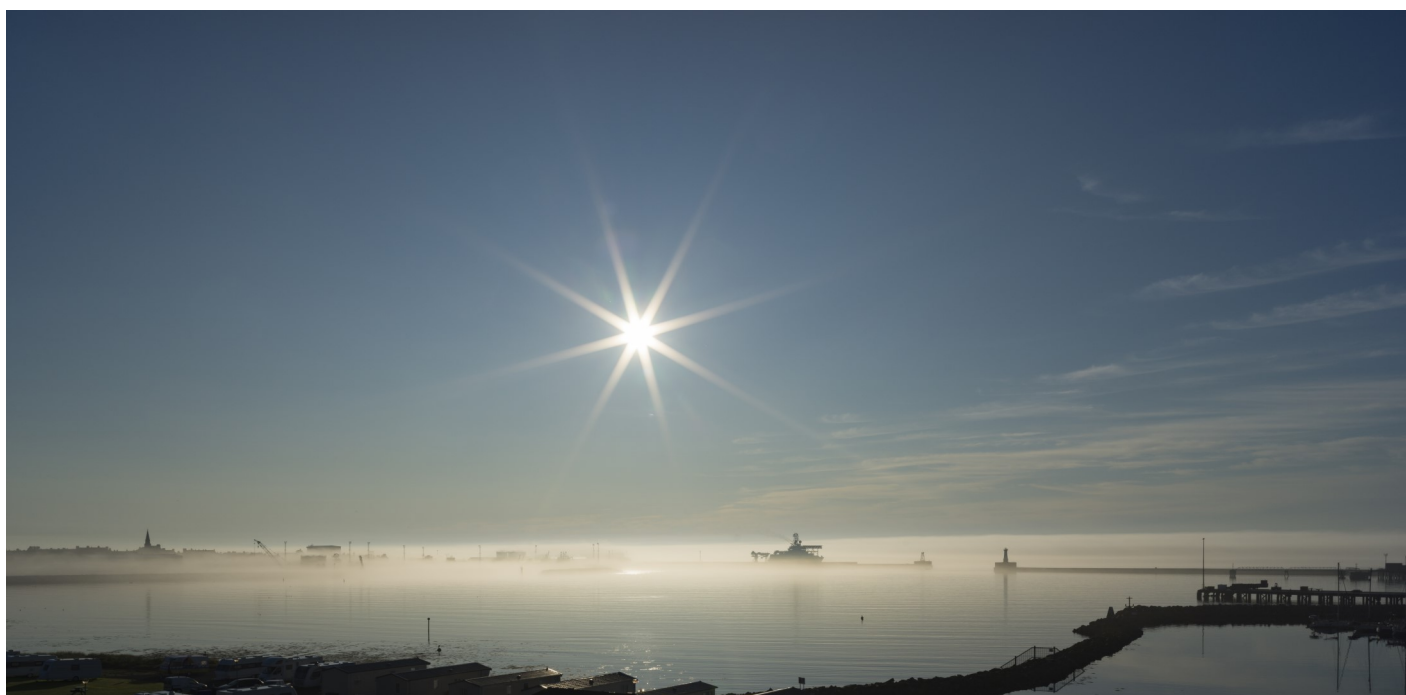
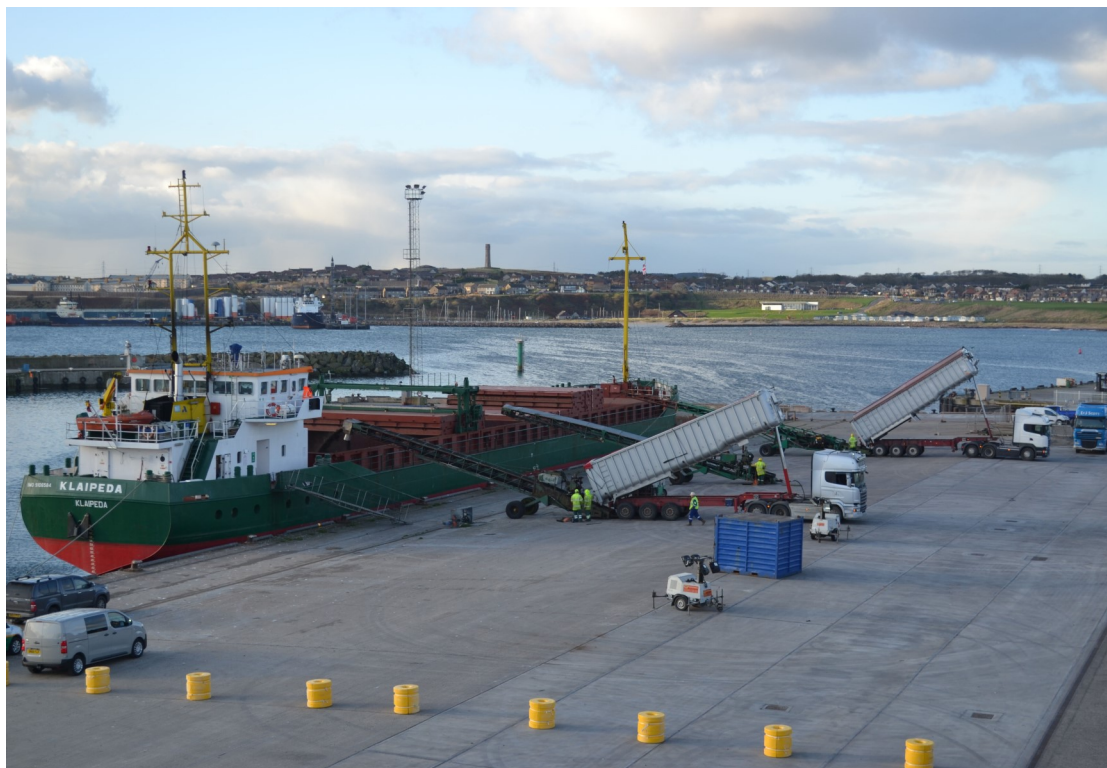




REPORT AND FINANCIAL STATEMENTS
For The Year Ended
31 December 2019



Gateway to a sea of opportunities



Peterhead Port Authority, Harbour Office, West Pier, Peterhead, AB42 1DW



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PETERHEAD PORT AUTHORITY

AUTHORITY INFORMATION

Members	Mr G B Thain Mr R A Buchan Mr S G Brebner Mr I Armstrong Mr J I Buchan Mr A Gardiner Mr R Milne Mr S J Murphy Mr M J Skitmore Mr J E Wallace Mr W J M R Mackie MBE Mr J Stephen	Convenor Deputy Convenor Chief Executive
		to 31 December 2019 from 1 January 2020
Principal officers	Mr S G Brebner Mr S G Paterson Capt J P F Forman Mr D S Buchan	Chief Executive Chief Financial Officer Harbour Master Senior Port Engineer
Principal office	Harbour Office West Pier Peterhead AB42 1DW	
Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL	
Bankers	Santander Business Banking Bridle Road Bootle Liverpool L30 4GB	
Solicitors	Mackinnons Solicitors LLP 14 Carden Place Aberdeen AB10 1UR	Masson Glennie Broad House Broad Street Peterhead AB42 1HY

PETERHEAD PORT AUTHORITY

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PETERHEAD PORT AUTHORITY

CONVENOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Members present the Convenor's Report for the year ended 31 December 2019.

Trading Review

Peterhead Port Authority is delighted to be able to report another excellent trading year. The overall value of fish handled through Peterhead set another record at £208 million which included an impressive 143% growth in the value of shellfish handled.

The tonnage of commercial shipping during 2019 was impacted by the loss of a client part way through the previous year, but was otherwise slightly up on the previous 12 months. The annual gross tonnage of shipping using the Port was 9.4 million tonnes.

Financial Review

The results for the year and financial position of the Authority are shown on the attached financial statements. For the first time, the results amalgamate trading performance and balance sheet of Peterhead Port Authority and those of Peterhead Port Services (which provided the pilotage and VTS service at Peterhead). A review of the organisations concluded that the two should now be considered as one and the same entity and are not separately distinguishable. The results for current and previous financial years therefore show the combined results.

The Authority has historically carried investment property at cost rather than fair value on the grounds of undue cost or effort and included them within fixed assets. Following removal of the undue cost or effort exemption in FRS102 land and buildings held for capital appreciation and lease income have been reclassified to investment property from fixed assets. A valuation exercise was undertaken by an external valuer. This produced a revaluation gain on investment property of £10,631,819. Of this gain £10,186,344 has been restated through prior periods. An impairment charge of £6,925,495 on an investment property in the course of construction has also been recognised. On completion of construction the property was transferred from tangible fixed assets to investment property. Finally, an adjustment for a deferred grant has been recognised. The grant conditions have been met, it is not repayable and the premises to which it related were written down prior to 1 January 2018. The grant relating to these premises of £506,288 has therefore now been released as part of the prior period adjustment. More details on these adjustments can be found at note 29.

Turnover was £13,331,334, up by 1.5% from 2018 and a record for the business.

Cost of sales decreased from £4,954,754 in 2018 to £4,095,043 in 2019. The main contributory factor was a decrease of £729,859 in maintenance costs. Administrative expenses increased mainly on account of the higher annual depreciation charge associated with completion of the Inner Harbour Development.

The Authority has maintained a strong balance sheet with net assets of £72,080,024 as at 31 December 2019, compared to £69,432,791 in 2018. The increase is predominantly due to cash generated from a strong trading performance.

Inner Harbour Development

The vision of the ambitious Peterhead Port Masterplan was to position Peterhead as Scotland's Seafood Centre of Excellence. The first part has been successfully delivered. Increased volumes of consistently high quality fish has encouraged more buyers to the market, which in turn has led to new vessels landing and consigning their catch to sell at Peterhead.

The Port has turned its attention to attaining the highest standards of quality and sustainability at the fish market. Having secured accreditations with Marine Stewardship Council and BRC Global Standard for food hygiene, the Port was the first to be awarded the Responsible Fishing Ports Scheme. These quality standards were then complemented with the SEDEX Members Ethical Trade Audit (SMETA) ensuring compliance in Labour, Health and Safety, Environment and Business Ethics. Peterhead was also recipient of 'Fishing Port of the Year' for a second year running at the annual Fishing News Awards ceremony.

PETERHEAD PORT AUTHORITY

CONVENOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Inner Harbour Development (continued)

One of the key outcomes from a Board strategy session was a desire to increase the quality and capacity of fish processing in Peterhead. It was recognised that there had been low investment in the white fish sector in recent years and that a large amount of the highest quality fish sold through the market is leaving this area with no added value processing. Towards this end it was decided to upgrade the units situated adjacent to the new market to meet modern fish handling and building standards and convert all of the units for use by processors. Detailed plans have been developed for this project and it is hoped a final decision can be taken in 2020, and the works complete in 2022. This represents another significant investment in the white fish sector and is a clear demonstration of confidence in the future which will help protect the volume and value of fish landed in Peterhead. As negotiations continue on the terms of the UK departure from the EU, the fishing sector is seeking clarity on the impact this may have on catching, processing and export activities.

Peterhead Port's 2020 vision demonstrates an ethos to be an environmentally responsible business reducing its carbon footprint and championing sustainability and renewable energy. The new fish market incorporates a 60kW solar system. Our main electricity contracts are for power generated from renewable sources and a new working group has been established to consider what needs to be done as the business transitions towards a net-zero status. Peterhead is ideally placed to help bring carbon capture plans to a reality and may play a significant role through importing CO₂ captured from industrial processes, for onward transmission to the Acorn storage site in the Moray Firth.

Personnel

Previous Convenor and long standing Member, William Mackie MBE retired on 31 December 2019 and I would like to thank him for many years of dedicated service and attention to the business. Fishing boat skipper James Stephen was appointed as a Member from 1 January 2020.

Auditors

A tender exercise was held for the provision of audit and tax services to the organisation. Johnston Carmichael LLP was successful in securing the work and I take this opportunity to welcome them and to thank our previous auditors, Bain Henry Reid, for their service over many years.

Community Engagement

During the past year the Authority participated in the Relay for Life fundraising event, with staff and Members raising over £10,000 for Cancer Research UK. The Authority was a main sponsor for the town's Scottish Week celebration and the Seafood Festival events in Peterhead. We continued to support the Deckhands courses at the Scottish Maritime College which encourages school leavers to seek a maritime career. Funds were also committed to East Grampian Coastal Partnership to support their 'Turning the Plastic Tide' initiative. This helped them to organise 53 very successful beach cleans in the area, removing over 21 tonnes of marine litter and leaving a cleaner environment to be enjoyed by wildlife and visitors alike.

Looking Forward

The emergence of Covid-19 and subsequent disruption to business has had a very significant impact on trading in recent weeks, and this is ongoing. All areas of our operation have been affected, with some having to close altogether due to difficulties in maintaining social distancing. Demand for fish initially dropped dramatically as restaurants, hotels and export markets are closed and transport routes disrupted. Peterhead continues to offer a daily fish auction, albeit with a much lower number of boxes, but there are early signs that matters are now slowly improving. The drop in the oil price to well below producers' lifting costs will have a longer term impact on activity associated with servicing the offshore oil and gas sector, and may precipitate earlier decommissioning of some fields.

PETERHEAD PORT AUTHORITY

CONVENOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Looking Forward (continued)

It is expected that turnover for 2020 will decrease by up to 25%. Measures have been taken to defer non essential expenditure and delay some projects. Some work has proven impossible to initiate during the lockdown period. As a consequence, the plans to repair and refurbish the revetment behind the sea wall at Alexandra Parade have been delayed again. All consents are in place and it is hoped that the £4.5 million project will be completed during 2021.

A contract to install cathodic protection to all of the new quays around the inner harbours was signed at the end of the year, and work will take place in the first half of 2020, at an estimated cost of £650,000.

In closing, I thank all of the Members and employees of the Authority 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 Members



.....
Mr G B Thain
Convenor

20 MAY 2020

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Members present their report with the financial statements of the Authority for the year ended 31 December 2019.

Principal Activities

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

Peterhead Port Authority caters mainly for the fishing and offshore oil and gas industries. Peterhead is the foremost fishing port in the UK and provides a comprehensive range of modern facilities for the industry, including the UK's busiest fish market, 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.

Members

The Members who held office during the year and up to the date of signature of the financial statements were as follows:

Mr G B Thain
Mr R A Buchan
Mr S G Brebner
Mr I Armstrong
Mr J I Buchan
Mr A Gardiner
Mr R Milne
Mr S J Murphy
Mr M J Skitmore
Mr J E Wallace
Mr W J M R Mackie (Retired 31 December 2019)
Mr J Stephen (Appointed 1 January 2020)

Results

The results for the year are set out on page 10.

Auditor

Johnston Carmichael LLP was appointed as auditor to the Authority and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a Members' Meeting.

Statement of Disclosure to Auditor

So far as each person who was a Member at the date of approving this report is aware, there is no relevant audit information of which the Authority's auditor is unaware. Additionally, the Members individually have taken all the necessary steps that they ought to have taken as Members in order to make themselves aware of all relevant audit information and to establish that the Authority's auditor is aware of that information.

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 source 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.

Review of Business and Future Developments

Review of business and future developments for the year can be found in the Convenor's Report and form part of this report by cross reference.

On behalf of the Members



.....
Mr S G Brebner
Chief Executive

Date: 20 MAY 2020.....

PETERHEAD PORT AUTHORITY

MEMBERS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Members are responsible for preparing the Convenors' Report, Members' Report and the financial statements in accordance with applicable law and regulations.

Applicable law requires the Members to prepare financial statements for each financial year. Under that law the Members elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under applicable law the Members must not approve the financial statements unless Members are satisfied that they give a true and fair view of the state of affairs of the Authority and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the Harbours Act 1964 and the Companies Act 2006. Members are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PETERHEAD PORT AUTHORITY

INDEPENDENT AUDITOR'S REPORT

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 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and 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 FRS 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 2019 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 the Harbours Act 1964 and the Companies Act 2006.

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 *Auditor's 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 included in the annual report, other than the financial statements and our auditor's report 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.

Opinions on other matters prescribed by the Harbours Act 1964 and the Companies Act 2006.

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

PETERHEAD PORT AUTHORITY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETERHEAD PORT AUTHORITY

Matters on which we are required to report by exception

In the light of our 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 and the Members' Reports.

We have nothing to report in respect of the following matters in relation to which the Harbours Act 1964 and the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement, 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 is 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.

Auditor's 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 an auditor's report 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.

PETERHEAD PORT AUTHORITY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETERHEAD PORT AUTHORITY

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members.
- Conclude on the appropriateness of the Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Authority's Members, as a body, in accordance with the Harbours Act 1964 and 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 an auditor's report 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's Members, as a body, for our audit work, for this report, or for the opinions we have formed.



Brian Moran (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

20th May 2020

Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

PETERHEAD PORT AUTHORITY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£	as restated £
Turnover	4	13,331,334	13,131,016
Cost of sales		(4,095,043)	(4,954,754)
Release of government grant		379,056	323,724
Gross profit		<u>9,615,347</u>	<u>8,499,986</u>
Administrative expenses		(5,384,902)	(4,964,890)
Operating profit	5	<u>4,230,445</u>	<u>3,535,096</u>
Interest receivable and similar income	8	218,907	158,866
Interest payable and similar expenses	9	(922,081)	(828,800)
Fair value gains / (losses)	10	6,989	586,181
Profit before taxation		<u>3,534,260</u>	<u>3,451,343</u>
Tax on profit	11	(740,117)	(797,050)
Profit for the financial year		<u><u>2,794,143</u></u>	<u><u>2,654,293</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

PETERHEAD PORT AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£	as restated £
Profit for the year	2,794,143	2,654,293
Other comprehensive income		
Actuarial (loss) / gain on defined benefit pension schemes	(177,000)	42,000
Tax relating to other comprehensive income	30,090	2,090
Other comprehensive income for the year	(146,910)	44,090
Total comprehensive income for the year	2,647,233	2,698,383

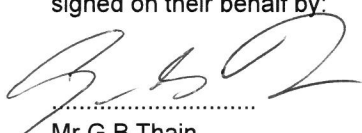
PETERHEAD PORT AUTHORITY

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12	88,641,083		93,756,803	
Investment properties	13	15,836,000		13,026,046	
Investments	14	1,009,948		831,052	
		<u>105,487,031</u>		<u>107,613,901</u>	
Current assets					
Stocks	16	12,327		16,568	
Debtors	17	2,332,397		2,386,393	
Cash at bank and in hand		9,833,389		7,377,817	
		<u>12,178,113</u>		<u>9,780,778</u>	
Creditors: amounts falling due within one year	18	<u>(4,640,488)</u>		<u>(5,714,472)</u>	
Net current assets		<u>7,537,625</u>		<u>4,066,306</u>	
Total assets less current liabilities		<u>113,024,656</u>		<u>111,680,207</u>	
Creditors: amounts falling due after more than one year	19	(27,597,104)		(28,902,748)	
Provisions for liabilities	21	(1,167,605)		(1,039,122)	
Deferred income	23	(11,248,923)		(11,627,546)	
Net assets excluding pension liability		<u>73,011,024</u>		<u>70,110,791</u>	
Defined benefit pension liability	24	(931,000)		(678,000)	
Net assets		<u><u>72,080,024</u></u>		<u><u>69,432,791</u></u>	
Capital and reserves					
Profit and loss reserves	25	<u>72,080,024</u>		<u>69,432,791</u>	

The financial statements were approved by the Members and authorised for issue on 20 May 2020 and are signed on their behalf by:



 Mr G B Thain
 Convenor



 Mr S G Brebner
 Chief Executive

PETERHEAD PORT AUTHORITY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Profit and loss reserves £
As restated for the period ended 31 December 2018:		
Balance at 1 January 2018		63,327,645
Effect of prior period adjustments	29	3,406,763
As restated		66,734,408
Year ended 31 December 2018 (restated):		
Profit for the year (restated)		2,654,293
Other comprehensive income:		
Actuarial gains on defined benefit plans		42,000
Tax relating to other comprehensive income		2,090
Total comprehensive income for the year		2,698,383
Balance at 31 December 2018 (restated)		69,432,791
Year ended 31 December 2019:		
Profit for the year		2,794,143
Other comprehensive income:		
Actuarial gains on defined benefit plans		(177,000)
Tax relating to other comprehensive income		30,090
Total comprehensive income for the year		2,647,233
Balance at 31 December 2019		72,080,024

PETERHEAD PORT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	27	6,661,528		4,200,696	
Interest paid		(775,081)		(697,800)	
Income taxes paid		(327,957)		(969,308)	
Net cash inflow from operating activities		5,558,490		2,533,588	
Investing activities					
Purchase of tangible fixed assets		(1,600,702)		(13,694,722)	
Proceeds on disposal of tangible fixed assets		208		3,200	
Interest received		74,643		8,716	
Net cash used in investing activities		(1,525,851)		(13,682,806)	
Financing activities					
Proceeds of new bank loans		-		12,398,639	
Repayment of bank loans		(1,482,500)		(638,750)	
Proceeds from grant funding		-		2,970,042	
Repayment of grant funding		(94,567)		-	
Net cash (used in)/generated from financing activities		(1,577,067)		14,729,931	
Net increase in cash and cash equivalents		2,455,572		3,580,713	
Cash and cash equivalents at beginning of year		7,377,817		3,797,104	
Cash and cash equivalents at end of year		9,833,389		7,377,817	

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Board information

Peterhead Port Authority is a statutory harbour undertaker having its principal place of business at Harbour Office, West Pier, Peterhead, AB42 1DW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 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.

The financial statements are prepared in sterling, which is the functional currency of the Authority. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of heritable properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Prior period adjustment

The comparative period has been restated to include the results of Peterhead Port Services ('PPS'), the transfer of certain land and buildings to investment properties and the release of a deferred grant. The effects of these adjustments are detailed at note 29.

1.3 Going concern

At the time of approving the financial statements, the Members have a reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future. Thus the Members continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services as provided in the normal course of business, and is shown net of VAT. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Harbour structures and dredging	straight line over 25-50 years
Plant and Equipment	straight line over 5-15 years
Motor vehicles	straight line over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.7 Fixed asset investments

Listed investments held as fixed assets are stated at market value. The gains or losses on the fair value of the investments are reported through the profit and loss account. The gains or losses on disposal of listed investments are reported through the profit and loss account.

1.8 Impairment of fixed assets

At each reporting period end date, the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks consist of fuel, salt and other materials. These are stated at the lower of cost and estimated selling price.

At each reporting date, an assessment is made for impairment. Based on the nature of stocks held, potential impairment would be recognised where there was indicators of obsolescence. Where applicable, impairment losses, and any reversals of impairment losses, are recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.11 Financial instruments

The Authority has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Authority's balance sheet when the Authority becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Authority transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Authority after deducting all of its liabilities.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Authority's contractual obligations expire or are discharged or cancelled.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Authority's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Authority is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

The Authority operates a defined contribution scheme. Contributions are charged to the profit and loss account for the year in which they are payable in 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 participates in the North East Scotland Pension Fund, 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.

In accordance with FRS 102, the service cost of the pension provision relating to the year, together with the cost of any benefits relating to past service, is charged to operating profit. A charge equal to the interest on the Authority's share of scheme liabilities and credit equivalent to the long-term expected return on the Authority's share of scheme assets are included in the profit and loss account under 'interest payable and similar expenses' and 'interest receivable and similar income', respectively. The difference between the market value of the Authority's share of the scheme's assets and the present value of the share of accrued pension liabilities is shown as an asset or liability on the balance sheet. Deferred tax is recognised in relation to the timing differences arising on pension costs. Any difference between the net interest on the Authority's share of assets and the return actually achieved is recognised in the statement of other comprehensive income along with differences which arise from other experience or assumption changes.

The Authority participates in the Pilot's National Pension Fund, another multi-employer defined benefit pension scheme. This scheme is accounted for as if it were a defined contribution scheme as the Authority's ultimate share of the assets and liabilities of the scheme cannot be identified.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Change in accounting policy

In the current year, the Authority adopted the FRS 102 Triennial Review 2017 amendments. This included a change in accounting policy for certain land and buildings which have been reclassified to investment property. The impact of this adjustment and other prior year restatements is detailed at note 29.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Judgements and key sources of estimation uncertainty

In the application of the Authority's accounting policies, the Members required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are outlined below:

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Useful economic life of tangible fixed assets

Tangible fixed assets are depreciated over the useful lives of the assets. Useful lives are based on the Authority's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired.

The Members have considered whether or not there were indicators of impairment and concluded that at the Balance Sheet date none were identified. The assessment included both external sources such as the market conditions, and internal sources such as physical damage and obsolescence.

Carrying value of investment property

There is judgement involved in determining the fair value of investment property. In 2019, a valuation exercise was undertaken by an external property valuer to determine the fair value at the year end. See note 13 for the fair value and details of the last professional valuation.

Defined benefit pension schemes

Accounting for pensions and other post retirement benefits involves judgements about uncertain events including 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 Authority 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 Authority's Balance Sheet, and pension and other post retirement benefit expense for the following year.

The assumptions used are provided in note 24.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Turnover and other revenue

	2019	Restated 2018
	£	£
Turnover analysed by class of business		
Dues on ships	2,126,968	2,260,571
Dues on goods	6,151,263	6,086,691
Rental income	2,362,531	2,103,540
General revenue and services	1,163,985	1,086,418
Pilotage services	781,105	823,466
Pilotage Exemption Certificate Services ('PECS')	290,381	270,401
VTs services	455,101	499,929
	<u>13,331,334</u>	<u>13,131,016</u>
	2019	Restated 2018
	£	£
Turnover analysed by geographical market		
United Kingdom	<u>13,331,334</u>	<u>13,131,016</u>

The Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 require the separate disclosure of revenue and expenditure applicable to pilotage activities. Expenditure has been disclosed in note 5.

5 Operating profit

	2019	Restated 2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the Authority's auditor for the audit of the Authority's financial statements	19,000	13,600
Depreciation of owned tangible fixed assets	2,856,876	2,319,700
(Profit)/loss on disposal of tangible fixed assets	(208)	17,830
Operating lease charges	188,654	105,451
Providing services of a pilot	369,698	356,776
Providing, maintaining and operating the pilot boat	382,913	372,934
Pilotage administration and other costs	<u>160,103</u>	<u>158,251</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

The average monthly number of persons (including Members) employed by the Authority during the year was:

	2019 Number	2018 Number
Administrative employees	24	25
Direct employees	32	33
Non-executive Members	10	10
	<u>66</u>	<u>68</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,668,806	2,569,219
Social security costs	275,851	274,874
Pension costs	322,448	272,467
	<u>3,267,105</u>	<u>3,116,560</u>

7 Members' remuneration

	2019 £	2018 £
Non-executive Members:		
Remuneration for qualifying services	<u>94,705</u>	<u>86,906</u>
Key management:		
Remuneration for qualifying services	493,913	483,710
Authority pension contributions	92,659	71,181
	<u>586,572</u>	<u>554,891</u>

Remuneration disclosed above includes the following amounts paid to the highest paid member of key management:

	2019 £	2018 £
Remuneration for qualifying services	148,344	113,514
Authority pension contributions	<u>31,894</u>	<u>24,405</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Interest receivable and similar income

	2019	Restated 2018
	£	£
Interest income		
Interest on bank deposits	74,643	8,716
Interest on the net defined benefit pension scheme asset (see note 24)	129,000	116,000
Total interest revenue	203,643	124,716
Income from fixed asset investments		
Income from other fixed asset investments	15,264	34,150
Total income	218,907	158,866
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	74,643	8,716

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	775,081	697,800
Other finance costs:		
Net interest on the net defined benefit pension liability (see note 24)	147,000	131,000
	922,081	828,800

10 Fair value movements

	2019	Restated 2018
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	(356,861)	372,430
Other gains/(losses)		
Changes in the fair value of investment properties	184,954	260,521
Fair value gains / (losses) on listed investments	178,896	(46,770)
	6,989	586,181

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Taxation

	2019	Restated 2018
	£	£
Current tax		
UK corporation tax on profits for the current period	682,849	292,980
Adjustments in respect of prior periods	(101,305)	-
Total current tax	581,544	292,980
Deferred tax		
Origination and reversal of timing differences	158,573	504,070
Total tax charge	740,117	797,050

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019	Restated 2018
	£	£
Profit before taxation	3,534,260	3,451,343
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	671,509	655,755
Tax effect of expenses that are not deductible in determining taxable profit	87	34,808
Tax effect of income not taxable in determining taxable profit	(67,217)	(2,908)
Adjustments in respect of prior years	(101,305)	(275,534)
Permanent capital allowances in excess of depreciation	205,601	112,926
Deferred tax adjustments in respect of prior years	-	227,714
Chargeable gains	31,442	44,289
Taxation charge for the year	740,117	797,050

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019	Restated 2018
	£	£
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(30,090)	(2,090)

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Tangible fixed assets

	Harbour structures and dredging	Assets under construction	Plant and Equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2019 (restated)	74,431,150	51,818,690	5,759,246	87,883	132,096,969
Additions	3,291	277,779	85,086	-	366,156
Disposals	-	-	-	(2,500)	(2,500)
Reclassification	44,283,196	(52,096,469)	7,813,273	-	-
Transfer to investment property	(9,550,495)	-	-	-	(9,550,495)
At 31 December 2019	109,167,142	-	13,657,605	85,383	122,910,130
Depreciation and impairment					
At 1 January 2019 (restated)	33,576,384	608,100	4,078,634	77,048	38,340,166
Depreciation charged in the year	1,396,027	1,180,488	276,669	3,692	2,856,876
Eliminated in respect of disposals	-	-	-	(2,500)	(2,500)
Reclassification	1,049,523	(1,788,588)	739,065	-	-
Transfer to investment property	(6,925,495)	-	-	-	(6,925,495)
At 31 December 2019	29,096,439	-	5,094,368	78,240	34,269,047
Carrying amount					
At 31 December 2019	80,070,703	-	8,563,237	7,143	88,641,083
At 31 December 2018 (restated)	40,854,766	51,210,590	1,680,612	10,835	93,756,803

During the current and comparative year, certain land and buildings were transferred to investment property. See note 29 for more details.

13 Investment property

	2019 £
Fair value	
At 1 January 2019 (restated)	13,026,046
Transfers from tangible fixed assets	2,625,000
Net gains or losses through fair value adjustments	184,954
At 31 December 2019	15,836,000

The fair value of the investment property has been arrived at on the basis of a desktop valuation carried out at 31 December 2019 by J & E Shepherd Chartered Surveyors. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors ('RICS') Global Standards 2020.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Fixed asset investments

	2019	Restated 2018
	£	£
Listed investments	1,009,948	831,052

Movements in fixed asset investments

	Investments other than loans £
Valuation / carrying amount	
At 1 January 2019 (restated)	831,052
Valuation changes	178,896
At 31 December 2019	1,009,948

15 Financial instruments

	2019	2018
	£	£
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities - interest rate swap	453,354	88,998

16 Stocks

	2019	2018
	£	£
Stocks	12,327	16,568

17 Debtors

	2019	Restated 2018
	£	£
Amounts falling due within one year:		
Trade debtors	1,658,104	1,546,847
Corporation tax recoverable	-	99,776
Other debtors	188,110	277,840
Prepayments and accrued income	486,183	461,930
	2,332,397	2,386,393

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Creditors: amounts falling due within one year

	Notes	2019 £	Restated 2018 £
Bank loans	20	1,482,500	1,482,500
Scottish Government loan	20	187,500	-
Trade creditors		357,344	557,392
Corporation tax		209,546	67,756
Other taxation and social security		99,075	101,072
Other creditors		1,520,774	1,485,587
Accruals and deferred income		783,749	2,020,165
		<u>4,640,488</u>	<u>5,714,472</u>

19 Creditors: amounts falling due after more than one year

	Notes	2019 £	Restated 2018 £
Bank loans and overdrafts	20	25,331,250	26,813,750
Scottish Government loan	20	1,812,500	2,000,000
Derivative financial instruments	15	453,354	88,998
		<u>27,597,104</u>	<u>28,902,748</u>

20 Loans and overdrafts

	2019 £	2018 £
Bank loans	26,813,750	28,296,250
Scottish Government loan	2,000,000	2,000,000
	<u>28,813,750</u>	<u>30,296,250</u>
Payable within one year	1,670,000	1,482,500
Payable after one year	<u>27,143,750</u>	<u>28,813,750</u>

Bank loans are secured by fixed charges over property and quays owned by Peterhead Port Authority.

Included within bank loans is a £7.15m loan which is repayable over 10 years to 2025 and a £22.5m loan repayable over 20 years to 2038. These bank loans attract interest at 1.15% above LIBOR and 1.2% above LIBOR, respectively.

The Scottish Government loan is repayable over 10 years to 2026 and attracts interest at 1.2% above LIBOR.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Provisions for liabilities

	Notes	2019 £	Restated 2018 £
Deferred tax liabilities	22	1,167,605	1,039,122

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Authority and movements thereon:

	Liabilities 2019 £	Liabilities Restated 2018 £
Balances:		
Accelerated capital allowances	965,931	762,739
Non-trade financial instruments	(76,061)	-
Retirement benefit obligations	(158,910)	(128,820)
Capital gains	436,645	405,203
	<u>1,167,605</u>	<u>1,039,122</u>
Movements in the year:		2019 £
Liability at 1 January 2019 (restated)		1,039,122
Charge to profit or loss		158,573
Credit to other comprehensive income		(30,090)
Liability at 31 December 2019		<u>1,167,605</u>

As the Authority has not disposed of property in the past, and has no plans to do so in the future, deferred tax of £436,645 in respect of capital gains is unlikely to arise.

23 Government grants

	2019 £	Restated 2018 £
Government grants	<u>11,248,923</u>	<u>11,627,546</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	294,448	219,467

The Authority operates a group personal pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Authority in an independently administered fund.

Defined benefit schemes

Peterhead Port Authority participates in the North East Scotland Pension Fund ('NESPF') which is a part of the Local Government Pension Scheme (Scotland) ('LGPS'), a multi-employer scheme. The LGPS is a defined benefit pension scheme.

A full actuarial valuation is carried out every three years by a professionally qualified independent actuary using the projected unit method. In the intervening year, an interim valuation is obtained for the purpose of reporting under FRS 102. The last full actuarial valuation was carried out as at 31 March 2017. Contribution rates are based on the advice of the actuary. Contributions for the year were £87,000 (2018: £82,000).

<i>Key assumptions</i>	2019 %	2018 %
Discount rate	2.1	2.9
Expected rate of increase of pensions in payment	2.2	2.3
Expected rate of salary increases	3.6	3.7
CPI inflation	2.1	2.2

<i>Mortality assumptions</i>	2019 Years	2018 Years
Assumed life expectations on retirement at age 65:		
Retiring today		
- Males	22.9	22.7
- Females	25	24.9
Retiring in 20 years		
- Males	25.8	25.6
- Females	28.1	27.9

<i>Amounts recognised in the profit and loss account</i>	2019 £	2018 £
Current service cost	117,000	119,000
Net interest on net defined benefit liability / (asset)	18,000	15,000
Other costs and income	28,000	1,000
Total costs	163,000	135,000

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Retirement benefit schemes

(Continued)

	2019 £	2018 £
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(601,000)	129,000
Less: calculated interest element	129,000	116,000
Return on scheme assets excluding interest income	(472,000)	245,000
Actuarial changes related to obligations	649,000	(287,000)
Total costs / (income)	177,000	(42,000)

The amounts included in the balance sheet arising from the Authority's obligations in respect of defined benefit plans are as follows:

	2019 £	2018 £
Present value of defined benefit obligations	5,882,000	5,191,000
Fair value of plan assets	(4,951,000)	(4,513,000)
Deficit in scheme	931,000	678,000

Movements in the present value of defined benefit obligations

	2019 £
Liabilities at 1 January 2019	5,191,000
Current service cost	117,000
Past service cost	26,000
Benefits paid	(289,000)
Contributions from scheme members	41,000
Actuarial gains and losses	649,000
Interest cost	147,000
At 31 December 2019	5,882,000

The defined benefit obligations arise from plans funded as follows:

	2019 £
Wholly unfunded obligations	25,000
Wholly or partly funded obligations	5,857,000
	5,882,000

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Retirement benefit schemes

(Continued)

	2019 £
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2019	4,513,000
Interest income	129,000
Return on plan assets (excluding amounts included in net interest)	472,000
Benefits paid	(289,000)
Contributions by the employer	87,000
Contributions by scheme members	41,000
Other	(2,000)
At 31 December 2019	4,951,000

The actual return on plan assets was £601,000 (2018 - £129,000).

	2019 £	2018 £
<i>Fair value of plan assets at the reporting period end</i>		
Equity instruments	2,654,000	2,926,000
Government and other bonds	460,000	365,000
Property	376,000	329,000
Cash	302,000	99,000
Other	1,159,000	794,000
	4,951,000	4,513,000

Other defined benefit pension schemes

Peterhead Port Authority is also a member of two multi-employer defined benefit pension schemes which are both in deficit.

The Pilots National Pension Fund ('PNPF') had its last actuary valuation at 31 December 2016 which reported a deficit of £164.8m (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 2019 report an improved position with a deficit of £156.1m (68% funding level). In accordance with FRS 102, a liability of £555,294 (2018: £619,141) has been provided for in the financial statements, which represents the total present value of outstanding contributions due by Peterhead Port Authority under the recovery plan.

The Merchant Navy Officers Pension Fund ('MNOF') had its last actuarial valuation at 31 March 2019 which reported a net deficit of £33m (2018: net deficit of £9m). A funding plan has been agreed which will pay this deficit over a 12 year period. Peterhead Port Authority's contribution to this deficit was £13,441, which was paid in full during 2013. Peterhead Port Authority has no employees contributing to the fund as the MNOF closed the scheme to new accruals. The active member enrolled into the Ensign defined contribution scheme, a change which prevents additional deficit and removes the risk of triggering a section 75 debt.

25 Profit and loss reserves

The profit and loss account represents cumulative realisable profits and losses, except for an amount of £10,631,819 that relates to fair value gains and losses on investment property.

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Operating lease commitments

Lessee

At the reporting end date the Authority had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	Restated 2018
	£	£
Within one year	166,715	144,613
Between two and five years	68,945	134,033
	<u>235,660</u>	<u>278,646</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

Lessor

At the reporting end date the Authority had contracted with tenants for the following minimum lease payments:

	2019	2018
	£	£
Within one year	1,095,255	1,095,255
Between two and five years	3,325,259	3,594,590
In over five years	15,773,363	16,608,837
	<u>20,193,877</u>	<u>21,298,682</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

27 Cash generated from operations

	2019 £	Restated 2018 £
Profit for the year after tax	2,794,143	2,654,293
Adjustments for:		
Taxation charged	740,117	797,050
Finance costs	922,081	828,800
Investment income (incl. defined benefit pension interest)	(218,907)	(158,866)
(Gain)/loss on disposal of tangible fixed assets	(208)	17,830
Depreciation and impairment of tangible fixed assets	2,856,876	2,317,700
Fair value gains/losses	(6,989)	(586,181)
Movements in working capital:		
Decrease/(increase) in stocks	4,241	(5,756)
Decrease in debtors	1,087,998	220,501
Decrease in creditors	(1,233,768)	(1,560,951)
Decrease in government grants	(284,056)	(323,724)
Cash generated from operations	6,661,528	4,200,696

28 Analysis of changes in net debt

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	7,377,817	2,455,572	9,833,389
Borrowings excluding overdrafts	(30,296,250)	1,482,500	(28,813,750)
	<u>(22,918,433)</u>	<u>3,938,072</u>	<u>(18,980,361)</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

29 Prior period adjustment

The effect of these adjustments as shown in the statement of changes in equity is as follows:

Changes to the balance sheet

	Note	As previously reported £	Adjustment at 1 Jan 2018 £	Adjustment at 31 Dec 2018 £	Inclusion of PPS £	As restated at 31 Dec 2018 £
Fixed assets						
Tangible assets	b)	103,171,965	(9,504,676)	45,412	44,102	93,756,803
Investment properties	b)	-	12,765,525	260,521	-	13,026,046
Investments		3,693,858	-	-	(2,862,806)	831,052
Current assets						
Debtors		2,253,112	-	-	133,281	2,386,393
Bank and cash		5,067,536	-	-	2,310,281	7,377,817
Creditors due within one year						
Creditors		(6,118,165)	-	-	403,693	(5,714,472)
Deferred income	c)	(469,640)	506,828	(37,188)	-	-
Provisions for liabilities						
Deferred tax	b)	(605,368)	(360,914)	(44,289)	(28,551)	(1,039,122)
Deferred income		(12,097,186)	-	469,640	469,640	(11,627,546)
Capital and reserves						
Profit and loss		(65,801,572)	3,406,763	224,456	-	69,432,791

Changes to the profit and loss account

	Note	As previously reported £	Adjustment £	Inclusion of PPS £	As restated £
Period ended 31 December 2018					
Turnover		11,537,223	-	1,593,793	13,131,016
Cost of sales		(3,846,917)	-	(1,107,837)	(4,954,754)
Release of government grant		360,912	(37,188)	-	323,724
Administrative expenses	b)	(4,854,286)	45,412	(156,016)	(4,964,890)
Income from shares in group undertakings		291,637	-	(291,637)	-
Interest receivable and similar income		124,716	-	34,150	158,866
Fair value gains on investment properties	b)	332,658	260,521	(6,998)	586,181
Taxation	b)	(687,306)	(44,289)	(65,455)	(797,050)
Profit for the financial period		2,429,837	224,456	-	2,654,293

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

29 Prior period adjustment

(Continued)

Notes to reconciliation

a) Peterhead Port Services ('PPS')

Peterhead Port Services has historically been accounted for as a subsidiary of Peterhead Port Authority and therefore prepared separate financial statements. Recent legal advice on the status of Peterhead Port Services has concluded that it is appropriate to include the trading results, assets and liabilities of Peterhead Port Services within the Authority's financial statements. The comparative financial statements have therefore been restated to include Peterhead Port Services.

b) FRS 102 Triennial Review - investment properties

In the current year, the Authority adopted the FRS 102 Triennial Review 2017 amendments which removed an exemption allowing investment properties to be carried at cost if it involved undue cost or effort to arrive at their fair value. This is a change in accounting policy for the Authority's land and buildings which are held to earn rentals. These land and buildings have been reclassified to investment property. They had previously been held at cost in tangible fixed assets. A net fair value gain on these properties of £10,186,344 was recognised at 1 January 2018. Also included in the adjustments at 1 January 2018 is an impairment charge of £6,925,495 in respect of investment properties in the course of construction which on completion were transferred from tangible fixed assets to investment properties. A deferred tax liability of £360,914 was recognised in respect of these gains and losses. Depreciation charges in relation to these investment properties of £45,412 was reversed, a net fair value gain of £260,521 and related deferred tax of £44,289 were recognised in the profit and loss account for the year ended 31 December 2018.

c) Release of deferred grant

A prior period adjustment has been recognised in relation to a deferred grant. The grant conditions have been met and it is not repayable and the premises to which it related were written down prior to 1 January 2018. The unamortised grant relating to these premises of £506,828 has been released to profit and loss reserves at 1 January 2018. The subsequent amortisation of the deferred grant of £37,188 was reversed in the profit and loss account for the year ended 31 December 2018.

30 Events after the reporting date

Subsequent to the year end, the emergence of COVID-19 and the related measures imposed by governments across the world, has caused significant volatility in financial markets. This is expected to have an impact on the calculation of the Authority's net defined benefit pension liability (note 24). The effect stems from a reduction in the valuation of the scheme's assets, and the calculation of its liabilities through the application of a discount rate that has seen significant upward and downward movements in recent months. The net effect of these factors is likely to have increased the net defined benefit pension liability since the year end. However, due to the level of market volatility, the Members are of the view it is not possible to determine a meaningful estimate of the net impact on the Authority's balance sheet.

31 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019	2018
	£	£
Acquisition of tangible fixed assets	576,975	-