

ABERDEEN HARBOUR BOARD
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ABERDEEN HARBOUR BOARD

INFORMATION

Board members

C A Armstrong	(Appointed 1 January 2020)
J Brebner	
R Buchan	(Appointed 1 January 2019)
E Craig	(Appointed 1 January 2019)
M Handforth	
M Keith	(Appointed 1 January 2019)
A Y MacKenzie	
J MacLennan	
M McNeill	
M North	(Appointed 1 January 2019)
M A Porter	
J Oakey	(Appointed 30 September 2019)

Board secretary

MacKinnons Solicitors

Registered office

16 Regent Quay
ABERDEEN
AB11 5SS

Auditor

Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

ABERDEEN HARBOUR BOARD

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ABERDEEN HARBOUR BOARD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Board presents the Strategic Report and the audited financial statements for the year ended 31 December 2019.

Fair review of the business

At just under 29.9 million tonnes, the port experienced a 3% increase in vessel tonnage compared with 2018, and this figure was supported by a 2.4% increase in vessel arrival numbers, with just under 9,500 vessels entering the port in the same period.

The increase in passenger numbers in 2019 was even greater, and the 170,513 passengers that transferred through the port represents not only a 9% increase on 2018 but also the greatest annual passenger number in the port's history. This considerable achievement was due not only to our trend for increasing cruise passenger numbers, with almost 4,000 transferring through Aberdeen in 2019, but also to a 9.9% increase in Serco Northlink Ferry Passengers compared with 2018.

Rental income remained stable with a small improvement on 2018 in line with the improved occupation levels achieved. Pilotage income also showed an improvement on 2018, as a result of increases in the number of vessel arrivals.

Turnover for the year amounted to £38.0 million, an increase of 7.6% compared with 2018. An operating profit of £21.4 million was earned in 2019 compared to an operating profit of £17.4 million in 2018.

The profit for the year after taxation amounted to £15.8 million (2018: £13.3m). As a Trust Port the business retains all profits for reinvestment in harbour developments for the benefit of the harbour's stakeholders. The improved performance can be attributed to improvements detailed in the KPI narrative below.

At the year end the Board has a strong Balance Sheet with net assets of £248 million (2018: £233 million). The main movements in the year were increased fixed asset values reflecting the progress of the Aberdeen harbour expansion offset by increased borrowings to support that project and improved cash reserves.

As an organisation, we are very conscious of the challenges currently facing our customers. Attracting skilled personnel whilst simultaneously adapting commercial models to embrace diversification and attract global markets are tricky issues to deal with. Although Aberdeen Harbour Board could never have predicted the cultural, communication and technological revolutions that are taking place around us, the notion that change was coming and that the port had to adapt in a radical way, was the foundation of the South Harbour construction strategy, when it was first explored more than ten years ago.

Since then, we may not have been able to predict global pandemics nor the political upheaval of Brexit, but the need for large-scale marine infrastructure to accommodate the renewables industry, in particular offshore and floating wind activities, and to create a natural home for energy transition activities, has remained a vision throughout.

Our aim to become the UK's Energy Port remains as strong a goal today as it did then, whereas the potential for the development of an Energy Transition Zone adjacent to our South Harbour, where new energy solutions, such as the harnessing of hydrogen into a practical energy source, and the development of carbon capture, would be investigated, seems to promise a major additional opportunity.

The Post-Brexit trading landscape also holds potential for UK Ports, and for Aberdeen Harbour. The combined quayside of North & South Harbour will make us the largest berthage port in Scotland and this considerable canvas could represent a key component in building Scotland's international trading capability, promoting Aberdeen to become an increasingly intrinsic driver for growth within the Scottish economy as a whole.

The role that ports will play in the green arena is vital, not only through the transformation of their own activities, and working facilities, but also in acting as facilitator in the development of ground-breaking net-zero initiatives by our customers and associated industries.

The investigation of electric shore-power, of alternative vessel fuels and of the decarbonisation of offshore oil & gas activities are significant challenges being wrestled, not just in Aberdeen, but around the globe.

ABERDEEN HARBOUR BOARD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The Board considers it operates in an area where there will be an ongoing demand for its services. The Board has a strong record of investing in modern facilities, plant and equipment and this together with increased training for our employees will enable us to meet the challenges of the future in offering our port customers a quality cost effective service. The Board is currently working to address certain business risks regarding capacity constraints by building a new deep water harbour to the South of the current harbour. The contractor Dragados UK Ltd commenced building works on 1st January 2017 and the project is due for completion in 2021. Current uncertainties may now see an extension to that date.

Current activity levels in the harbour are strongly supported by traffic related to the Oil & Gas industry and some recovery in the industry from the previous downturn has been seen in the current year. However, the growth in both the drive for Energy Transition and the Climate Change agenda indicates that the Oil & Gas element of activity will decline over time. The harbour currently has a wide portfolio of different port users that will mitigate this change and expect to derive new activity as a result of the agenda changes noted above.

The financial risks are limited to the normal commercial risks associated with running a business. The harbour expansion project will involve the business taking debt from the European Investment Bank of up to £180 million. The Board has agreed fixed interest rates for the full 16 years of the debt on tranches totalling £120 million. The Board is also exploring options to fix further tranches of the debt. There is no currency exposure. Throughout the project performance against budget and adequacy of funds are monitored using forecasts and forward looking cashflow analysis to ensure adequate resources are available to complete the project.

The Board's principal financial assets are bank balances and cash and trade and other receivables. The credit risk in liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit ratings agencies. The Board has no significant concentration of credit risk, with exposure spread over a large number of customers.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and projects, the Board monitors the timing of cash flows and aligns this with its strategic planning. Budgets and forecasts are produced to assist the Board in identifying requirements and maintaining adequate resources.

The Board operates a defined benefit pension scheme and also employs two marine pilots who are members of the Pilots' National Pension Fund . These arrangements are more fully explained in Note 22 to the financial statements.

In the harbour's business, the Board has statutory responsibility for operations in our areas of jurisdiction.

Any significant business risks identified are reviewed by the Executive Team and the Board to ensure that the designated measures to eliminate or at least mitigate the risk are suitable and sufficient.

The Board have compiled a Risk Register which is reviewed in full by the Audit & Risk Committee with the highest risks reviewed by the Board on a six monthly basis.

The Board continues to monitor the current situation regarding the UK's recent departure from the European Union. At this stage in the process, the Board is confident that there is no material direct impact on revenue and are confident that the business is well placed to react to significant changes in trade or duty regulation. The recent award of Authorised Economic Operator accreditation by HM Revenue & Customs positions the Board to potentially benefit once the future trading relationship with the EU is clarified.

The Board also continues to monitor the current situation regarding the economic impact of the global Covid-19 pandemic, however, at this stage the impact this may have on future revenues remains unclear. The Board has a robust business continuity plan in place focussed on ensuring that the port remains open and that our employees and stakeholders interests are protected. The Board are confident that current cash reserves and cost saving contingency measures will be sufficient to offset any significant revenue impact. The imposition of social isolation measures are likely to impact the completion of the Aberdeen Harbour Expansion Project and potentially delay completion, but such delay is factored into the forecasts and forward looking cashflows mentioned above.

ABERDEEN HARBOUR BOARD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Development and performance

Future developments

The business's plans for the future are focussed on the deliverability of the Aberdeen Harbour Expansion Plan, which would provide capacity for larger vessels with 1,400 metres of deepwater berths supported by 125,000 square metres of laydown area. This is expected to provide an attractive base for the renewable industry, cruise operations and further developments associated with Energy Transition. The Board announced an extension to the completion date into 2021 during the year and efforts are focussed on ensuring momentum is maintained as the Project continues.

The Board has engaged work to support research into provision of alternative fuels for vessel propulsion and the use of artificial intelligence in monitoring and allocating berth usage within the port during the year.

Key performance indicators

The annual budget agreed by the Board is the basis for measuring the performance of the business throughout the year. In addition, this drives financial and non-financial targets for the senior management team. As part of the budgeting process the Board considers the financial projections for a five-year time horizon with the strategic aim of the business to provide state-of-the-art facilities for its customers and to leave the business in a better condition than when they took office.

The KPI's, which are used to measure these aspects include:

1. Quayside utilisation - there was a small decrease of 1.4% in overall utilisation compared to the previous period consistent with the increases in vessel size seen in the year ending 31 December 2019.
2. Vessel movements/Pilotage acts - both full and exempt pilotage acts in 2019 have remained consistent with 2018.
3. Income per tonne - vessels - this increased from 56p to 59p in line with the increase in rates and charges applied by the business in the year.
4. Income per tonne - goods - this increased from £2.28 to £2.41 in line with the increase in rates and charges applied by the business in the year.
5. Debtors days - the number of debtor days increased from 40 days to 43 days. Despite the adverse move, the Board believes there is adequate control over the collection of debt.
6. EBITDA - actual versus budget EBITDA was 8% ahead of budget for 2019, largely driven by the increases in vessel numbers and tonnage.
7. Rental property occupied - the level of property occupied increased by 8.9% compared to 2018.

By including EBITDA as a KPI the business aims to monitor the profitability of the business in order that the business generates the necessary funds to re-invest in the port infrastructure to ensure the relevant facilities can be provided for our customers.

On behalf of the Board:



A Y MacKenzie
Chairman
30 March 2020



M Handforth
Chief Executive
30 March 2020

ABERDEEN HARBOUR BOARD

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 DECEMBER 2019

The Board presents its report with the Financial Statements for the year ended 31 December 2019.

Administration, maintenance and improvement of the harbour is entrusted to Aberdeen Harbour Board, an independent statutory body formed under the terms of the Aberdeen Harbour Order Confirmation Act 1960. Certain modifications to this constitution were embodied in the Aberdeen Harbour Order Confirmation Act 1987 and the Aberdeen Harbour Revision (Constitution) Order 2002.

Principal activities

The principal activities of the Board are the operation and maintenance of the harbour facilities and the provision of services ancillary thereto.

Review of business, future developments and financial risk management
Review of business, future developments and financial risk management for the year can be found in the Strategic Report and form part of this report by cross reference.

Board members

Other than as set out below board members have held office during the whole of the period from 1 January 2019 to the date of this report.

Chairman

A Y MacKenzie

Vice-Chairman

M McNeill

Members

C A Armstrong	(Appointed 1 January 2020)
J Bell	(Demitted office 31 August 2019)
J Brebner	
R Buchan	(Appointed 1 January 2019)
L Campbell	(Demitted office 31 December 2019)
E Craig	(Appointed 1 January 2019)
M Handforth	
M Keith	(Appointed 1 January 2019)
J MacLennan	
M J North	(Appointed 1 January 2019)
M A Porter	
J Oakey	(Appointed 30 September 2019)

Principal Officers

M Handforth	Chief Executive	
M J North	Chief Operating Officer	
J Bell	Finance Director	(Demitted office 31 August 2019)
J Oakey	Finance and Business Services Director	(Appointed 30 September 2019)
Captain J Gaskin	Harbour Master	(Demitted office 31 December 2019)
A McIntosh	Harbour Master	(Appointed 27 January 2020)
K D Young	Engineering Director	
C Bain	External Relations Director	

Board secretary

MacKinnons Solicitors

ABERDEEN HARBOUR BOARD

REPORT OF THE BOARD (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Supplier payment policy

It is the policy of the Board to pay all verified accounts within agreed settlement terms.

Auditor

The auditors, Johnston Carmichael LLP, will be deemed re-appointed under S487 of the Companies Act 2006.

Statement of disclosure to auditor

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

On behalf of the board



A Y MacKenzie

Chairman

30 March 2020



M Handforth

Chief Executive

30 March 2020

ABERDEEN HARBOUR BOARD

STATEMENT OF RESPONSIBILITIES OF THE BOARD

FOR THE YEAR ENDED 31 DECEMBER 2019

The Board is responsible for preparing the Strategic Report, Report of the Board and the Financial Statements in accordance with applicable law and regulations.

Legislation requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board 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 Board and of the profit or loss of the Board for that period. In preparing these financial statements, the Board is 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 Board will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the financial statements comply with the applicable legislation. They are also responsible for safeguarding the harbour's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements comply with the Companies Act 2006 and Harbours Act 1964 as amended by the Transport Act 1981.

ABERDEEN HARBOUR BOARD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABERDEEN HARBOUR BOARD

Opinion

We have audited the financial statements of Aberdeen Harbour Board ("the Board") 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 Board'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 Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981.

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 board 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 Board members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Board'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 Board 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.

ABERDEEN HARBOUR BOARD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN HARBOUR BOARD

Opinions on other matters prescribed by the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981

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

- the information given in the Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Board 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 board and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Board.

We have nothing to report in respect of the following matters where the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981 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 Board 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 Board members

As explained more fully in the Statement of Responsibilities of the Board set out on page 6, the Board is 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 Board 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 Board members are responsible for assessing the Board'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 Board members either intend to liquidate the Board 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.

ABERDEEN HARBOUR BOARD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN HARBOUR BOARD

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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members.
- Conclude on the appropriateness of the Board 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 board'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 board 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 members of Aberdeen Harbour Board, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981. Our audit work has been undertaken so that we might state to the Board'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 Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen McIlwaine (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

5 April 2020

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

ABERDEEN HARBOUR BOARD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Turnover	3	38,041	35,341
Cost of sales	4	(9,958)	(11,663)
Gross profit		28,083	23,678
Administrative expenses		(6,670)	(6,255)
Operating profit	5	21,413	17,423
Interest receivable and similar income	9	778	666
Interest payable and similar expenses	8	(2,563)	(1,468)
Profit before taxation		19,628	16,621
Taxation	10	(3,819)	(3,297)
Profit for the financial year		15,809	13,324

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

ABERDEEN HARBOUR BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Profit for the year		<u>15,809</u>	<u>13,324</u>
Other comprehensive income			
Actuarial (loss)/gain on defined benefit pension schemes	22	(845)	1,915
Tax relating to other comprehensive expense / income		<u>143</u>	<u>(326)</u>
Other comprehensive income for the year		<u>(702)</u>	<u>1,589</u>
Total comprehensive income for the year		<u>15,107</u>	<u>14,913</u>

Profit and total comprehensive income for the year are attributable to the Board.

ABERDEEN HARBOUR BOARD

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	284,562	221,699
Investment properties	12	31,151	31,151
		<u>315,713</u>	<u>252,850</u>
Current assets			
Stocks	15	86	82
Debtors falling due after one year	16	1,876	2,079
Debtors falling due within one year	16	9,575	19,991
Cash at bank and in hand		73,763	59,404
		<u>85,300</u>	<u>81,556</u>
Creditors: amounts falling due within one year	17	<u>(13,530)</u>	<u>(15,026)</u>
Net current assets		<u>71,770</u>	<u>66,530</u>
Total assets less current liabilities		<u>387,483</u>	<u>319,380</u>
Creditors: amounts falling due after more than one year	17	(141,457)	(91,066)
Provisions for liabilities	20	<u>(5,386)</u>	<u>(3,544)</u>
Net assets excluding pension surplus		<u>240,640</u>	<u>224,770</u>
Defined benefit pension surplus	22	<u>7,376</u>	<u>8,139</u>
Net assets		<u><u>248,016</u></u>	<u><u>232,909</u></u>
Capital and reserves			
Other reserves	23	7,283	7,371
Profit and loss reserves	23	240,733	225,538
Total equity		<u><u>248,016</u></u>	<u><u>232,909</u></u>

The financial statements were approved by the Board and authorised for issue on 30 March 2020 and signed on its behalf by:



A Y MacKenzie
Chairman



M Handforth
Chief Executive

ABERDEEN HARBOUR BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Other reserves	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2018	7,404	210,594	217,998
Year ended 31 December 2018:			
Profit for the year	5	13,319	13,324
Other comprehensive (expense) / income:			
Transfers to profit and loss reserves	(38)	38	-
Actuarial gain on defined benefit plans	-	1,915	1,915
Tax relating to other comprehensive income	-	(328)	(328)
Total comprehensive (expense) / income for the year	(33)	14,944	14,912
Balance at 31 December 2018	7,371	225,538	232,909
Year ended 31 December 2019:			
Profit for the year	(88)	15,897	15,809
Other comprehensive (expense) / income:			
Actuarial loss on defined benefit plans	-	(845)	(845)
Tax relating to other comprehensive expense	-	143	143
Total comprehensive (expense) / income for the year	(88)	15,195	15,107
Balance at 31 December 2019	7,283	240,733	248,016

ABERDEEN HARBOUR BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	29		46,166		28,059
Interest paid			(3,027)		(1,063)
Income taxes paid			(3,746)		(2,941)
			<u> </u>		<u> </u>
Net cash inflow from operating activities			39,393		24,055
Investing activities					
Purchase of tangible fixed assets		(65,641)		(84,777)	
Proceeds on disposal of tangible fixed assets		63		-	
Proceeds on disposal of investment property		-		187	
Interest received		544		401	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(65,034)		(84,189)
Financing activities					
Proceeds from new bank loans		40,000		70,000	
		<u> </u>		<u> </u>	
Net cash generated from financing activities			40,000		70,000
			<u> </u>		<u> </u>
Net increase in cash and cash equivalents			14,359		9,866
Cash and cash equivalents at beginning of year			59,404		49,538
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			73,763		59,404
			<u> </u>		<u> </u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Board information

Aberdeen Harbour Board is a trust port having its principal place of business in Scotland. The main office is 16 Regent Quay, Aberdeen, AB11 5SS.

1.1 Accounting convention

The financial statements are prepared in sterling, which is the functional currency of the Board. Monetary amounts in these financial statements are rounded to the nearest £000.

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

1.2 Going concern

The Board members at the time of approving the financial statements, have a reasonable expectation that the Board has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

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

1.4 Tangible fixed assets

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

Depreciation is calculated on a straight line basis on the asset costs using asset lives consistent with past practice, subject to a maximum quay life of 40 years. Dredgings are depreciated over a 40 year period. Dock, structures, roads and permanent ways are depreciated over the periods of between 20 and 40 years. Plant and machinery are depreciated on the basis of an economic life of 3 to 20 years depending on the nature of the asset. Floating craft is depreciated over a period of 15 years. Buildings are depreciated over the periods of between 20 and 40 years. Land and capital works in progress are not depreciated.

Included in capital works in progress are costs of £216.3m (2018 - £151.1m) in relation to the Aberdeen Harbour Expansion Project. The Board signed a construction contract with Dragados UK Limited on 20 December 2016 which commenced in January 2017. Capital works in progress is valued at cost.

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

1.6 Fixed asset investments

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

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.7 Impairment of fixed assets

At each reporting end date, the Board 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 Board 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 the profit and loss account, 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 and loss account, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are valued at lower of invoice cost on an average cost basis and estimated net realisable value. Provision is made for obsolete stock.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of twelve months or less.

1.10 Financial assets

The Board 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 assets are recognised in the Board's balance sheet when the Board becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables 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. Other financial assets classified as fair value through profit and loss account are measured at fair value.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss account, 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. The impairment loss is recognised in profit and loss account.

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 Board 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.

1.11 Financial liabilities

Basic financial liabilities, including loans, trade and other payables, 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 receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Board's obligations are discharged, cancelled, or they expire.

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 Board's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Board has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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 Board is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure 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 lease asset are consumed.

1.15 Capital investment grants

Capital investment grants are credited to the profit and loss account over the expected useful lives of the relevant fixed assets.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.16 Retirement benefits

The Board operates one defined benefit pension scheme and participates in another (Pilots' National Pension Fund).

- For the main scheme, in accordance with FRS 102, the service cost of 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 interest on the scheme liabilities and a credit equivalent to the long-term expected return on assets are included in the profit and loss account under 'Interest Receivable and Similar Income'. The difference between the market value of the scheme and the present value of the 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 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 Pilots' National Pension Fund is accounted for as if it were a defined contribution as the Board's ultimate share of assets and liabilities cannot be identified.

The Board also operates a defined contribution pension scheme. Contributions payable to the Board's pension scheme are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the Board's accounting policies, the board members are 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, if the revision affects only that period, or in the period of the revision and future periods if 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 amount 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 fixed assets

Land & Buildings, Dredging, Dock Structures, Plant & Machinery, and Floating Craft are depreciated over the useful lives of the assets. Useful lives are based on the Board'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. When carrying out impairment tests, these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change.

The Board 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.

Income taxes

The Board is subject to income taxation in the UK, where judgement arises in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Board recognise tax liabilities based on estimates of whether additional taxes and interest will be due. The Board believes its accruals for tax liabilities and provisions for deferred tax are adequate for all financial years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact on the taxation charge made in the profit and loss account in the period in which such determination is made.

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 22.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover

An analysis of the Board's turnover is as follows:

	2019	2018
	£000	£000
Turnover		
Dues: on vessels	17,279	15,773
Dues: on goods	10,870	9,921
Cranage and weighbridges	238	200
Storage	489	771
Rent	6,131	5,920
Pilotage	2,782	2,574
Other revenue	252	182
	<u>38,041</u>	<u>35,341</u>
Other significant revenue		
Interest income (net)	<u>778</u>	<u>666</u>

4 Cost of sales

	2019	2018
	£000	£000
Operating and maintenance	7,295	8,819
Dredging	382	452
Depreciation (net of grants)	2,290	2,392
Gain on disposal of fixed assets	(9)	-
	<u>9,958</u>	<u>11,663</u>

5 Operating profit

	2019	2018
	£000	£000
Operating profit for the year is stated after charging/(crediting):		
Direct costs of pilotage	2,368	2,521
Fees payable to the Board's auditors for the audit of the Board's annual accounts	29	28
Depreciation of owned tangible fixed assets	2,579	2,746
(Gain)/loss on disposal of fixed assets	(9)	3
Operating lease charges	<u>488</u>	<u>410</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

The average monthly number of persons (including executive board members) employed by the Board during the year was:

	2019	2018
	Number	Number
Executive Board Members	3	3
Administrative and Managerial	32	30
Operating and Maintenance	60	62
	<u>95</u>	<u>95</u>

Their aggregate remuneration comprised:

	2019	2018
	£000	£000
Wages and salaries	5,948	5,616
Social security costs	679	651
Pension costs	1,804	2,703
	<u>8,431</u>	<u>8,970</u>

7 Board members' remuneration

	2019	2018
	£000	£000
Remuneration for qualifying services	693	623
Board pension contributions to defined contribution schemes	41	38
Board pension contributions to defined benefit schemes	39	55
	<u>773</u>	<u>716</u>

The number of Board members for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

The number of Board members for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2018 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid Board member:

Remuneration for qualifying services	251	183
Board pension contributions to defined contribution schemes	10	7
	<u>261</u>	<u>190</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8	Interest payable and similar expenses	2019	2018
		£000	£000
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	2,563	1,468
		<u> </u>	<u> </u>
9	Interest receivable and similar income	2019	2018
		£000	£000
	Interest income		
	Interest on bank deposits	418	360
	Other interest income	109	114
		<u> </u>	<u> </u>
	Total interest revenue	527	474
	Other finance income		
	Return on pension scheme assets	1,936	1,752
	Interest on pension scheme liabilities	(1,685)	(1,560)
		<u> </u>	<u> </u>
		251	192
		<u> </u>	<u> </u>
	Total interest receivable and similar income	778	666
		<u> </u>	<u> </u>
10	Taxation	2019	2018
		£000	£000
	Current tax		
	UK corporation tax on profits for the current period	3,308	3,646
	Adjustments in respect of prior periods	(1,586)	(1,214)
		<u> </u>	<u> </u>
	Total current tax	1,722	2,432
	Deferred tax		
	Accelerated capital allowances	649	1,003
	Change in value of investment properties	88	(5)
	Adjustment in respect of prior periods	1,322	-
	Unpaid pension contributions	24	24
	Timing differences on pension costs	14	(157)
		<u> </u>	<u> </u>
	Total deferred tax	2,097	865
		<u> </u>	<u> </u>
	Total tax charge	3,819	3,297
		<u> </u>	<u> </u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation

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	2018
	£000	£000
Profit before taxation	19,628	16,621
Expected tax charge based on a corporation tax rate of 19.00% (2018: 19.00%)	3,729	3,158
Expenses not deductible for tax purposes	3	20
Adjustments in respect of prior years	(1,585)	(1,214)
Capital allowances in excess of depreciation	342	323
Corporation tax adjustments in respect of prior years	1,322	1,001
Adjust deferred tax to average rate	24	(22)
Chargeable (losses)/gains	-	(5)
Other adjustments	(16)	36
Tax expense for the year	3,819	3,297

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	2018
	£000	£000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive (expense) / income	(143)	326

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets

	Land and buildings Freehold	Dredging	Docks, Structures, Roads and Permanent Way	Plant and machinery	Floating Craft	Capital Works in Progress	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 January 2019	26,306	9,767	91,092	9,219	2,406	151,054	289,844
Additions	-	-	-	285	-	65,211	65,496
Disposals	-	-	-	(383)	-	-	(383)
Transfer between classes	-	-	-	14	-	(14)	-
At 31 December 2019	26,306	9,767	91,092	9,135	2,406	216,251	354,957
Depreciation and impairment							
At 1 January 2019	9,217	2,919	46,437	7,822	1,750	-	68,145
Depreciation charged in the year	259	214	1,678	314	114	-	2,579
Eliminated in respect of disposals	-	-	-	(329)	-	-	(329)
At 31 December 2019	9,476	3,133	48,115	7,807	1,864	-	70,395
Carrying amount							
At 31 December 2019	16,830	6,634	42,977	1,328	542	216,251	284,562
At 31 December 2018	17,089	6,848	44,655	1,397	656	151,054	221,699

Included in cost of land and buildings is freehold land of £11,782,959 (2018 - £11,782,959) which is not depreciated.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Investment properties

	2019
	£000
Fair value	
At 1 January 2019 and 31 December 2019	31,151

The fair value of the investment properties has been arrived at on the basis of a valuation carried out at 7 May 2015 by J & E Shepherd Chartered Surveyors, who are independent from the Board. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties as at 31 December 2014. The Board has assessed the current market conditions at 31 December 2019 to arrive at their year end valuation.

13 Investments

Aberdeen Harbour Board owns 100% of the issued ordinary share capital of Aberdeen Harbour Limited, a company incorporated in Scotland. Aberdeen Harbour Limited is engaged in the business of renting out property.

The results of Aberdeen Harbour Limited are not material and therefore group financial statements have not been prepared. For the year ended 31 December 2019, the company reported results for the year of £nil and net assets of £1.

The Board charged Aberdeen Harbour Limited £nil (2018 - £64,760) for rent and £69 in respect to management charges (2018 - £833).

14 Financial instruments

	2019	2018
	£000	£000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	78,096	63,822
Instruments measured at fair value through profit and loss account	668	747
	<u>78,764</u>	<u>64,569</u>
Carrying amount of financial liabilities		
Measured at fair value through profit and loss account	1,381	1,524
Measured at amortised cost	131,746	92,827
	<u>133,127</u>	<u>94,351</u>

15 Stocks

	2019	2018
	£000	£000
Stocks	<u>86</u>	<u>82</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Debtors

	2019	2018
	£000	£000
Amounts falling due within one year:		
Trade debtors	4,333	4,418
Corporation tax recoverable	1,595	-
Other debtors	2,916	14,904
Prepayments and accrued income	731	669
	<u>9,575</u>	<u>19,991</u>
Amounts falling due after one year:		
Other debtors	578	668
Deferred tax asset (note 20)	1,298	1,411
	<u>1,876</u>	<u>2,079</u>
Total debtors	<u>11,451</u>	<u>22,070</u>

17 Creditors

	Notes	Due within one year		Due after one year	
		2019	2018	2019	2018
		£000	£000	£000	£000
Loans and overdrafts	18	-	-	120,000	80,000
Taxation and social security		1,620	2,041	-	-
Capital investment grants	21	-	-	19,700	9,700
Trade creditors		2,629	440	-	-
Rent payments received on account		1,132	1,151	-	-
Accruals		977	5,880	-	-
Other creditors		7,172	5,514	1,757	1,366
		<u>13,530</u>	<u>15,026</u>	<u>141,457</u>	<u>91,066</u>

18 Loans and overdrafts

	2019	2018
	£000	£000
Bank loans	<u>120,000</u>	<u>80,000</u>
Payable after one year	<u>120,000</u>	<u>80,000</u>

The long-term loans are secured by a negative pledge over the assets of the Board whereby they cannot pledge their assets as securities against any other loan.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Provisions for liabilities	Notes	2019 £000	2018 £000
Deferred tax liabilities	20	5,386	3,544
		<u>5,386</u>	<u>3,544</u>

20 Deferred taxation

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

	Liabilities 2019 £000	Liabilities 2018 £000	Assets 2019 £000	Assets 2018 £000
Balances:				
Accelerated capital allowances	4,131	2,160	-	-
Pension contributions unpaid at the year end	-	-	234	259
Unrealised loss on investment properties	-	-	1,064	1,152
Deferred tax on defined pension scheme	1,255	1,384	-	-
	<u>5,386</u>	<u>3,544</u>	<u>1,298</u>	<u>1,411</u>

21 Capital investment grants

	2019 £000	2018 £000
Capital investment grants	19,700	9,700
	<u>19,700</u>	<u>9,700</u>

22 Retirement benefit schemes

Defined contribution schemes

The Board operates a defined contribution pension plan for its employees. The amount recognised as an expense in the year was £499,344 (2018 - £390,543).

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Retirement benefit schemes

Defined benefit schemes

The Board operates a defined benefit pension plan for qualifying employees providing benefits based upon final pensionable pay. The pension plan is funded by payment of contributions and the assets of the plan are held in a separately administered fund. The fund was closed to new members on the 31 October 2013.

The most recent triennial valuation was carried out at 31 March 2017 and this showed that the market value of the Fund's assets were £69.5 million and that the actuarial value of those assets represented 100.1% of the benefits that had accrued to the members after allowing for the expected future increases in earnings. The contributions to the scheme are determined by a qualified actuary and in 2019 were £1,222,000 (2018 - £1,183,000).

The Board is also contributing for two current employees to a defined benefit pension plan called the Pilot's National Pension Fund. The PNPf is unusual in that the membership of the Fund includes both employed and self employed members. As at 31 December 2016 the valuation of the Fund's assets totalled £326.6 million, which represented 66% of the liabilities and resulting in a deficit of £164.8 million. A decision of the courts in June 2010 determined that the Trustees of the PNPf could amend the Trust Deed and Rules so that all Competent Harbour Authorities (pilot licensing authorities) whether direct employers or not would have a joint and several responsibilities to meet any funding deficit.

The Board's share of the funding deficit based on the Trustee's most recent valuation advice has been estimated at £2.53 million which the Trustees have agreed will be payable by monthly instalments over a 16 year period commencing on 1 January 2013. The obligation is included within other creditors at the year end measured at its present value of future discounted cash flows.

In accordance with FRS 102, transactions with the PNPf are accounted for as if the Fund were a defined contribution scheme as there is insufficient information available to use defined benefit accounting for the multi-employer plan. During the year employer contributions paid to the PNPf amounted to £15,156 (2018 - £19,145). These have been included in cost of sales in the profit and loss account.

The principal actuarial assumptions of the Board's defined benefit scheme were as follows:

	2019	2018
	%	%
Discount rate	2.10	2.90
Expected rate of salary increases	2.85	2.95
Expected rate of increase of pension increases	2.10	2.20
Inflation (RPI)	2.80	3.20
Inflation (CPI)	2.10	2.20

The mortality assumptions used for longevity (in years) on retirement at age 65 are:

	2019	2018
	Years	Years
Retired male member age 65 (current life expectancy)	22.1	22.0
Retired female member age 65 (current life expectancy)	24.7	24.6
Non-retired male member aged 45 (life expectancy at 65)	23.9	23.8
Non-retired female member aged 45 (life expectancy at 65)	26.5	26.4

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Retirement benefit schemes

Total amounts recognised in the year for the Board's defined benefit pension plan was as follows:

	2019 £000	2018 £000
Current service cost	1,134	1,491
Past service cost	-	588
Net interest on defined benefit (asset)/liability	(251)	(192)
Administrative costs	257	222
	<u>1,140</u>	<u>2,109</u>

Amounts taken to other comprehensive income

	2019 £000	2018 £000
Effect of changes in assumptions	(7,038)	5,816
Effect of experience adjustments	(75)	(354)
Return on plan assets	6,268	(3,547)
	<u>(845)</u>	<u>1,915</u>

Amounts recognised in the balance sheet was as follows:

	2019 £000	2018 £000
Present value of defined benefit obligations	(66,833)	(59,369)
Fair value of plan assets	74,209	67,508
	<u>7,376</u>	<u>8,139</u>

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

	2019 £000
Liabilities at 1 January 2019	59,369
Current service cost	1,134
Interest cost	1,685
Actuarial losses	7,113
Contributions by scheme members	123
Benefits paid	(2,551)
Insurance premiums for risk benefits	(40)
	<u>66,833</u>
At 31 December 2019	<u>66,833</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Retirement benefit schemes

The Board expects to contribute £1,252,000 to the pension scheme in 2020.

Movements in the fair value of plan assets

	2019
	£000
Fair value of assets at 1 January 2019	67,508
Interest income	1,936
Return on plan assets (excluding amounts included in net interest)	6,268
Administrative expenses	(257)
Insurance premiums for risk	(40)
Contributions by the employer	1,222
Contributions by scheme members	123
Benefits paid	(2,551)
	<hr/>
At 31 December 2019	74,209
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Fair value of plan assets at the reporting period end

	2019	2018
	£000	£000
Equity instruments	13,368	12,826
Debt instruments	16,310	13,307
Diversified growth funds	19,331	22,645
Liability driven investments	21,203	17,225
Cash and cash equivalents	87	164
Direct lending	3,910	1,341
	<hr/>	<hr/>
	74,209	67,508
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ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Reserves

Profit and loss reserves

The profit and loss account represents cumulative realised profits and losses.

Other reserves

Other reserves relates to the revaluation of investment properties and represents the cumulative effect of revaluations net of deferred tax of investment properties. The reserve has been made to separately identify non-distributable profits from distributable profits.

24 Financial commitments, guarantees and contingent liabilities

As is standard with an NEC 3 Engineering and Construction Contract, a number of compensation events have been noted in connection with the harbour expansion project. Further information will be required to validate and conclude on the impact of these events but management are comfortable that any claims will be negotiated in accordance with contract requirements and the forecasted financial plan for the construction project.

Full disclosure of the nature and potential financial effect of these events is not made in the financial statements at this stage as this is commercially sensitive information that the Board believe could prejudice the position of the entity in concluding the impact of these events.

25 Operating lease commitments

Lessee

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

	2019	2018
	£000	£000
Within one year	540	630
Between two and five years	2,561	2,318
In over five years	58,535	57,270
	<u>61,636</u>	<u>60,218</u>

Lessor

The Board owns 22 (2018 - 22) investment properties for rental purposes. Rental income, including investment property income, earned during the year was £6,130,813 (2018 - £5,919,725). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

25 Operating lease commitments

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

	2019	2018
	£000	£000
Within one year	5,140	5,539
Between two and five years	15,054	12,370
In over five years	22,922	21,176
	<u>43,116</u>	<u>39,085</u>

26 Capital commitments

At 31 December 2019 the Board had capital commitments as follows:
Contracted for but not provided in the financial statements:

	2019	2018
	£000	£000
Acquisition of tangible fixed assets	<u>97,412</u>	<u>159,909</u>

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, some of who are also board members, is as follows.

	2019	2018
	£000	£000
Aggregate compensation	<u>1,326</u>	<u>1,170</u>

No guarantees have been given or received.

28 Analysis of changes in net debt

	1 January	Cash flows	31 December
	2019		2019
	£000	£000	£000
Cash at bank and in hand	59,404	14,359	73,763
Borrowings excluding overdrafts	(80,000)	(40,000)	(120,000)
	<u>(20,596)</u>	<u>(25,641)</u>	<u>(46,237)</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

29 Cash generated from operations	2019 £000	2018 £000
Profit for the year	15,809	13,324
Adjustments for:		
Income tax expense	3,819	3,297
Finance costs	2,563	1,468
Investment income	(778)	(666)
(Gain)/loss on disposal of tangible fixed assets	(9)	3
(Gain)/loss on disposal of investment property	-	29
Depreciation and impairment of tangible fixed assets	2,579	2,746
Pension scheme non-cash movement	169	1,118
Movements in working capital:		
(Increase) in stocks	(4)	(8)
Decrease/(increase) in debtors	12,073	(2,989)
(Decrease)/increase in creditors	(55)	1,537
Increase in capital investment grants	10,000	8,200
Cash generated from operations	<u>46,166</u>	<u>28,059</u>

ABERDEEN HARBOUR BOARD
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

ABERDEEN HARBOUR BOARD

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018
	£000	£000	£000	£000
Turnover				
Dues on vessels		17,279		15,773
Dues on goods		10,870		9,921
Rent		6,131		5,920
Pilotage		2,782		2,574
Storage		489		771
Cranage and weighbridge		238		200
Other revenue		252		182
		<hr/>		<hr/>
		38,041		35,341
Cost of sales				
Dredging costs	382		452	
Wages and salaries	4,004		3,794	
Social security costs	468		450	
Staff pension costs	1,428		2,113	
Operating and maintenance	1,395		2,462	
Sundry expenses	(9)		-	
Depreciation	2,290		2,392	
		<hr/>	<hr/>	
		(9,958)		(11,663)
Gross profit		28,083		23,678
Administrative expenses		(6,670)		(6,255)
Operating profit		21,413		17,423
Investment revenues				
Bank interest received	418		360	
Other interest received on financial instruments	99		109	
Interest received from HMRC on corporation tax	10		5	
Return on pension scheme assets	1,936		1,752	
Interest on pension scheme liabilities	(1,685)		(1,560)	
		<hr/>	<hr/>	
		778		666
Interest payable and similar expenses				
Bank interest on loans and overdrafts		(2,563)		(1,468)
Other gains and losses				
Fair value gains and losses on equity investments	-		-	
Gain on disposal of tangible fixed assets	-		-	
		<hr/>	<hr/>	
		-		-
Profit before taxation		19,628		16,621
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