

**The Teignmouth Harbour Commission**

**Annual Report**

**Year Ended 31 March 2016**

# The Teignmouth Harbour Commission

Annual Report

Year Ended 31 March 2016

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# **The Teignmouth Harbour Commission**

## **Commissioners' Report**

The Commissioners submit their report and the audited financial statements for the year ended 31 March 2016.

### **Results**

The post-tax trading profit for the year was £18,918, after taking account of income of £42,586 from a surcharge on shipping dues that has been remitted to the PNPf as part of the required deficit reduction plan; without this income the Commission would have recorded a loss of £23,668.

### **Principal Activity**

The Commission's principal activity during the year was the operation of Teignmouth Harbour.

### **Commissioners**

The Commissioners who served during the year were as follows:

J Grammer (retired 31 December 2015)

R Smith (retired 31 December 2015)

D Atkin

K Richards

Vice Chairman of Teignmouth Harbour Commission

R Lord

G Bond

Chairman of Teignmouth Harbour Commission

J Bailey

S Astbury

T Cox

E Jackson (appointed 1 January 2016)

V Weston (appointed 1 January 2016)

All of the above are selected by the Harbour Commission under Trust Port legislation.

### **Harbour Master and Chief Executive Officer of the Teignmouth Harbour Commission:**

Commander D M Vaughan OBE BA FRIN MNI Royal Navy

### **Clerk and Legal Adviser:**

G G N Bond LL.B

# The Teignmouth Harbour Commission

## Commissioners' Report

### Statement of Commissioners' Responsibilities

The Harbours Act 1964 as amended by subsequent legislation requires the Commissioners to prepare financial statements in accordance with applicable accounting standards. The Commissioners 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 Commission and of the profit or loss of the Commission for that period. In preparing these financial statements, the Commissioners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Commission will continue in business.

The Commissioners are responsible for keeping proper accounting records that are sufficient to show and explain the Commission's transactions and disclose with reasonable accuracy at any time the financial position of the Teignmouth Harbour Commission and enable them to ensure that the accounts comply with Section 42 of the Harbours Act 1964, as amended by the Transport Act 1981. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Commissioners are aware:

- there is no relevant audit information of which the Commission's auditors are unaware; and
- the Commissioners have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

# The Teignmouth Harbour Commission

## Commissioners' Report

### Key Performance Indicators

The more relevant Key Performance Indicators covering the activities of the Commission are detailed below:

	<b>2016</b>	<b>2015</b>
Tonnage	<b><u>338,048</u></b>	<u>385,617</u>
Number of Acts of Pilotage	<b><u>314</u></b>	<u>359</u>
Return on Capital Employed **	<b><u>(4.8%)</u></b>	<u>(2.2%)</u>

\*\* excluding income arising from PNPf deficit surcharge

### Small Company Provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

**By Order of the Commission**

D M Vaughan  
**Chief Executive Officer of the Commission**

# **The Teignmouth Harbour Commission**

Independent Auditors' Report to the Commissioners

Year Ended 31 March 2016

We have audited the financial statements of The Teignmouth Harbour Commission for the year ended 31 March 2016 which comprise the Profit and Loss Account, Balance Sheet, Statement of Source and Application of Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the Commissioners, as a body, as required by the Harbours Act 1964, as amended by the United Kingdom Transport Act 1981 and for no other purpose. Our audit work has been undertaken so that we might state to the Commissioners 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 Commission and the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective Responsibilities of Commissioners and Auditor**

As explained more fully in the Statement of Commissioners' Responsibilities, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Commissioners; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Commissioners' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# The Teignmouth Harbour Commission

Independent Auditors' Report to the Commissioners

Year Ended 31 March 2016

## **Basis for Qualified Opinion on Financial Statements**

As explained in Notes 1(e) and 15, the Commission has not complied with the requirements of the FRSSE in relation to Retirement Benefits, in that it has not obtained an updated accounting valuation at the balance sheet date, and is not able to make certain disclosures required by the FRSSE. In particular, the financial statements do not disclose the Commission's share of the assets and liabilities of the scheme, calculations of current year service and interest costs, and actuarial gains and losses.

## **Qualified opinion on Financial Statements**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Harbours Act 1964, as amended by the United Kingdom Transport Act 1981, which require the accounts to be prepared in accordance with the Companies Act 2006.

PKF FRANCIS CLARK  
Chartered Accountants  
Sigma House  
Oak View Close  
Edginswell Park  
Torquay  
TQ2 7FF

28 October 2016

# The Teignmouth Harbour Commission

## Profit and Loss Account

Year Ended 31 March 2016

	Notes	2016 £	2015 £
Ship, Cargo and Mooring dues		474,275	474,701
Operating and maintenance of Harbour and River		334,180	316,764
		<u>140,095</u>	<u>157,937</u>
Pilotage services (net income)		15,656	13,623
<b>Gross profit</b>	2	<u>155,751</u>	<u>171,560</u>
Administration and general expenditure		152,677	154,860
<b>Operating Profit</b>		<u>3,074</u>	<u>16,700</u>
Investment and sundry income	3	5,344	13,203
<b>Profit for the year before taxation</b>		<u>8,418</u>	<u>29,903</u>
Taxation	5	10,500	3,020
<b>Profit for the year after taxation</b>		<u><u>18,918</u></u>	<u><u>32,923</u></u>



# The Teignmouth Harbour Commission

## Balance Sheet

31 March 2016

	Notes	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	6	139,323	179,637
Investments	7	2,152	2,152
		<u>141,475</u>	<u>181,789</u>
<b>Current assets</b>			
Stock		6,033	6,168
Debtors	8	106,428	154,768
Cash at bank and in hand		592,548	570,484
		<u>705,009</u>	<u>731,420</u>
<b>Creditors</b> - Amounts falling due within one year	9	131,337	160,728
		<u>573,672</u>	<u>570,692</u>
<b>Net current assets</b>		<u>573,672</u>	<u>570,692</u>
<b>Total assets less current liabilities</b>		<u>715,147</u>	<u>752,481</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	11	(21,500)	(32,000)
<b>Net assets excluding pension deficits</b>		<u>693,647</u>	<u>720,481</u>
Pension deficit	14	(988,157)	(1,033,909)
<b>Net liabilities including pension deficits</b>		<u>(294,510)</u>	<u>(313,428)</u>
<b>Reserves</b>	12	<u>(294,510)</u>	<u>(313,428)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2015).

These financial statements were approved by the Commission and authorised for issue 26 October 2016 and are signed on their behalf by:

G Bond  
Chairman

D M Vaughan  
Chief Executive Officer of the Commission

# The Teignmouth Harbour Commission

## Statement of Source and Application of Funds

Year Ended 31 March 2016

	2016 £	2015 £
<b>Source of funds</b>		
Profit before taxation	8,418	29,903
<b>Adjustment for items not involving the movement of funds:</b>		
Depreciation	58,271	53,510
(Profit) on disposal of tangible assets	-	(385)
	<hr/>	<hr/>
<b>Total generated from operations</b>	<b>66,689</b>	<b>83,028</b>
<b>Application of funds</b>		
Taxation refunded	-	(20)
Purchase of tangible assets	17,957	30,285
Receipts from sales of tangible assets	-	(2,000)
	<hr/>	<hr/>
	<b>17,957</b>	<b>28,265</b>
	<hr/>	<hr/>
	<b>48,732</b>	<b>54,763</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Increase in working capital</b>		
Stock	(135)	1,606
Debtors	(48,340)	31,205
Creditors	29,391	768
Pension deficit reduction	45,752	47,663
	<hr/>	<hr/>
	<b>26,668</b>	<b>81,242</b>
<b>Movement in net liquid funds:</b>		
Bank balances and cash	22,064	(26,479)
	<hr/>	<hr/>
	<b>48,732</b>	<b>54,763</b>
	<hr/> <hr/>	<hr/> <hr/>

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2016

### 1 Accounting Policies

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2015). The following principal accounting policies have been applied.

(a) **Turnover**

The ship, cargo, mooring dues and tug dredger hire income shown in the Profit and Loss Account and the boarding and landing fees shown in the Income from Pilotage Analysis statement represents amounts receivable during the year, exclusive of Value Added Tax.

Where payments are received in advance of services provided, the amounts are recorded as Income Received in Advance and are included as part of Creditors : amounts falling due within one year.

(b) **Tangible fixed assets and depreciation**

All tangible fixed assets are initially recorded at cost. Tangible assets other than freehold property are depreciated over their estimated useful lives, at the following rates:

Commercial vessels	5-33% Straight line
Pontoons	5-20% Straight line
Expenditure on trots and moorings	10-33.33% Straight line
Harbour equipment	10-33% Straight line
Office furniture and equipment	10-20% Straight line
Motor vehicle	33% Straight line
Computer equipment	20% and 33% Straight line

(c) **Investments**

Investments are stated at cost.

(d) **Deferred taxation**

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have occurred but not reversed by the balance sheet date, except as otherwise required by the FRSSE.

(e) **Pension Costs**

The commission contributes to two pension schemes.

The Commission makes employer contributions to personal pension schemes on behalf of employees. The contributions paid are charged to the profit and loss account as they fall due.

The Commission is also a member of the Association of Participating Bodies (APB) of the Pilots National Pension Fund (PNPF), a defined benefit funded pension scheme. As explained in note 15, the Commission is able to identify its share of the assets and liabilities of the PNPF. Actuarial valuations are carried out triennially by the Trustee, but the Commissioners do not believe that the additional cost of obtaining an updated accounting valuation to the balance sheet date can be justified. In this respect this is not in accordance with the requirements of the FRSSE Retirement Benefits, and certain disclosures required by the FRSSE are also therefore not available. The Commission's share of the liability to eliminate the deficit, as calculated by the most recent actuarial valuation, is included in the balance sheet, and contributions made are set against the liability. The liability will be revised once future triennial valuations become available.

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2016

### 2 Gross Profit

	2016 £	2015 £
<b>Turnover</b>		
Revenue from Harbour Activities:		
Dues: on ships	65,110	69,669
on goods	<b>104,571</b>	116,957
	<hr/>	<hr/>
	<b>169,680</b>	186,626
Moorings fees	<b>196,209</b>	185,294
Revenue from Pilotage	<b>39,810</b>	42,300
Income from Tug Dredger	<b>21,000</b>	15,215
Other revenue	<b>87,386</b>	89,566
	<hr/>	<hr/>
	<b>514,085</b>	519,001
	<hr/>	<hr/>
<b>Cost of sales</b>		
Operating and maintenance of harbour and river	<b>300,063</b>	293,931
Depreciation	<b>58,271</b>	53,510
	<hr/>	<hr/>
	<b>358,334</b>	347,441
	<hr/>	<hr/>
<b>Gross Profit</b>	<b>155,751</b>	171,560
	<hr/> <hr/>	<hr/> <hr/>

### 3 Investment and Sundry Income

	2016 £	2015 £
Dividend income	607	573
Bank deposit account interest	2,737	10,630
PAYE Incentive	2,000	2,000
	<hr/>	<hr/>
	<b>5,344</b>	13,203
	<hr/> <hr/>	<hr/> <hr/>

#### Dividend income

	Date payable	Amount received £
Astra Zeneca plc 322 US\$0.25 ordinary shares		
First interim to 31/12/16	14.09.15	185.15
Second Interim year to 31/12/16	21.03.16	421.82
		<hr/>
		606.97
		<hr/> <hr/>

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2016

### 4 Profit on Ordinary Activities Before Taxation

	2016 £	2015 £
The profit on ordinary activities before taxation is after charging:		
Auditors' remuneration	5,000	5,000
Depreciation written off tangible fixed assets	58,271	53,510
(Profit) on disposal of tangible fixed assets	-	385
Operating lease rentals - property	37,734	41,027
	<u>37,734</u>	<u>41,027</u>

### 5 Taxation

	2016 £	2015 £
The taxation charge based on the results for the year is made up as follows:		
Current tax:		
Over / under provision in prior year	-	(20)
Deferred tax:		
Origination & reversal of timing differences (note 11):		
Capital allowances	(10,500)	(3,000)
Tax on profit/(loss) on ordinary activities	<u>(10,500)</u>	<u>(3,020)</u>

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2016

### 6 Fixed Assets

	At 1 April 2015 £	Additions £	Disposals £	At 31 March 2016 £
<b>Cost</b>				
Commercial vessels	625,170	3,538	-	628,708
Pontoons	54,911	-	-	54,911
Trots and moorings	6,850	-	-	6,850
Harbour equipment	155,860	8,304	-	164,164
Office furniture and equipment	13,415	3,602	-	17,017
Motor vehicle	7,409	-	-	7,409
Computer equipment	24,054	2,513	-	26,567
Freehold property	410	-	-	410
	<u>888,079</u>	<u>17,957</u>	<u>-</u>	<u>906,036</u>
	At 1 April 2015 £	Charge for year £	Eliminated on disposals £	At 31 March 2016 £
<b>Depreciation</b>				
Commercial vessels	542,323	25,147	-	567,470
Pontoons	22,446	3,587	-	26,033
Trots and moorings	6,850	-	-	6,850
Harbour equipment	113,534	19,975	-	133,509
Office furniture and equipment	9,096	1,406	-	10,562
Motor vehicle	186	4,574	-	4,760
Computer equipment	14,007	3,582	-	17,589
Freehold property	-	-	-	-
	<u>708,442</u>	<u>58,271</u>	<u>-</u>	<u>766,713</u>
	At 31 March 2015 £			At 31 March 2016 £
<b>Net book amounts</b>				
Commercial vessels	82,847			61,238
Pontoons	32,465			28,878
Trots and moorings	-			-
Harbour equipment	42,326			30,655
Office furniture and equipment	4,319			6,515
Motor vehicle	7,223			2,649
Computer equipment	10,047			8,978
Freehold property	410			410
	<u>179,637</u>			<u>139,323</u>
The Phillip Lucette Beacon at Cost	1,534			1,534
Less: The Phillip Lucette Memorial Fund	1,534			1,534
	<u>-</u>			<u>-</u>

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2016

### 7 Fixed Assets - Investments

	Cost		Market value	
	2016 £	2015 £	2016 £	2015 £
JPMF Global Fund Accumulation shares 3596.579 units	1,696	1,696	35,293	37,297
Astra Zeneca plc 322 US\$0.25 ordinary shares	456	456	12,566	14,897
	<u>2,152</u>	<u>2,152</u>	<u>47,859</u>	<u>52,194</u>

### 8 Debtors

	2016 £	2015 £
Ship and cargo dues	45,669	58,749
Prepayments and accrued income	59,347	85,336
VAT	-	8,672
Loans	1,412	2,012
	<u>106,428</u>	<u>154,768</u>

### 9 Creditors: amounts falling due within one year:

	2016 £	2015 £
Operating creditors	14,767	45,930
Mooring dues received in advance	111,314	111,434
PAYE and social security	3,315	3,364
VAT	1,941	-
	<u>131,337</u>	<u>160,728</u>

### 10 Commitments under Operating Leases

At 31 March 2016, the Commission had aggregate annual commitments under non-cancellable operating leases as follows:

	2016 £	2015 £
Operating leases which expire:		
Within 1 year	-	15,600
Within 2 to 5 years	29,431	27,794
Over 5 years	10,632	-
	<u>39,063</u>	<u>43,394</u>

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2016

<b>11 Provisions for Liabilities and Charges</b>	<b>2016</b>
	<b>£</b>
<b>Deferred taxation</b>	
At 1 April 2015	32,000
Charge to profit and loss account	(10,500)
	<hr/>
<b>At 31 March 2016</b>	<b>21,500</b>
	<hr/> <hr/>

The provision for deferred taxation consists of the tax effect of timing differences in respect of the excess of taxation allowances over depreciation on fixed assets.

<b>12 Reserves</b>	<b>Revenue</b>	<b>Replacement</b>	
	<b>account</b>	<b>vessels</b>	
	<b>£</b>	<b>reserve fund</b>	<b>Total</b>
		<b>£</b>	<b>£</b>
<b>At 1 April 2015</b>	(847,707)	534,279	(313,428)
Profit for the year	18,918	-	18,918
Transfer to Vessel fund	(12,422)	12,422	-
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2016</b>	<b>(841,211)</b>	<b>546,701</b>	<b>(294,510)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 13 Subsequent Event

In July 2016 the Commission made payments totalling c. £270,000 relating to further dredging of the main harbour channel to seek to maintain and enhance current levels of income. A corresponding reduction in cash and reserves, before pension deficit, has been incurred.



# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2016

### 14 Related Party Transactions

- a) During the year the Commission traded with entities in which certain Commissioners hold an interest or key management position as follows:

Name of Commissioner	Name of related party - relationship	Value of transactions in year		Debtor outstanding at 31 March	
		2016	2015	2016	2015
		£	£	£	£
<b>Income</b>					
D Atkin	Associated British Ports Ports Manager	10,127	11,099	1,071	2,046
<b>Operating Cost</b>					
M Layton	Teign Diving Centre & Irex Sales Director	-	267	-	-
G G N Bond	Teignmouth & District Bonding Company Ltd Director and Minority Shareholder	-	6,878	-	-

- b) The Commission is a self governing body and is under the control of the Commissioners. Commissioners' personal liability is limited under the provisions of the Commissioners Clauses Act 1847.
- c) The Commissioners also received £104 (2015: £104) each to cover expenses of holding office.
- d) During the year the Commission occupied premises owned by Associated British Ports, for which a peppercorn rent was paid.
- e) Five Commissioners paid aggregate mooring fees of £2,937 during the year, at full market rate.

### 15 The Pilots' National Pension Fund (PNPF)

The PNPF is a centralised multi-employer defined benefit pension scheme for non-associated employers. It provides benefits for employed and self-employed maritime Pilots. Teignmouth Harbour Commission is a member of the Association of Participating Bodies (APB) of the Pilots National Pension Fund. The actuary has calculated that the Commission's share of the assets, liabilities and funding deficit of the PNPF is 0.4175%. The Commission's share of the funding deficit was previously recognised as a contingent liability.

The Trustee of the PNPF has sought the guidance of the court on a number of issues relating to the Trustee's powers under the Rules of the PNPF including who is liable to contribute to the deficit. Until the legal status of the PNPF had been clarified, the Commission was unable to determine its share of the liabilities of the PNPF.

Following the court's determination and further information being made available on the extent of the PNPF's liabilities, the Commission is now able to determine its share of the assets and liabilities in respect of the PNPF. The last actuarial valuation of the PNPF was completed as at 31 December 2013. The recovery plan has now been finalised by the Trustees and the recovery period to eliminate the deficit for the Commission has been set at 16 years. To eliminate the deficit allocated to the Commission a total amount of £1,135,356 will be paid over this period. The deficit brought forward as at 1 April 2015 was £1,033,909 and contributions of £45,752 were made in the year to 31 March 2016. A net deficit of £988,157 has been recognised in the balance sheet at 31 March 2016.

Under the recovery plan, the Commission is committed to make annual contributions rising from £40,000 until 2018 to £91,992 by 2028.