



REPORT AND FINANCIAL STATEMENTS
For The Year Ended
31 December 2018



PETERHEAD PORT AUTHORITY**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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PETERHEAD PORT AUTHORITY

AUTHORITY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2018

MEMBERS:

Mr G Thain	- Convenor
Mr W J M R Mackie	- Deputy Convenor (to 31 December 2018)
Mr R A Buchan	- Deputy Convenor (from 1 January 2019)
Mr J E Wallace	- Chief Executive (to 10 June 2018)
Mr S Brebner	- Chief Executive (from 11 June 2018)
Mr I Armstrong	
Mr A Gardiner	
Mr M Skitmore	
Mr J I Buchan	
Mr S Murphy	
Mr R Milne	
Mr D Armstrong	- Retired 31 December 2017

PRINCIPAL OFFICERS:

Mr J E Wallace	- Chief Executive (to 10 June 2018)
Mr S Brebner	- Chief Executive (from 11 June 2018)
Mr S Paterson	- Deputy Chief Executive and Chief Financial Officer
Capt J Forman	- Harbour Master
Mr D Buchan	- Senior Port Engineer

PRINCIPAL OFFICE:

Harbour Office
West Pier
Peterhead
AB42 1DW

AUDITORS:

Bain Henry Reid
Statutory Auditors
Chartered Accountants
28 Broad Street
Peterhead
Aberdeenshire
AB42 1BY

BANKERS:

Santander Business Banking
Bridle Road
Bootle
Liverpool
L30 4GB

SOLICITORS:

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

PETERHEAD PORT AUTHORITY

CONVENOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The members present their strategic report for the year ended 31 December 2018.

TRADING REVIEW

The overall value of fish handled through Peterhead was a record £202 million, up 3.5% on the previous record from 2017. The value of white fish species was also a record £127 million, building on steady growth in recent years. This was achieved through greater tonnage being handled as there was a slight reduction in the average selling price during the year. It is particularly encouraging to see confidence for the future returning to the fishing sector and the significant investment in new vessels to modernise the fleet. Whilst the tonnage of pelagic species landed again remained steady, there was an increase in the value from £60 million in 2017 to £69.1 million in 2018, because of the relatively high average price for mackerel.

The tonnage of commercial shipping during 2018 was boosted by involvement in offshore renewable projects, including the installation of foundation bases for the Aberdeen Offshore Wind farm. Stabilisation in the price of oil is slowly leading to confidence that there will be an upturn in activity associated with drilling, development and maintenance projects. Logistics activity during 2018 was affected by the loss of a client part way through the year.

Overall the 2018 tonnage of shipping was 4.6% lower 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 £11,537,223, up by 1.4% from 2017, on account of the relatively buoyant fishing sector.

Cost of Sales increased from £4,786,381 in 2017 to £6,466,658 in 2018. The main contributory factor was an increase of £825,257 in maintenance costs, mainly associated with the repair and refurbishment of Queenie Bridge. Other increases related to electricity, the cost of dealing with waste collected from vessels and the introduction of a depreciation charge on the new port development.

Capital Expenditure during 2018 was mainly in relation to completing the Inner Harbour development. This included ongoing construction costs and professional fees. These costs totalled £13,191,044 during 2018, bringing total project expenditure up to £51,818,690. There was also an investment to upgrade the port CCTV system.

INNER HARBOUR DEVELOPMENT

The vision of the ambitious Peterhead Port Masterplan was to position Peterhead as Scotland's Seafood Centre of excellence, incorporating integrated fish landing, seafood processing and discard handling hubs. The first part, representing a £52m investment, has been successfully delivered, with the new berthing and fish market opening for business with the first sale on 18 June 2018. The increased space has already been put to good use, attracting some of the largest sales in over 20 years. Targets of eliminating the need to hold fish over to the next day because the market is full, and reducing the amount of boxes being stacked have been realised. Increased volumes of a consistently high quality product has encouraged more buyers to the market, which in turn has led to new vessels landing and consigning their catch to Peterhead. The market has also been awarded a top AA rating by the British Retail Consortium at its first audit, and the port is now working towards the new Responsible Fishing Ports accreditation. Peterhead was also recipient of 'Fishing Port of the Year' at the annual Fishing News Awards ceremony.

In addition to the new market, the project included reconfiguring and deepening the inner harbours to improve berthing, reclaiming a large working area next to Smith Quay and repurposing Merchants Quay to service commercial vessels. These facilities are now operated by NorSea Group. Future stages of the Plan envisage providing additional fish processing units and constructing additional ship repair berths at the shiplift facility.

An official opening of the new market and inner harbour development took place on 29 September. We were honoured to have the project officially opened by HRH Prince Charles, Duke of Rothesay. A seafood festival organised in the town centre at the same time allowed the public to join in the celebration of Peterhead's pre-eminent position as the UK's largest fishing port.

PERSONNEL

The Authority recruited a new Chief Executive, Mr Simon Brebner, who joined the business on 11 June 2018. Simon has extensive experience managing port terminals at various locations in Africa and the Middle East.

COMMUNITY ENGAGEMENT

During the past year the Authority contributed more than £46,000 to events, charities and fundraising in and around Peterhead. This included some long standing associations, such as sponsoring the main event during Scottish Week and the Deckhands courses at the Scottish Maritime College, supporting the Sea Cadets and the Peterhead & District Fishermen's Benevolent Fund. There were also donations to help fundraise for new perimeter railings for Buchanhaven Hearts football club and to assist with the Peterhead Seafood Festival.

Recognising the impact of marine litter, the Authority continued sponsorship of the local Kimo 'Fishing for Litter' scheme which encourages fishing boats to land in the port any material caught in their nets rather than discard back overboard. Funds were also committed to East Grampian Coastal partnership to support their 'Turning the Plastic Tide' initiative and organise a beach clean at Sandford Bay.

The first Newsletter was produced and widely distributed to stakeholders, and accounts established on various social media channels including Facebook, Twitter and LinkedIn.

LOOKING FORWARD


There is some concern about the health of stocks of certain fish species, and this has been recognised through a reduction in the catch quota for 2019. This will likely lead to a slightly reduced income from this sector in the year ahead, but often a scarcity of fish is offset by higher average selling prices. As negotiations continue on the terms of the UK departure from the EU, the fishing sector is seeking clarity on what could be a significant positive impact on taking more control over quota allocation, but also trade consequences for the substantial value of fish exported to the EU. The Landing Obligation which prevents boats discarding fish at sea, has been extended to all quota species and may have an impact on the fishing fleet.

Other than reflecting the full year impact of losing a significant logistics contract, we expect to see a further upturn in commercial traffic during 2019 and are progressing options as we seek to develop this business and maximise the value it delivers to the local and regional economy.

Plans are being developed to repair and refurbish the revetment behind the sea wall at Alexandra Parade. It is hoped to complete design work and obtain necessary consents to allow a contract to be let for this £4m project in the latter part of the year, and complete construction in 2020.

In closing, I thank all of the employees of the Authority and my colleagues on the Board for their attention and dedication, which has successfully delivered the transformational Inner Harbour Development and positioned the business with bright prospects ahead.

ON BEHALF OF THE BOARD:



Mr G Thain - Convenor

Date: 20 March 2019

PETERHEAD PORT AUTHORITY

MEMBERS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The members present their report with the financial statements of the company for the year ended 31 December 2018.

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 2018**

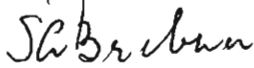
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 S Brebner – Chief Executive

Date: 20 March 2019

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 2018 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2018 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; 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 FRC'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, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the 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.

Auditors' 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.

Use of our report

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.



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

Date: 20 March 2019

PETERHEAD PORT AUTHORITY

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
TURNOVER	3	11,537,223	11,375,991
Cost of sales		<u>(6,466,658)</u>	<u>(4,786,381)</u>
GROSS PROFIT		5,070,565	6,589,610
Administrative expenses		<u>(1,888,634)</u>	<u>(1,600,217)</u>
OPERATING PROFIT	6	3,181,931	4,989,393
Fair value adjustments	7	<u>332,658</u>	<u>244,221</u>
		3,514,589	5,233,614
Income from shares in group undertakings		291,637	479,865
Interest receivable and similar income	8	<u>8,715</u>	<u>29,441</u>
		3,814,941	5,742,920
Impairment of fixed assets	9	<u>-</u>	<u>(1,787,000)</u>
		3,814,941	3,955,920
Interest payable and similar expenses	10	<u>(697,800)</u>	<u>(409,953)</u>
PROFIT BEFORE TAXATION		3,117,141	3,545,967
Tax on profit	11	<u>(687,305)</u>	<u>(1,126,545)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>2,429,836</u></u>	<u><u>2,419,422</u></u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
PROFIT FOR THE YEAR		2,429,836	2,419,422
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on pension scheme	24	42,000	730,000
Deferred taxation	24	2,090	(138,070)
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		44,090	591,930
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,473,926</u>	<u>3,011,352</u>

The notes form part of these financial statements

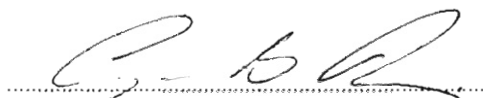


PETERHEAD PORT AUTHORITY

BALANCE SHEET
31 DECEMBER 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	12	103,171,965	92,168,579
Investments	13	<u>3,693,858</u>	<u>3,402,221</u>
		<u>106,865,823</u>	<u>95,570,800</u>
CURRENT ASSETS			
Stocks	14	16,568	10,812
Debtors	15	2,253,112	3,161,584
Cash at bank and in hand		<u>5,067,536</u>	<u>756,479</u>
		7,337,216	3,928,875
CREDITORS			
Amounts falling due within one year	16	<u>(6,118,166)</u>	<u>(19,277,441)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,219,050</u>	<u>(15,348,566)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		108,084,873	80,222,234
CREDITORS			
Amounts falling due after more than one year	17	<u>(28,902,748)</u>	<u>(6,499,156)</u>
PROVISIONS FOR LIABILITIES	21	<u>(734,188)</u>	<u>(272,107)</u>
ACCRUALS AND DEFERRED INCOME	22	<u>(12,097,186)</u>	<u>(9,583,056)</u>
PENSION LIABILITY	24	<u>(549,180)</u>	<u>(540,270)</u>
NET ASSETS		<u>65,801,571</u>	<u>63,327,645</u>
RESERVES			
Retained earnings	23	<u>65,801,571</u>	<u>63,327,645</u>
		<u>65,801,571</u>	<u>63,327,645</u>

The financial statements were approved by the Board of Members on 20 March 2019 and were signed on its behalf by:


Mr G Thain – Convenor


Mr S Brebner – Chief Executive

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Retained earnings £	Total equity £
Balance at 1 January 2017	60,316,293	60,316,293
Changes in equity		
Total comprehensive income	<u>3,011,352</u>	<u>3,011,352</u>
Balance at 31 December 2017	<u>63,327,645</u>	<u>63,327,645</u>
Changes in equity		
Total comprehensive income	<u>2,473,926</u>	<u>2,473,926</u>
Balance at 31 December 2018	<u><u>65,801,571</u></u>	<u><u>65,801,571</u></u>

The notes form part of these financial statements



PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	4,709,123	8,945,199
Interest paid		(584,195)	(411,451)
Finance costs paid		53,000	73,000
Tax paid		(881,268)	(1,053,290)
Net cash from operating activities		<u>3,296,660</u>	<u>7,553,458</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(13,727,449)	(31,125,339)
Sale of tangible fixed assets		3,200	-
Government grants received		2,970,042	1,543,701
Interest received		<u>8,715</u>	<u>29,441</u>
Net cash from investing activities		<u>(10,745,492)</u>	<u>(29,552,197)</u>
Cash flows from financing activities			
New loans in year		12,398,639	12,101,361
Loan repayments in year		<u>(638,750)</u>	<u>(357,500)</u>
Net cash from financing activities		<u>11,759,889</u>	<u>11,743,861</u>
Increase/(decrease) in cash and cash equivalents		4,311,057	(10,254,878)
Cash and cash equivalents at beginning of year	2	756,479	11,011,357
Cash and cash equivalents at end of year	2	<u>5,067,536</u>	<u>756,479</u>

The notes form part of these financial statements

PETERHEAD PORT AUTHORITY

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	2018	2017
	£	£
Profit before taxation	3,117,141	3,545,967
Depreciation charges	2,356,050	1,784,275
Loss on disposal of fixed assets	17,830	-
Fair value adj on interest rate swap	(332,658)	(244,221)
Impairment of fixed assets	-	1,787,000
Government grants	(360,912)	(292,912)
Finance costs	697,800	409,953
Income from shares in group undertakings	(291,637)	(479,865)
Interest receivable and similar income	(8,715)	(29,441)
	<u>5,194,899</u>	<u>6,480,756</u>
(Increase)/decrease in stocks	(5,756)	1,996
Decrease/(increase) in trade and other debtors	1,008,248	(323,983)
(Decrease)/increase in trade and other creditors	<u>(1,488,268)</u>	<u>2,786,430</u>
Cash generated from operations	<u>4,709,123</u>	<u>8,945,199</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 2018

	31/12/18	1/1/18
	£	£
Cash and cash equivalents	<u>5,067,536</u>	<u>756,479</u>

Year ended 31 December 2017

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

The notes form part of these financial statements

1. **BOARD INFORMATION**

Peterhead Port Authority is a trust port having its principal place of business at 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 Section 42 of the Harbours Act 1964 as amended by Schedule 6 of the Transport Act 1981. 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 reassessed 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 and dredging	- 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 the income statement.

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 the income statement.

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 the income statement, 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 income statement 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 income statement 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 income statement 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 income statement 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 income statement. Other grants are credited to the income statement 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 the income statement. 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 the income statement.

For financial assets measured at amortised cost, the impairment loss is measure as the difference between an asset's carrying amount and the net present value of estimated cash flows discounted at the assets 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

	2018 £	2017 £
Turnover consists entirely of sales made in the United Kingdom.		
Dues on ships	2,260,572	2,210,689
Dues on goods and passengers	<u>6,086,692</u>	<u>6,057,626</u>
	8,347,264	8,268,315
Rental income	2,103,541	2,076,159
General revenue and services	<u>1,086,418</u>	<u>1,031,517</u>
	<u><u>11,537,223</u></u>	<u><u>11,375,991</u></u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. EMPLOYEES AND MEMBERS

	2018 £	2017 £
Wages and salaries	2,532,887	2,483,164
Social security costs	273,242	256,336
Pension costs	273,697	273,767
	<u>3,079,826</u>	<u>3,013,267</u>
Less: staff costs recovered from Peterhead Port Services	<u>962,806</u>	<u>1,018,039</u>
	<u><u>2,117,020</u></u>	<u><u>1,995,228</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	33	33
	<u>68</u>	<u>68</u>

5. NON-EXECUTIVE MEMBERS' AND KEY MANAGEMENT EMOLUMENTS

	2018 £	2017 £
Non-Executive members:		
Aggregate emoluments	88,058	81,117
Social security costs	1,665	2,708
	<u>89,723</u>	<u>83,825</u>
Key management:		
Aggregate emoluments	483,710	474,909
Pension contributions	71,181	77,322

Information regarding the highest paid member of key management for the year ended 31 December 2018 is as follows:

	2018 £	2017 £
Emoluments etc	113,514	169,764
Pension contributions	24,405	26,871

6. OPERATING PROFIT

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

	2018 £	2017 £
Depreciation	2,356,050	1,784,275
Loss on disposal of fixed assets	17,830	-
Auditors' remuneration	9,500	9,250
Auditors' remuneration for non audit work	3,750	3,500
Amortisation of grants	<u>(360,912)</u>	<u>(292,912)</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. FAIR VALUE GAINS

	2018 £	2017 £
Gain on interest rate swaps	<u>332,658</u>	<u>244,221</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Bank interest receivable	<u>8,715</u>	<u>29,441</u>

9. IMPAIRMENT OF FIXED ASSETS

	2018 £	2017 £
Impairment of fixed assets	<u>-</u>	<u>1,787,000</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Bank loan interest	697,800	409,661
Interest payable	<u>-</u>	<u>292</u>
	<u>697,800</u>	<u>409,953</u>

11. TAXATION

Analysis of the tax charge

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

	2018 £	2017 £
Current tax:		
UK corporation tax	500,758	1,051,268
Tax re previous years	<u>(275,534)</u>	<u>-</u>
Total current tax	225,224	1,051,268
Deferred tax	<u>462,081</u>	<u>75,277</u>
Tax on profit	<u>687,305</u>	<u>1,126,545</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

11. TAXATION - continued

Reconciliation of total tax charge included in the income statement

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

	2018 £	2017 £
Profit before tax	<u>3,117,141</u>	<u>3,545,967</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.247%)	592,257	682,492
Effects of:		
Expenses not deductible for tax purposes	32,952	14,871
Share of profit of subsidiary undertaking	(55,411)	(92,358)
Depreciation on non qualifying assets	278,572	287,093
Amortisation on non qualifying assets	(62,194)	(47,243)
Impairment of fixed assets	-	343,937
Enhanced capital allowances	(95,341)	(51,302)
Effective rate change in deferred tax	-	(1,105)
Adjustment re prior year deferred tax	272,003	(9,840)
Adjustment re prior year tax	<u>(275,534)</u>	<u>-</u>
Total tax charge	<u>687,305</u>	<u>1,126,545</u>

Tax effects relating to effects of other comprehensive income

	2018	
	Gross £	Net £
Actuarial gains/(losses) on pension scheme	42,000	44,090
Deferred taxation	<u>2,090</u>	<u>2,090</u>
	<u>44,090</u>	<u>44,090</u>
	2017	
	Gross £	Net £
Actuarial gains/(losses) on pension scheme	730,000	730,000
Deferred taxation	<u>(138,070)</u>	<u>(138,070)</u>
	<u>591,930</u>	<u>591,930</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

12. TANGIBLE FIXED ASSETS

	Land, Buildings & Improvements £	Current developments £	Plant and machinery £	Motor vehicles £	Totals £
COST					
At 1 January 2018	77,881,308	38,627,646	5,275,939	76,389	121,861,282
Additions	-	13,191,044	177,927	11,495	13,380,466
Disposals	-	-	(228,690)	-	(228,690)
At 31 December 2018	<u>77,881,308</u>	<u>51,818,690</u>	<u>5,225,176</u>	<u>87,884</u>	<u>135,013,058</u>
DEPRECIATION					
At 1 January 2018	26,138,498	-	3,489,444	64,761	29,692,703
Charge for year	1,466,167	608,100	269,496	12,287	2,356,050
Eliminated on disposal	-	-	(207,660)	-	(207,660)
At 31 December 2018	<u>27,604,665</u>	<u>608,100</u>	<u>3,551,280</u>	<u>77,048</u>	<u>31,841,093</u>
NET BOOK VALUE					
At 31 December 2018	<u>50,276,643</u>	<u>51,210,590</u>	<u>1,673,896</u>	<u>10,836</u>	<u>103,171,965</u>
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>

Included within land and buildings are leasehold structures from The Crown Estate Commissioners with a NBV of £44,068,201 (2017 £45,312,442).

13. FIXED ASSET INVESTMENTS

	2018 £
Peterhead Port Services:	
At 1st January 2018	3,402,221
Profit/(loss) for year	<u>291,637</u>
At 31st December 2018	<u>3,693,858</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.

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018 are summarised as follows:

	2018 £	2017 £
Revenue and Expenditure Account		
Revenue from pilotage services	823,466	940,515
Revenue from pilotage exemption certificates	270,401	199,569
	<u>1,093,867</u>	<u>1,140,084</u>
 Aggregate expenditure incurred on:		
Providing the services of a pilot	356,776	364,249
Providing, maintaining and operating the pilot boat	372,934	375,330
Administration and other costs	158,251	165,685
	<u>887,961</u>	<u>905,264</u>
 Total pilotage expenditure		
	<u>887,961</u>	<u>905,264</u>
 Profit on pilotage activities	205,906	234,820
Net other income/(expenditure)	151,186	355,538
Taxation	(65,455)	(110,493)
	<u>291,637</u>	<u>479,865</u>
 Surplus for year		
	<u>291,637</u>	<u>479,865</u>
 Balance Sheet		
Fixed assets, at cost	655,315	655,315
Aggregate depreciation	(611,210)	(602,150)
	<u>44,105</u>	<u>53,165</u>
 Current assets:		
Debtors	1,267,056	479,312
Investments	831,052	877,822
Cash and bank balances	2,310,282	3,040,625
	<u>4,408,390</u>	<u>4,397,759</u>
 Creditors: amounts falling due within one year:		
Creditors and accruals	43,190	281,041
Corporation tax	67,755	77,898
	<u>110,945</u>	<u>358,939</u>
 Total assets less current liabilities	4,341,550	4,091,985
 Provision for liabilities	647,692	689,764
	<u>647,692</u>	<u>689,764</u>
 Net assets	<u>3,693,858</u>	<u>3,402,221</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. STOCKS

	2018	2017
	£	£
Stocks	<u>16,568</u>	<u>10,812</u>

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade debtors	1,512,716	1,774,030
Other debtors	218,268	994,508
Tax	99,776	-
Prepayments and accrued income	<u>422,352</u>	<u>393,046</u>
	<u>2,253,112</u>	<u>3,161,584</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans and overdrafts (see note 18)	1,482,500	12,458,861
Trade creditors	1,806,392	3,538,611
Tax	-	556,268
Social security and other taxes	101,072	106,549
Other creditors and accruals	<u>2,728,202</u>	<u>2,617,152</u>
	<u>6,118,166</u>	<u>19,277,441</u>

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

	2018	2017
	£	£
Bank loans (see note 18)	26,813,750	6,077,500
Other loans (see note 18)	2,000,000	-
Financial liabilities – interest rate swaps	<u>88,998</u>	<u>421,656</u>
	<u>28,902,748</u>	<u>6,499,156</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

18. LOANS

Bank Loans	2018 £	2017 £
Development funding loan refinanced on project completion	-	12,101,361
Repayable by instalments over 10 years to 2025 Bank loan partially fixed by interest rate swap	6,077,500	6,435,000
Repayable by instalments over 20 years to 2038 Bank loan partially fixed by interest rate swap	<u>22,218,750</u>	-
	<u>28,296,250</u>	<u>18,536,361</u>
Included in current liabilities	1,482,500	12,458,861
Amounts falling due between one and two years	1,482,500	357,500
Amounts falling due between two and five years	4,447,500	1,072,500
Amounts falling due in more than five years	<u>20,883,750</u>	<u>4,647,500</u>
	<u>28,296,250</u>	<u>18,536,361</u>

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

Other Loans	2018 £	2017 £
Scottish Government Loan Repayable by instalments over 10 years to 2028	<u>2,000,000</u>	-
Included in current liabilities	-	-
Amounts falling due between one and two years	250,000	-
Amounts falling due between two and five years	750,000	-
Amounts falling due after five years	<u>1,000,000</u>	-
	<u>2,000,000</u>	-

19. LEASING AGREEMENTS

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

	2018 £	2017 £
Within one year	116,743	105,451
Between one and five years	<u>37,655</u>	<u>24,174</u>
	<u>154,398</u>	<u>129,625</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

20. FINANCIAL INSTRUMENTS

	2018 £	2017 £
Financial assets measured at amortised cost		
Trade and other debtors	1,730,984	2,768,538
Financial liabilities at fair value through income statement		
Interest rate swaps	(88,998)	(421,656)
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	(28,296,250)	(18,536,361)
Trade creditors	(1,806,392)	(3,538,611)
Other loans	(2,000,000)	-

The fair value of the interest rate swaps held at the balance sheet date is calculated by discounting the expected future cash flows at prevailing interest rates.

21. PROVISIONS FOR LIABILITIES

	2018 £	2017 £
Deferred tax	<u>734,188</u>	<u>272,107</u>
		Deferred tax
		£
Balance at 1 January 2018		<u>272,107</u>
Provided during year		<u>462,081</u>
Balance at 31 December 2018		<u>734,188</u>

22. ACCRUALS AND DEFERRED INCOME

	2018 £	2017 £
Government grants		
At 1st January 2018	9,583,056	8,332,267
Received in year	2,875,042	1,543,701
Amortisation in year	<u>(360,912)</u>	<u>(292,912)</u>
At 31st December 2018	<u>12,097,186</u>	<u>9,583,056</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

23. RESERVES

	Retained earnings £
At 1 January 2018	63,327,645
Profit for the year	2,429,836
Actuarial gain/(loss) relating to net pension deficit	<u>44,090</u>
At 31 December 2018	<u><u>65,801,571</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 an individual basis.

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 2017 have been updated to 31st December 2018 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	
	2018	2017
	£	£
Present value of funded obligations	(5,166,000)	(5,250,000)
Fair value of plan assets	<u>4,513,000</u>	<u>4,611,000</u>
	(653,000)	(639,000)
Present value of unfunded obligations	<u>(25,000)</u>	<u>(28,000)</u>
Deficit	(678,000)	(667,000)
Deferred tax asset	<u>128,820</u>	<u>126,730</u>
Net liability	<u><u>(549,180)</u></u>	<u><u>(540,270)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Current service cost	119,000	124,000
Net interest from net defined benefit asset/liability	15,000	34,000
Administration expenses	1,000	2,000
	<u>135,000</u>	<u>160,000</u>
Actual return on plan assets	<u>(129,000)</u>	<u>864,000</u>

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

	2018	2017
	£	£
Opening defined benefit obligation	5,278,000	5,030,000
Current service cost	119,000	124,000
Contributions by scheme participants	38,000	43,000
Interest cost	131,000	135,000
Remeasurements	(287,000)	33,000
Benefits paid	(88,000)	(87,000)
	<u>5,191,000</u>	<u>5,278,000</u>

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

	2018	2017
	£	£
Opening fair value of scheme assets	4,611,000	3,706,000
Contributions by employer	82,000	87,000
Contributions by scheme participants	38,000	43,000
Administration expenses	(1,000)	(2,000)
Interest on plan assets	116,000	101,000
Remeasurements	(245,000)	763,000
Benefits paid	(88,000)	(87,000)
	<u>4,513,000</u>	<u>4,611,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Actuarial gains/(losses)	42,000	730,000
Deferred tax adjustment	2,090	(138,070)
	<u>44,090</u>	<u>591,930</u>

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

	2018	2017
Equities	64.80%	65.70%
Government bonds	6.30%	7.50%
Other bonds	1.80%	1.30%
Property	7.30%	7.30%
Cash/liquidity	2.20%	1.60%
Other	17.60%	16.60%
	<u>100.00%</u>	<u>100.00%</u>

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

	2018	2017
Discount rate	2.90%	2.50%
Rate of increase in salaries	3.70%	3.70%
Rate of increase in pensions	2.30%	2.20%
CPI inflation	2.20%	2.20%

Duration information as at the end of the accounting period

Estimated Macaulay duration of liabilities (at later of 31 March 2017 & admission date):

Duration profile used to determine assumptions: **17 years very mature**

Post retirement mortality assumptions (normal health)

Non - retired members	S2PA CMI 2015[1.75%] 100% male[1.50%] 90% female	S2PA CMI 2015[1.75%] 100% male[1.50%] 90% female
Retired members	S2PA CMI 2015[1.75%] 103% male[1.50%] 98% female	S2PA CMI 2015[1.75%] 103% male[1.50%] 98% female

The mortality assumptions adopted at 31 December 2018 imply the following future life expectancies:

	Future Life Expectancy (years)
Male retiring at 65 in 2018	22.7
Female retiring at 65 in 2018	24.9
Male retiring at age 65 in 2038	25.6
Female retiring at age 65 in 2038	27.9

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Peterhead Port Services

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

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. Quarterly funding updates at 30 September 2018 report an improved position with a deficit of £144.4 million (representing a 69% funding level). In accordance with FRS 102, a liability of £619,141 (2017: £658,913) 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 2018 report a net deficit of £9 million (representing a 99% 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 enrol 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

	2018 £	2017 £
Contracted but not provided for in the financial statements	-	8,690,000

26. RELATED PARTY DISCLOSURES

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

Gateway to a sea of opportunities



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