPI inflation	2.20%	2.30%

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: **17 years very mature**

Post retirement mortality assumptions (normal health)

	S2PA CMI 2015 [1.75%](100% males, 90% females)	SIPA CMI 2013 [1.5%](107% males, 97% females)
Non - retired members		
	S2PA CMI 2015 [1.75%](103% males, 98% females)	SIPA CMI 2013 (1.5%)(106% males, 103% females)
Retired members		

The mortality assumptions adopted at 31 December 2017 imply the following future life expectancies:

	Future Life Expectancy (years)
Male retiring at 65 in 2017	22.6
Female retiring at 65 in 2017	24.8
Male retiring at age 65 in 2037	25.5
Female retiring at age 65 in 2037	27.8

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Peterhead Port Services

Peterhead Port Services (PPS) is a member of two multi-employer final salary pension schemes one of which is in deficit, while the other is in surplus.

The Pilots National Pension Fund had its last actuarial valuation at 31st December 2016 which reported a deficit of £164.8 million (representing a 66% 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 £658,913 (2016: £701,879) 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 2015 which reported a net deficit of £5 million. 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 2017 report an improved position, with a net surplus of £6 million (representing a 100% funding level) after allowing for deficit contributions due to the scheme. PPS currently have no employees contributing to the fund as the MNOPF decided to close the defined benefit scheme to new accruals. The active member had to enroll into the Ensign defined contribution scheme, a change which prevents additional deficits building up and removes the risk of triggering a section 75 debt.

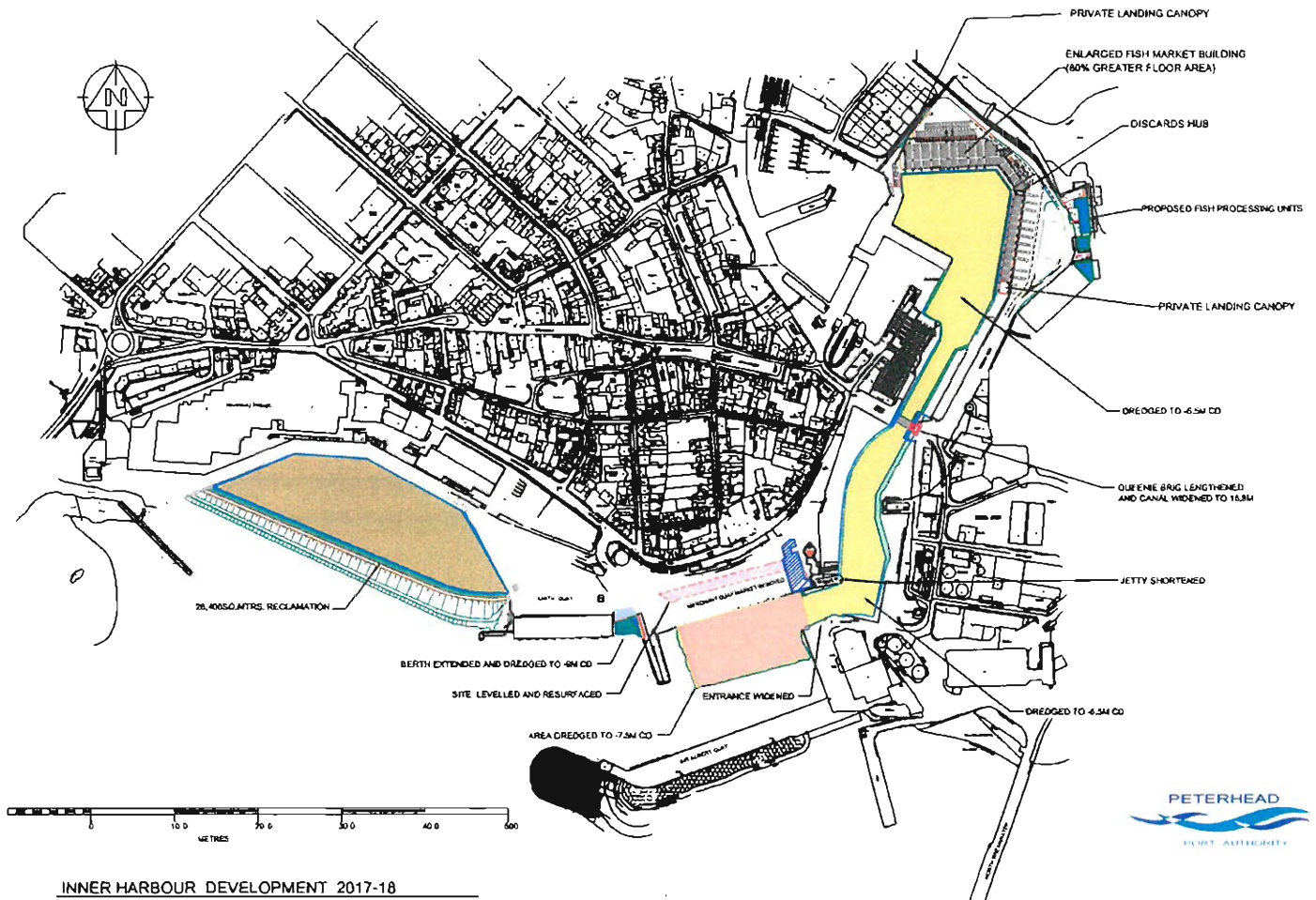
25. CAPITAL COMMITMENTS

	2017 £	2016 £
Contracted but not provided for in the financial statements	<u>8,690,000</u>	<u>36,967,560</u>

26. RELATED PARTY DISCLOSURES

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

Developing the port to bring jobs and investment to Peterhead



£52m investment to secure Peterhead's
position as the leading fishing port in Europe

New market opening June 2018

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