

**The Teignmouth Harbour Commission**

**Annual Report**

**Year Ended 31 March 2017**

# The Teignmouth Harbour Commission

Annual Report

Year Ended 31 March 2017

<b>Contents</b>	<b>Page</b>
Commissioners' Report	1
Independent Auditors' Report to the Commissioners	4
Profit and Loss Account	6
Balance Sheet	7
Statement of Changes in Equity	8
Notes and Accounting Policies	9

# The Teignmouth Harbour Commission

## Commissioners' Report

The Commissioners submit their report and the audited financial statements for the year ended 31 March 2017.

### Results

The post-tax trading loss for the year was £194,619, which includes exceptional dredging costs to optimise the shipping channel of £270,817. The results also take account of income of £44,522 from a surcharge on shipping dues that has been remitted to the PNPF as part of the required deficit reduction plan, and an unrealised gain on investments of £15,686. Without these items the net profit after tax would have been £15,990 and a loss of £5,510 before tax.

### 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:

S Astbury

D Atkin

J Bailey

G Bond                                      Chairman of Teignmouth Harbour Commission

T Cox

E Jackson

R Lord

K Richards                                Vice Chairman of Teignmouth Harbour Commission

V Weston

Alex Chinchon (appointed 22 September 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 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 and the Companies Act 2006. 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>2017</b>	<b>2016</b>
Cargo Tonnage	<u><u>351,932</u></u>	<u><u>338,048</u></u>
Number of Acts of Pilotage	<u><u>306</u></u>	<u><u>314</u></u>
Ship Tonnage (SDWT)	<u><u>459,025</u></u>	<u><u>440,393</u></u>
Return on Capital Employed **	<u><u>(62.5%)</u></u>	<u><u>(4.8%)</u></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 2017

We have audited the financial statements of The Teignmouth Harbour Commission for the year ended 31 March 2017 which comprise the Profit and Loss Account, Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 Section 1A 'The financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Commissioners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and 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 to the financial statements, including 'APB Ethical Standard – Provisions Available for Small Entities Revised'.

## **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 2017

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

As explained in Notes 2(i) and 12, the Commission has not complied with the requirements of FRS102 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 FRS102. In particular, the financial statements do not disclose the Commission's share of the assets and liabilities of the defined benefit 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 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Harbours Act 1964, as amended by the United Kingdom Transport Act 1981, which require the accounts to be prepared in accordance with the Companies Act 2006.

Christopher Hicks BA FCA DChA (Senior Statutory Auditor)  
PKF Francis Clark, Statutory Auditor  
Sigma House  
Oak View Close  
Edginswell Park  
Torquay  
TQ2 7FF

26 October 2017

# The Teignmouth Harbour Commission

## Profit and Loss Account

Year Ended 31 March 2017

	Note	2017 £	2016 £
Ship, Cargo and Mooring dues		517,075	474,275
Operating and maintenance of Harbour and River		329,363	334,180
Exceptional dredging costs		270,817	-
		<u>(83,105)</u>	<u>140,095</u>
Pilotage services (net income)		20,341	15,656
<b>Gross (Loss)/profit</b>	3	<b>(62,764)</b>	155,751
Administration and general expenditure		174,789	152,677
<b>Operating (Loss)/Profit</b>		<b>(237,553)</b>	3,074
Investment and sundry income		5,748	5,344
Gain on investments		15,686	-
<b>(Loss)/Profit for the year before taxation</b>		<b>(216,119)</b>	8,418
Taxation		21,500	10,500
<b>(Loss)/Profit for the year after taxation</b>		<b>(194,619)</b>	18,918

# The Teignmouth Harbour Commission

## Balance Sheet

31 March 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	6	124,486	139,323
Investments	7	63,545	2,152
		<u>188,031</u>	<u>141,475</u>
<b>Current assets</b>			
Stock		7,448	6,033
Debtors	8	113,462	106,428
Cash at bank and in hand		360,769	592,548
		<u>481,679</u>	<u>705,009</u>
<b>Creditors</b> - Amounts falling due within one year	9	166,036	131,337
		<u>315,643</u>	<u>573,672</u>
<b>Total assets less current liabilities</b>		<b>503,674</b>	<b>715,147</b>
<b>Provisions for liabilities and charges</b>			
Deferred taxation		-	(21,500)
		<u>503,674</u>	<u>693,647</u>
<b>Net assets excluding pension deficit</b>		<b>503,674</b>	<b>693,647</b>
Pension deficit	12	(947,096)	(988,157)
		<u>(443,422)</u>	<u>(294,510)</u>
<b>Net liabilities including pension deficit</b>		<b>(443,422)</b>	<b>(294,510)</b>
<b>Reserves</b>			
Replacement vessels reserve fund		546,701	546,701
Revenue account		(990,123)	(841,211)
		<u>(443,422)</u>	<u>(294,510)</u>
<b>Total Reserves</b>		<b>(443,422)</b>	<b>(294,510)</b>

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to small companies regime with Part 15 of the Companies Act 2006.

These financial statements were approved by the Commission and authorised for issue on 25 October 2017 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 Changes in Equity

31 March 2017

	<b>Replacement vessels reserve fund £</b>	<b>Revenue account £</b>	<b>Total £</b>
At 1 April 2016	546,701	(841,211)	(294,510)
Changes on transition to FRS102	-	45,707	45,707
Loss for the year and total comprehensive income	-	(194,619)	(194,619)
At 31 March 2017	<u>546,701</u>	<u>(990,123)</u>	<u>(443,422)</u>

	<b>Replacement vessels reserve fund £</b>	<b>Revenue account £</b>	<b>Total £</b>
At 1 April 2015	534,279	(847,707)	(313,428)
Profit for the year and total comprehensive income	-	18,918	18,918
Transfers	12,422	(12,422)	-
At 31 March 2016	<u>546,701</u>	<u>(841,211)</u>	<u>(294,510)</u>

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2017

### 1 General Information

Teignmouth Harbour commission is an unincorporated organisation set up for the administration of the affairs of Teignmouth Harbour and the administration of the pilotage services as a competent Harbour authority under the Pilotage Act 1987.

The address of its primary office is:  
2nd Floor, ABP Port Office  
Old Quay Road  
Teignmouth  
Devon  
TQ14 8ES

### 2 Accounting Policies

#### (a) Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (b) Change in basis of accounting and statement of compliance

The organisation's financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A – 'The financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

#### (c) Basis of preparation

The organisation's financial statements have been prepared using the historic cost convention except that as disclosed in the accounting policies certain items are disclosed at fair value.

The functional currency of the organisation is considered to be pounds sterling because that is the currency of the primary economic environment in which the organisation operates.

#### (d) Change in basis of accounting

The company's financial statements have been prepared in accordance with FRS 102 – the Financial Reporting Standard applicable in the UK and Ireland. The company has transferred from previous extant UK GAAP to FRS102 as at 1 April 2015. The commission has departed from the requirements from FRS102, in respect of pension costs, as set out in note 2(i) below.

#### (e) Going concern

The Commission has net liabilities of £443,422 as 31 March 2017, which includes a pension deficit of £947,096. A deficit recovery plan is in place for payments to be made up to 2028, as disclosed in note 12. The Commission expects to be able to meet the payments of this liability as they fall due and has therefore adopted the going concern basis for the preparation of these accounts.

#### (f) Revenue recognition

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.

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2017

### (g) Tax

Tax is recognised in the profit and loss, except that a change attributable to an item of income or expenses recognised as other comprehensive income is also recognised directly in other comprehensive income. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay or to receive more, tax. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the assets to be recovered.

### (h) 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	5-10%	Straight line
Trots and moorings	10-20%	Straight line
Harbour equipment	15-33%	Straight line
Office furniture and equipment	15%	Straight line
Motor vehicle	33%	Straight line
Computer equipment	15-33%	Straight line

### (i) 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 12, 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 FRS102, and certain disclosures required by FRS102 are also therefore not available. The financial statements do not disclose the Commission's share of the assets and liabilities of the defined benefit scheme, calculations of current year service and interest costs, and actuarial gains and losses. The Commission's share of the liability to eliminate the deficit, as calculated by the most recent actuarial valuation and agreed recovery plan, 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.

### (j) Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

### (k) Financial instruments

#### *Classification*

The commission holds the following financial instruments:

- Short term trade and other debtors and creditors

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2017

### Financial instruments (continued)

- Cash and bank balances
- Investments

All financial instruments are classified as basic.

#### *Recognition and measurement*

The commission has chosen to apply the recognition and measurement principals of FRS102.

Financial instruments are recognised when the commission becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Such instruments are initially measured at transition price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments. Investments where they are publically traded or their fair value can be measured reliably, are measured at fair value through the profit and loss account. The fair value has been measured at the quoted market price at the balance sheet date.

### 3 Gross Profit

	2017	2016
	£	£
<b>Turnover</b>		
Revenue from Harbour Activities:		
Dues: on ships	68,256	65,110
on goods	110,292	104,571
	<hr/>	<hr/>
	178,548	169,680
Moorings fees	186,916	196,209
Revenue from Pilotage	41,109	39,810
Income from Tug Dredger	64,163	21,000
Other revenue	87,448	87,386
	<hr/>	<hr/>
	558,184	514,085
	<hr/>	<hr/>
<b>Cost of sales</b>		
Operating and maintenance of harbour and river	572,192	300,063
Depreciation	48,756	58,271
	<hr/>	<hr/>
	620,948	358,334
	<hr/>	<hr/>
<b>Gross Profit</b>	<b>(62,764)</b>	155,751

### 4 Staff numbers

The average number of persons employed by the company (including the Harbour Master) during the year was 8 (2016: 8).

### 5 Taxation

The Commission has unrealised tax losses totalling £238,512 (2016: £14,112).

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2017

### 6 Fixed Assets

	At 1 April 2016 £	Additions £	Disposals £	At 31 March 2017 £
<b>Cost</b>				
Commercial vessels	628,708	-	-	628,708
Pontoons	54,911	-	-	54,911
Trots and moorings	6,850	-	-	6,850
Harbour equipment	164,164	23,416	-	187,580
Office furniture and equipment	17,017	-	-	17,017
Motor vehicle	7,409	-	-	7,409
Computer equipment	26,567	12,981	(8,260)	31,288
Freehold property	410	-	-	410
	<u>906,036</u>	<u>36,397</u>	<u>(8,260)</u>	<u>934,173</u>
	At 1 April 2016 £	Charge for year £	Eliminated on disposals £	At 31 March 2017 £
<b>Depreciation</b>				
Commercial vessels	567,470	25,092	-	592,562
Pontoons	26,033	3,587	-	29,620
Trots and moorings	6,850	-	-	6,850
Harbour equipment	133,509	16,053	-	149,562
Office furniture and equipment	10,502	1,524	-	12,026
Motor vehicle	4,760	366	-	5,126
Computer equipment	17,589	2,134	(5,782)	13,941
Freehold property	-	-	-	-
	<u>766,713</u>	<u>48,756</u>	<u>(5,782)</u>	<u>809,687</u>
	At 31 March 2016 £			At 31 March 2017 £
<b>Net book amounts</b>				
Commercial vessels	61,238			36,146
Pontoons	28,878			25,291
Trots and moorings	-			-
Harbour equipment	30,655			38,018
Office furniture and equipment	6,515			4,991
Motor vehicle	2,649			2,283
Computer equipment	8,978			17,347
Freehold property	410			410
	<u>139,323</u>			<u>124,486</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 2017

### 7 Fixed Assets – Investments

	<b>Listed Investments</b>	<b>Total</b>
	£	£
<b>Cost or valuation</b>		
At 1 April 2016	47,859	<b>47,859</b>
Fair value adjustments	15,686	<b>15,686</b>
	<hr/>	<hr/>
At 31 March 2017	63,545	<b>63,545</b>
	<hr/>	<hr/>
<b>Carrying amount</b>		
<b>At 31 March 2017</b>	<b>63,545</b>	<b>63,545</b>
	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2016	2,152	2,152
	<hr/> <hr/>	<hr/> <hr/>

### 8 Debtors

	<b>2017</b>	<b>2016</b>
	£	£
Ship and cargo dues	<b>48,985</b>	45,669
Prepayments and accrued income	<b>62,355</b>	59,347
VAT	<b>1,395</b>	-
Loans	<b>727</b>	1,412
	<hr/>	<hr/>
	<b>113,462</b>	106,428
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2017</b>	<b>2016</b>
	£	£
Operating creditors	<b>50,243</b>	14,767
Mooring dues received in advance	<b>112,304</b>	111,314
PAYE and social security	<b>3,489</b>	3,315
VAT	-	1,941
	<hr/>	<hr/>
	<b>166,036</b>	131,337
	<hr/> <hr/>	<hr/> <hr/>

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2017

### 10 Financial commitments, guarantees and contingencies

The total amount of financial commitments not included in the balance sheet is £45,189 (2016: £55,821).

### 11 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	
		2017	2016	2017	2016
		£	£	£	£
<b>Income</b>					
D Atkin	Associated British Ports Ports Manager	10,256	10,127	-	1,071

The Commission received £46,000 from Associated British Ports in relation to a contribution towards dredging works (2016: £10,000).

The Commission occupied premises owned by Associated British Ports, for which a peppercorn rent was paid.

- 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 (2016: £104) each to cover expenses of holding office.
- d) Five Commissioners paid aggregate mooring fees of £2,005 during the year at full market rate. (2016: £2,336).

# The Teignmouth Harbour Commission

## Notes and Accounting Policies

Year Ended 31 March 2017

### **12 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 calculated that the Commission's share of the assets, liabilities and funding deficit of the PNPF was 0.4175%. The Commission's share of the funding deficit was previously recognised as a contingent liability.

The Trustee of the PNPF 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 was clarified, the Commission was unable to determine its share of the liabilities of the PNPF.

As explained in Note 2(i) the Commission has not obtained an updated valuation for accounting purposes on cost/benefit grounds and, therefore, is unable to give the analysis of scheme assets and liabilities required by FRS 102.

Following the court's determination in 2012 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, as set out in the recovery plan agreed with the Trustee. The deficit brought forward as at 1 April 2016 was £988,157 and contributions of £41,061 were made in the year to 31 March 2017. A net deficit of £947,096 has been recognised in the balance sheet at 31 March 2017.

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

The triennial actuarial valuation of the scheme is being undertaken as of 31 December 2016. The results of this exercise and any revised deficit recovery plan are expected to be agreed towards the end of the current financial year.

### **13 Transition to FRS 102**

The Commission transferred to FRS102 from previously extant UK GAAP as at 1 April 2015.

As a consequence of adopting FRS102, listed investments are now valued at fair value through the profit and loss account rather than at cost. In addition, deferred tax is required to be provided on any investment gains. The Commission has taken advantage of the transitional exemption in section 35 of FRS102 not to restate its comparative balance sheet and profit and loss account for this change. The uplift to fair value at 1 April 2016 of £45,707 has been adjusted on opening equity. No deferred tax has been provided on the investment gain as it is expected that sufficient tax losses will be available to offset against the gain.