



HARWICH HAVEN AUTHORITY

REPORT AND
FINANCIAL STATEMENTS

31 DECEMBER 2014



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MEMBERS, MANAGEMENT AND ADVISORS

Members of the Board	T Clarke	Chairman (retired 31 March 2015)
	Captain John M Bubb FNI	
	G Kieffer	Deputy Chairman
	J Bradshaw	(Retired 31 May 2014)
	A T Coe CBE QPM	(Retired 31 May 2014)
	R Morris	
	P Roland	
	Captain N Glendinning	Executive Member (appointed CEO 14 May 2014)
	Baroness R Scott	
	R Crighton	(Appointed 1 June 2014)
Management	D Fison	Associate Board Member (appointed 1 August 2014)
	Dr K Purnell	(Appointed 1 February 2015)
	J Keohane	Chairman Elect (appointed 1 March 2015)
The Authority	Captain N Glendinning	Chief Executive & Harbour Master
	J R Brien	Harbour Engineer
	P C Buckle	Financial Controller
Auditors	Harwich Haven Authority	
	Harbour House	
	The Quay	
	Harwich	
	Essex	
Bankers	CO12 3HH	
	Larking Gowen Limited	
	1 Claydon Business Park	
	Great Blakenham	
	Ipswich	
Solicitors	Suffolk IP6 0NL	
	Barclays Bank	
	9 High Street	
	Colchester	
	Essex CO1 1DD	
	NatWest	
	100 The Crescent	
	Colchester Business Park	
	Colchester	
	Essex CO4 9YQ	
	Lloyds TSB	
	1 West Avenue	
	Clacton on Sea	
	Essex CO15 1QP	
	Winckworth Sherwood	
	35 Great Peter Street	
	London SW1P 3LR	



REPORT OF THE BOARD

The Board presents its report and the financial statements for the year ended 31 December 2014.

The Authority's purpose and mission

Purpose

It is the purpose of the Authority to conserve, protect, regulate, maintain and improve the haven and its environment based upon the principles of sustainability for the benefit of all its users.

Mission

The Authority aims to run a safe, efficient, cost-effective harbour operation based on the principles of sustainability for the benefit of all port users and the wider community.

The Authority's activities

Harwich Haven Authority is a trust port – a statutory harbour authority governed by an independent board charged with acting in the interests of its stakeholders. It derives its income from conservancy and pilotage charges on commercial shipping. It receives no public funding; it does not issue, nor is required to pay a dividend on any form of equity to any entity being either public or private. Any surplus from operations is reinvested for the provision and/or improvement of facilities.

The Authority was established by Act of Parliament in 1863 in order to safeguard the best natural haven on the East Coast of England. The Board's general duty is to conserve, protect and improve Harwich Harbour and its approaches for the benefit of all its users. Its jurisdiction covers the River Stour, the lower part of the River Orwell, Harwich Harbour and an area to seaward extending 12 nautical miles from the harbour entrance covering 150 square miles. It provides services for shipping using the commercial ports of Felixstowe, Harwich International, Harwich Navyard, Ipswich and Mistley and also pilot boarding and landing services for vessels bound for the rivers Thames, Medway, Blackwater, Colne and Crouch.

The Board is constituted as a total of ten members, two executive members and eight part-time non-executive members. Currently, Captain N Glendinning is fulfilling both executive roles. The Secretary of State for Transport appoints the Chairman and four non-executive members and the Authority appoints three non-executive and two executive members. From time to time the Authority appoints associated members who have a right to attend meetings but no right to vote at them.

The Authority provides and maintains critical infrastructure including deep water seaward approach channels and berth dredging according to commercial requirements. In carrying out its responsibility the Authority is concerned in maintaining a proper balance between the needs of commercial shipping, leisure users and the environment.



REPORT OF THE BOARD

Fixed assets

Total capital expenditure for the year was £274k (2013: £1.9m).

Pilot launch - new build

Final payments for third and fourth new pilot launches took place during the year, accounting for £81k of the total capital spend.

Computer equipment

The information technology and communications equipment upgrade and improvement programme continued throughout the year, with focus on completing the server upgrades and recabling of Harbour House.

Health and safety performance

Accident statistics for 2014 show a total of 12 accidents (2013: 12) of which 3 (2013: none) were classed as Lost Time Accidents (absence from employment of seven days or more) as defined by the RIDDOR Regulations. The Authority's performance in this respect remains better than the sector average as compiled by Ports Skills & Safety. Slips, trips and falls were identified as the main root cause of accidents. Enhanced targets for performance improvements have been established along with a training programme for 2015.



REPORT OF THE BOARD

Marine safety performance

Throughout 2014 the Authority was in full compliance with the Port Marine Safety Code (PMSC). This included an annual external independent audit together with an internal audit of the Authority's Safety Management System against the PMSC.

In accordance with the updated guidance to the Code, the Authority has a Safety Plan as to demonstrate how the standard in the Code will be met:

Harwich Haven Authority is committed to discharging all of its statutory duties and to remaining open, accountable and fit for purpose. Its plan to manage the safety of marine operations is to comply with all of the requirements of the Port Marine Safety Code and to follow the guidance in the Guide to Good practice on Port Marine Operations.

In doing so it will, regardless of commercial pressures:

- *take reasonable care so that all who may choose to navigate in the Haven may do so without danger to their lives or property.*
- *conserve and promote the safe use of the Haven.*
- *have regard to safety, efficiency and economy of marine operations.*
- *take such action that is necessary or desirable for the maintenance, operation, improvement or conservancy of the Haven.*

Harwich Haven Authority will base its powers and policies on a formal assessment of hazards and risks and it will maintain a formal safety management system which will ensure that all risks are managed so that they are as low as reasonably practicable. It will employ and engage competent and qualified staff and contractors. It has appointed a Designated Person who will regularly conduct internal compliance audits in accordance with the Port Marine Safety Code and who will report directly to the Board.

Additionally, independent external experts will periodically conduct an external audit and the expert's report will be presented to the Board. The Designated Person and the external auditors shall assess in their reports the Authority's performance against its plan of complying with all of the requirements of the Port Marine Safety Code and to following the guidance in the Guide to Good Practice on Port Marine Operations.

Marine incident summary

	2014		2013	
	Level 1	Level 2	Level 1	Level 2
Total incidents	1.0	5.0	2.0	7.0
Incidents per 10,000 ship movements	0.6	3.2	1.0	5.0

Note:

Level 1 incident: serious structural damage or risk of causing death / serious injury, major pollution, channel or berth obstruction.

Level 2 incident: little or no risk to personnel or environment, minor or no structural damage, no risk to sea-going integrity.

Continuous analysis of incidents has identified the need for a small number of corrective actions that have been implemented throughout the year.



REPORT OF THE BOARD

Environmental performance

The Authority has continued to work effectively with regulators, advisors and stakeholders in respect of the various environmental compensation, mitigation and monitoring works that are undertaken within the Haven. The formal report to the Regulators Group for 2014 continues to demonstrate compliance with all the requirements of various project consents and that the estuaries are generally in good health.

A variety of oil spill recovery exercises were conducted in 2014 with some undertaken by the Authority and others involving external agencies and organisations.

A formal management review and external audit of the Environmental Management System (EMS) has been undertaken with the result that the Authority continues to maintain its ISO accreditation.

Security

The Haven Ports Security Forum continues to co-ordinate common issues within the Haven in addition to the Authority's focus on its own role in ensuring security plans are kept up-to-date and relevant.

Corporate governance/review of corporate structure

As previously reported, the findings of the review undertaken in 2009 concluded that the Authority is best served by its current corporate structure. This position is based upon the Authority continuing to demonstrate the delivery of efficiencies and asset value along equivalent lines to that which the disciplines and incentives that private sector investors would achieve.

During 2014 this position was kept under review as the Authority reconfirmed its core functions and objectives as follows:

Functions:-

- the conservancy of Harwich Haven and its approaches, including licensing third party works, surveys and dredging.
- the regulation of shipping in the Haven and the Harwich seaward area.
- pilotage in the Harwich pilotage area.

Objectives:-

1. to run a safe and efficient, cost effective harbour operation on a commercial and internationally competitive basis.
2. to conserve, protect, regulate and improve the harbour whilst maintaining a consistent and sustainable level of services.
3. to ensure a structure that meets the needs of all port and harbour users on a fair and equitable basis.
4. to meet the environmental commitments and regulatory obligations of the Authority.
5. to ensure the operations of the Authority are undertaken on an accountable, open and transparent basis.



REPORT OF THE BOARD

Stakeholder liaison

The Authority has continued to actively engage with all its stakeholders both informally by way of its day-to-day business and also by the various formal established forums listed below:

- Haven Ports Pilotage Committee
- Haven Towage Liaison meetings
- Harbour Liaison meeting
- Navigational Safety Committee
- Leisure Vessels Navigation sub-committee
- Regulators Group (Defra, EA, NE. etc.)
- Stour & Orwell Estuary Management Forum
- Fisheries Liaison
- Felixstowe & Trimley's Futures Group
- Local Authority Liaison Groups
- Landguard Partnership

The Authority remains a core member of the Haven Gateway Partnership.

This on-going approach to wide stakeholder liaison continues to provide very productive and preferred forums for communications and consultation in place of an open meeting.

Emergency planning

The Authority has continued to keep its three main emergency and contingency plans and overall general preparedness up-to-date in conjunction with all other involved parties as listed below:

1. HHA Emergency Procedures (incorporating Harwich Combined Accident Plan)
2. Resilience Forums (Civil Contingencies)
3. Haven Oil Working Group (HOWG)

Members attendance 2014 (total of six meetings held during the year)

Member	Appointing Body	Attended/from a possible
Tim Clarke (Chairman - retired 31 March 2015)	SoS	6/6
George Kieffer (Deputy Chairman)	SoS	6/6
Anthony Coe CBE QPM (retired 31 May 2014)	SoS	3/3
Captain John Bubb	HHA	6/6
John Bradshaw (retired 31 May 2014)	HHA	3/3
Roger Morris	SoS	6/6
Philip Roland	HHA	5/6
Captain Neil Glendinning (appointed CEO 14 May 2014)	HHA	6/6
Baroness Scott	SoS	6/6
Robert Crighton (appointed 1 June 2014)	HHA	2/3
David Fison (Associate Board Member - appointed 1 August 2014)	HHA	2/2

Additionally the Audit & Risk, Remuneration, and the Safety & Environment committees met as required.



REPORT OF THE BOARD

Issues for the year ahead

There continues to be a level of uncertainty in all sectors of trade using the Haven Ports for the short term (up to two years). Notwithstanding this uncertainty, the Haven Ports continue to ensure that spare capacity is in place to best position them to compete for trade growth as/when it materialises. This should be seen in the positive context that the Haven, and its mix of port facilities, are in the sector for the long haul at a time when other ports continue to remain more pessimistic. The exception to this is with the container sector, where additional competing terminal capacity which came into operation during 2013 and has the capacity to expand further during 2015.

It remains the role of this Authority to provide all it can to support the future competitiveness of the Haven Ports thus enabling our own position to be maintained.

As container vessel size continues to increase, the Authority is well placed to handle this trade with its existing deep-water access. Already regularly handling the largest vessels in service (14,000 - 19,224teu) the Haven is also capable of handling the next generation of vessels (22,000teu) and had the privilege of welcoming a series of the world's largest ships to the Haven. The Authority remains proactive in this respect and is progressing studies to evaluate further capital deepening as the need arises in the future.

A target has been set for further reductions in all occupational health and safety accidents and for increased reporting of incidents.

A number of navigational safety objectives have been established for the year, aimed especially at those areas of performance highlighted through the investigation of incidents during 2014.

Emphasis will continue with regard to the Compensation, Mitigation and Monitoring Schemes, as identified by the Regulators Group.

Additional activities for the period ahead include:

- an external audit of Port Marine Safety Code activities and Environmental Management Systems.
- ongoing research and appraisal into the licencing of an alternative maintenance dredge disposal site giving environmental and cost benefits.



REPORT OF THE BOARD

The Board and staff

The Authority was in full compliance with the DfT Guide to Good Governance for Trust Ports throughout 2014.

The Board also wishes to thank all its stakeholders for their continued support in 2014.

Charitable donations

Total charitable donations of £15,555 were made in the year (2013: £13,990).

By order of the Board

A handwritten signature in black ink, appearing to read 'J. Keohane'.

J Keohane
Chairman

Approved by the Board on 14 May 2015



STRATEGIC REPORT

Consolidation of deep-sea container services continues to be a feature in traffic patterns with a further consequential reduction in ship calls. This reduction was mitigated by the continuation of offshore wind farm projects together with some construction traffic associated with the extension to Felixstowe South. Consequently total ship calls increased by 5.6% to 5,647 (2013: 5,346). Ship arrivals of deep drafted vessels in excess of 15,750 gross tons decreased by 0.6% to 1,360 (2013: 1,368).

5,647 ships totalling 194.4 million gross tons made entry to the Harbour during 2014, an increase of 301 ships and an increase in tonnage of 3.1 million gross tons on the previous year. These figures represent an increase in gross tonnage of 1.6% on the previous year.

The Authority undertook 5,835 (2013: 6,071) full pilotage acts during the year, a decrease of 236 compared with 2013 equating to 3.9%. The continued movement towards ever increasing ship size has had a detrimental effect on the number of pilotage acts undertaken by the Authority.

Operating revenue was £22.1m, an increase of £1.4m compared with 2013. Pre-exceptional operating costs decreased by £1.5m. This year on year decrease in operating costs was a result of decreased expenditure on maintenance dredging due to significantly lower siltation levels, as well as scheduled repairs to buildings and jetties.

In 2013, an exceptional item of £15.0m, relating to the settlement of a debt certified under section 75 of the Pensions Act 1995 in respect of the Pilots National Pension Fund, was recognised in the revenue account. Further detail is provided in note 4 and note 22.

Net debt increased by £11.5m to £11.9m.

The surplus on ordinary activities of £3.5m after taxation was transferred to reserves.

By order of the Board

J Keohane
Chairman

Approved by the Board on 14 May 2015



STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Relevant law requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under relevant 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 Authority and of the surplus or deficit of the Authority 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 estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue to operate.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the Authority's transactions and which disclose with reasonable accuracy at any time the financial position of the Authority and to enable them to ensure that the financial statements comply with the Harbours Act 1964 and Companies Act 2006. The Board is also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The Board members at the time when the report of the Board is approved have confirmed that:

- so far as the Board are aware, there is no relevant audit information of which the Authority's auditors are unaware; and
- that the Board has taken all the steps that ought to have been taken in order to be aware of any information needed by the Authority's auditors in connection with preparing their report and to establish that the Authority's auditors are aware of that information.

This report was approved by the Board and signed on its behalf.

By order of the Board

J Keohane
Chairman

Approved by the Board on 14 May 2015



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF HARWICH HAVEN AUTHORITY

We have audited the financial statements of Harwich Haven Authority for the year ended 31 December 2014 which comprise the Revenue Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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).

This report is made solely to the Board of Harwich Haven Authority, as a body, in accordance with the Harbours Act 1964. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Board members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board members and auditors

As explained more fully in the statement of the Board's responsibilities, the Board is 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 (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2014 and of its surplus 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.

Larking Gowen Limited
Chartered Accountants
Statutory Auditors

Ipswich

14 May 2015



Harwich Haven Authority

REVENUE ACCOUNT YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Operating revenue	2	22,089,537	20,687,812
Expenditure	3	(17,828,413)	(19,306,924)
Operating surplus before exceptional item		4,261,124	1,380,888
Exceptional item	4	-	(15,043,000)
Operating surplus/(deficit)	5	4,261,124	(13,662,112)
Interest receivable		104,761	258,763
Other finance income	18	267,000	265,000
Interest payable and similar charges	7	(1,158,865)	(1,240,670)
Surplus/(deficit) before taxation		3,474,020	(14,379,019)
Taxation	8	-	45,866
Surplus/(deficit) for the financial year		3,474,020	(14,333,153)

The surplus before taxation of £3,474,020 (2013: £14,379,019 deficit) shown above includes a surplus of £901,090 (2013: £632,759) relating to surcharge revenues.

Continuing operations

All amounts relate to continuing operations.



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Surplus/(deficit) for the financial year		3,474,020	(14,333,153)
Actuarial loss on pension scheme	18	(4,218,000)	(1,742,000)
Movement on deferred tax relating to pension scheme	21	532,960	400,660
Total recognised losses relating to the year		<u>(211,020)</u>	<u>(15,674,493)</u>



Harwich Haven Authority

**BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	9	47,291,900	49,206,543
Current assets			
Stocks	10	159,739	175,507
Debtors	11	2,861,677	2,563,846
Short term deposits		-	3,000,000
Cash at bank and in hand	17	3,438,601	9,408,377
		6,460,017	15,147,730
Creditors: amounts falling due within one year	12	(3,526,895)	(18,136,794)
Net current assets/(liabilities)		2,933,122	(2,989,064)
Total assets less current liabilities		50,225,022	46,217,479
Creditors: amounts falling due after more than one year	13	(12,486,277)	(11,023,714)
Provisions for liabilities and charges			
Pension scheme liability	18	(5,766,000)	(3,010,000)
		31,972,745	32,183,765
Reserves			
Revenue account	14	31,972,745	32,183,765

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

J Keohane
Chairman
14 May 2015

G Kieffer
Deputy Chairman
14 May 2015

The notes on pages 16 to 28 form part of these financial statements.



CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Net cash (outflow)/inflow from operating activities (see below)		(10,206,211)	2,462,840
Returns on investments and servicing of finance	15	(1,054,104)	(981,907)
Taxation	15	-	-
Capital expenditure	15	(266,926)	(1,588,171)
		(11,527,241)	(107,238)
Management of liquid resources	15	3,000,000	7,196,070
Financing	15	2,557,465	(1,652,545)
(Decrease)/increase in cash in the year		(5,969,776)	5,436,287
Reconciliation of operating surplus/(deficit) to net cash (outflow)/inflow from operating activities			
Operating surplus/(deficit)		4,261,124	(13,662,112)
Depreciation		2,162,762	2,193,300
Amortisation of capital grants		-	(14,166)
Loss/(profit) on disposal of fixed assets		18,807	(230,126)
Decrease in stocks		15,768	12,647
(Increase)/decrease in debtors		(306,871)	113,786
(Decrease)/increase in creditors		(15,704,801)	14,344,511
Difference between current service cost and cash contributions		(653,000)	(295,000)
Net cash (outflow)/inflow from operating activities		(10,206,211)	2,462,840
Reconciliation of net cash flow to movement in net debt			
	16	(5,969,776)	5,436,287
(Decrease)/increase in cash in the year		(2,557,465)	1,652,545
Net (advance)/repayment in debt		(3,000,000)	(7,196,070)
Cash inflow to liquid resources			
		(11,527,241)	(107,238)
Change in net debt		(389,160)	(281,922)
Net debt at 1 January 2014			
Net debt at 31 December 2014		(11,916,401)	(389,160)



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

1 ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) which have been applied consistently (except as otherwise stated).

Operating revenue

Operating revenue represents amounts receivable for services supplied net of value added tax.

Research and development

Research expenditure is written off to the revenue account in the year in which it is incurred.

Tangible fixed assets and depreciation

Freehold land is not depreciated. Other tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives as follows:

Freehold buildings	-	4%
Leasehold property	-	over the remaining period of the lease
Capital dredging	-	2%
Jetties	-	4% and 10%
Launches, navigation and other equipment	-	5 - 25%

The original cost of dredging shipping channels is capitalised. Costs incurred in maintaining the channels - "maintenance dredging" - are charged to revenue in the year in which they are incurred.

Stocks

Stocks, which consists of spare parts and consumable items, are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items.

Capital grants received

Grants received are released to the revenue account over the expected useful lives of the assets to which they relate.



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

ACCOUNTING POLICIES (continued)

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. No provision is made for deferred taxation on timing differences where, in the opinion of the Board, the taxation allowances to which the timing differences relate cannot be reclaimed.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities, which are undiscounted, are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Pension costs

The Authority operates a defined benefit scheme. The amounts charged to operating surplus are the current service costs, and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the revenue account if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or income in the revenue account. Actuarial gains and losses, together with any associated movement in deferred taxation are recognised immediately in the statement of total recognised gains and losses.

The scheme is funded with the assets of the scheme which are held separately from the assets of the Authority, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using projected unit method and a discount rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Surcharges

Surcharge revenues are deposited in a dedicated holding account and applied for the purposes set out in the related loan agreement.

Leases

Leases in which a significant part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the revenue account on a straight line basis over the period of the lease.



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

2 OPERATING REVENUE

	2014	2013
	£	£
Dues on ships	14,849,725	13,723,991
Pilotage services	5,773,334	5,866,748
Pilotage exemption certificates	21,650	16,400
Boarding and landing charges	873,133	775,613
Other operating activities	571,695	305,060
	22,089,537	20,687,812

All operating revenue arose within the United Kingdom.

3 EXPENDITURE

	2014	2013
	£	£
Harbour operating expenditure	11,162,965	12,845,035
Pilotage service costs	6,665,448	6,461,889
	17,828,413	19,306,924

4 EXCEPTIONAL ITEM

In 2013, the Authority was in a position to reliably measure its obligation in respect of the Pilots National Pension Fund (PNPF), which was certified by the PNPF Trustee as £15,043,000. A one off payment was made during 2014 to settle the Authority's past legal obligation in respect of the scheme. As a result of its size the amount was included as a separate item in the 2013 revenue account. The liability was settled during 2014, in part with existing funds of the Authority, but also together with a new facility totalling £5m bearing interest of 2.3% plus LIBOR per annum and a new overdraft facility of £5m bearing interest at 1.9% over the bank's base rate. The facility was drawn down on 7 April 2014.

5 OPERATING SURPLUS/(DEFICIT)

The operating surplus/(deficit) on ordinary activities is stated after charging/(crediting) the following:-

	2014	2013
	£	£
Depreciation	2,162,762	2,193,300
Amortisation of capital grants	-	(14,166)
Auditors' remuneration	24,750	23,280
- in respect of audit services	6,000	3,000
- in respect of taxation services	18,807	(230,126)
Loss/(profit) on sale of fixed assets	319,571	274,587
Operating lease rentals	256,229	437,527
Research and development expenditure		

Contributions to a defined benefit pension scheme were made on behalf of one (2013: two) Board members.



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

6 STAFF COSTS

	2014	2013
	£	£
Wages and salaries	4,985,554	5,057,397
Social security costs	580,105	574,200
Pension costs	1,470,357	1,327,602
	7,036,016	6,959,199
Average number of employees excluding non executive members of the Board	103	105

Pension contributions paid are detailed in note 18.

Board members' remuneration

	2014	2013
	£	£
Emoluments	227,363	476,601

The aggregate emoluments of the highest paid Board member totalled £139,825 (2013: £307,234 which included an end of service payment of £168,000). At 31 December 2014 the highest paid Board member had accrued benefits under the Authority's defined benefit scheme of £46,065 (2013: £25,709), being retirement benefits.

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£	£
Loan interest	957,984	1,012,451
Guarantee fee	200,881	228,219
	1,158,865	1,240,670



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

8 TAXATION

	2014 £	2013 £
Current tax charge		
UK Corporation tax at 21.5% (2013: 23%)	-	-
Adjustments in respect of prior years	-	-
	-	-
Deferred tax		
Deferred tax charge in respect of the current year	-	(5,790)
Adjustments in respect of prior years	-	(40,076)
	-	(45,866)
Charged/(credited) to revenue account		
Factors affecting the tax charge for the year		
Surplus/(deficit) on ordinary activities before taxation	3,474,020	(14,379,019)
Surplus/(deficit) on ordinary activities before taxation multiplied by the standard rate of UK Corporation Tax of 21.5% (2013: 23%)	746,914	(3,307,174)
Effects of:		
Non deductible expenses	21,140	22,604
Net capital allowances	(147,058)	(274,368)
Pension costs	(197,800)	(128,800)
Pilots National Pension Fund payment	(423,196)	3,481,234
Other charges and adjustments	-	206,504
	(746,914)	3,307,174
Current tax	-	-

Factors that may affect future tax charges

There are no factors that may affect future tax charges.



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Long leasehold property £	Capital dredging £	Jetties £	Launches, navigation & other equipment £	Total £
Cost						
At 1 January 2014	1,936,794	2,083,839	68,556,725	2,001,256	11,117,694	85,696,308
Additions	-	-	-	-	274,426	274,426
Disposals	-	-	-	(16,945)	(130,449)	(147,394)
At 31 December 2014	1,936,794	2,083,839	68,556,725	1,984,311	11,261,671	85,823,340
Depreciation						
At 1 January 2014	1,333,027	555,116	26,726,263	1,805,527	6,069,832	36,489,765
Charge	60,592	37,375	1,135,465	17,022	912,308	2,162,762
Eliminated on disposal	-	-	-	(6,778)	(114,309)	(121,087)
At 31 December 2014	1,393,619	592,491	27,861,728	1,815,771	6,867,831	38,531,440
Net book values						
At 31 December 2014	543,175	1,491,348	40,694,997	168,540	4,393,840	47,291,900
At 31 December 2013	603,767	1,528,723	41,830,462	195,729	5,047,862	49,206,543

Tangible fixed assets include assets in the course of construction/development of £nil (2013: £44,822), where depreciation has not yet commenced.

10 STOCKS

	2014 £	2013 £
Consumable stores	159,739	175,507



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

11 DEBTORS

	2014	2013
	£	£
Trade debtors	1,986,856	1,504,030
VAT	282,767	254,148
Prepayments and accrued income	592,054	796,628
Deferred tax asset (note 21)	-	9,040
	2,861,677	2,563,846

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£
Trade creditors	202,237	158,143
Accruals, deferred income and other creditors	455,933	16,204,828
Loan (note 13)	2,868,725	1,773,823
	3,526,895	18,136,794

Included within accruals and deferred income are capital grants received of £nil (2013: £155,636) which will be released to the revenue account over the expected useful lives of the assets to which they relate. An additional sum of £nil (2013: £15,043,000) was also included within accruals being the amount owed by the Authority in relation to its section 75 debt to the Pilots National Pension Fund.



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014	2013
	£	£
Secured loans	15,355,002	12,797,537
Less: amounts due within one year (note 12)	(2,868,725)	(1,773,823)
	12,486,277	11,023,714

Amounts repayable by instalments:

	2014	2013
	£	£
- In one year or less	2,868,725	1,773,823
- In one to two years	3,035,951	1,904,003
- In two to five years	9,450,326	6,592,180
	15,355,002	10,270,006
In five years or more	-	2,527,531
	15,355,002	12,797,537

The loan total shown above includes £11,023,714 (2013: £12,797,537) bearing interest at 7.209% per annum repayable over a twenty year period commencing 3 June 2000. This loan is secured by a first fixed charge on present and future surcharge revenues. The surcharge revenues can only be used for certain purposes, the principal ones being the repayment of the capital and interest on the loan. At 31 December 2014, the surcharge revenues set aside for this purpose, in cash, amounted to £1,499,975 (2013: £1,500,000). The obligations of the Authority under the terms of the loan are guaranteed by The Port of Felixstowe Limited and associated companies, so that to the extent that there is a deficit of surcharge revenues over the payments due under the loan agreement, the lender would require the guarantors to meet any deficit.

The loan total shown above also includes £4,331,288 (2013: £nil) bearing interest at LIBOR plus 2.3% per annum repayable over a five year period commencing 7 April 2014.

14 RESERVES

	2014	2013
	£	£
Balance as at 1 January 2014	32,183,765	47,858,258
Retained surplus/(deficit) for year	3,474,020	(14,333,153)
	35,657,785	33,525,105
Actuarial loss on pension scheme	(4,218,000)	(1,742,000)
Movement on deferred tax relating to pension scheme	532,960	400,660
As at 31 December 2014	31,972,745	32,183,765



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

15 GROSS CASH FLOWS

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	104,761	258,763
Interest paid	(1,158,865)	(1,240,670)
	<u>(1,054,104)</u>	<u>(981,907)</u>
Taxation		
Corporation tax receipts	-	-
Capital expenditure		
Payments to acquire tangible fixed assets	(274,426)	(1,938,071)
Receipts from disposal of tangible fixed assets	7,500	349,900
	<u>(266,926)</u>	<u>(1,588,171)</u>
Management of liquid resources		
Receipts from short term deposit accounts	3,000,000	7,196,070
	<u>3,000,000</u>	<u>7,196,070</u>
Financing		
New loan	5,000,000	-
Repayments of loans	(2,442,535)	(1,652,545)
	<u>2,557,465</u>	<u>(1,652,545)</u>

16 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2014 £	Cash flows 2014 £	Other non- cash changes 2014 £	At 31 December 2014 £
Cash at bank and in hand	9,408,377	(5,969,776)	-	3,438,601
Debt due within one year	(1,773,823)	809,101	(1,904,003)	(2,868,725)
Debt due after one year	(11,023,714)	(3,366,566)	1,904,003	(12,486,277)
Term deposits	3,000,000	(3,000,000)	-	-
	<u>(389,160)</u>	<u>(11,527,241)</u>	<u>-</u>	<u>(11,916,401)</u>

17 CASH AT BANK AND IN HAND

Included in cash at bank and in hand is the sum of £1,499,975 (2013: £1,500,000) which constitutes the secured surcharge revenue account, restricted as to its use under the terms of a loan.



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

18 PENSION SCHEME

Defined benefit scheme

For some employees, the Authority operates a funded pension plan providing benefits for its employees based on final pensionable pay. The assets of the Fund are held in a separate trustee administered fund.

The results of the formal actuarial valuation as at 31 December 2011 have been updated by an independent qualified actuary in accordance with FRS 17.

The expected rate of return on assets for the financial year ending 31 December 2014 was 5.6% p.a. (year ending 31 December 2013: 5.5% p.a.). This rate was derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 31 December 2013.

The estimated amount of total employer contributions expected to be paid in to the fund during 2015 is £1.8m (2014 actual: £1.4m).

The following table sets out the key FRS 17 assumptions used for the fund.

Assumptions	2014	2013	2012
Retail Prices Index inflation	3.1% p.a	3.4% p.a	3.0% p.a
Consumer Prices Index inflation	2.1% p.a	2.4% p.a	2.3% p.a
Discount rate	3.6% p.a	4.6% p.a	4.5% p.a
Pension increases in payment (5% LPI)	3.0% p.a	3.3% p.a	2.9% p.a
Pension increases in payment (2.5% LPI)	2.1% p.a	2.2% p.a	2.1% p.a
General salary increases	3.6% p.a	3.9% p.a	3.5% p.a
Life expectancy of male aged 63 in 2014	24.6 years	24.5 years	24.1 years
Life expectancy of male age 63 in 2034	26.9 years	26.8 years	25.9 years

The amount included in the balance sheet arising from the Authority's obligations in respect of the fund is as follows:

Balance sheet	2014 £'000s	2013 £'000s	2012 £'000s
Present value of fund liabilities	(54,464)	(47,366)	(41,729)
Fair value of fund assets	47,257	43,457	39,002
(Deficit)	(7,207)	(3,909)	(2,727)
Related deferred tax asset	1,441	899	654
Net (liability)	(5,766)	(3,010)	(2,073)



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014**

The amounts recognised in operating surplus are as follows:

	2014 £'000s	2013 £'000s
Employer's part of current service cost	(793)	(982)
Past service cost	-	-
Total operating charge	(793)	(982)

The following amounts are included in other finance income:

	2014 £'000s	2013 £'000s
Interest cost	(2,150)	(1,880)
Expected return on fund assets	2,417	2,145
Total credit to finance income	267	265

The current allocation of the fund's assets is as follows:

	2014	2013
Bonds	9.3%	9.1%
Gilts	29.1%	26.0%
Total Return Fund	61.6%	63.9%
Cash	0.0%	1.0%
Total	100.0%	100.0%

Changes in the present value of the fund liabilities are as follows:

	2014 £'000s	2013 £'000s
Opening present value of fund liabilities	47,366	41,729
Employer's part of current service cost	793	982
Contributions by plan participants	60	-
Interest cost	2,150	1,880
Actuarial loss	6,174	3,686
Benefits paid	(2,079)	(911)
Closing present value of fund liabilities	54,464	47,366

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

	2014 £'000s	2013 £'000s
Opening fair value of the fund assets	43,457	39,002
Expected return on fund assets	2,417	2,145
Actuarial gain	1,956	1,944
Contributions by the Authority	1,446	1,277
Contributions by plan participants	60	-
Benefits paid	(2,079)	(911)
Closing fair value of fund assets	47,257	43,457



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

The actual return on the fund's assets over the year was a gain of £4,373,000 (2013: a gain of £4,089,000).

The amount recognised outside the revenue account in the statement of total recognised gains and losses for 2014 is a loss of £4,218,000 (2013: loss of £1,742,000). The cumulative amount recognised outside of the revenue account at 31 December 2014 is a loss of £17,990,000.

Amounts to be shown for the current and previous four periods (where available):

	2014 £'000s	2013 £'000s	2012 £'000s	2011 £'000s	2010 £'000s
Present value of fund liabilities	(54,464)	(47,366)	(41,729)	(37,469)	(34,285)
Fair value of fund assets	47,257	43,457	39,002	33,553	31,429
Deficit	<u>(7,207)</u>	<u>(3,909)</u>	<u>(2,727)</u>	<u>(3,916)</u>	<u>(2,856)</u>
	2014 £'000s	2013 £'000s	2012 £'000s	2011 £'000s	2010 £'000s
Experience adjustments on fund assets:					
Amount of (gain)/loss	(1,956)	(1,944)	(1,359)	(2,208)	1,814
Percentage of fund assets	(4%)	(4%)	(3%)	(7%)	6%
Experience adjustments on fund liabilities:					
Amount of (gain)/loss	0	0	687	0	0
Percentage of the present value of the fund liabilities	0%	0%	2%	0%	0%

19 CAPITAL COMMITMENTS

At the year end the Board had contracted to further capital expenditure which is not provided in these financial statements of £nil (2013: £44,822).

20 OPERATING LEASE COMMITMENTS

At 31 December 2014 the Authority has annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014 £	2013 £
Expiry date:		
Within 1 year	-	-
Between 2 to 5 years	-	-
After more than 5 years	319,538	274,587
	<u>319,538</u>	<u>274,587</u>



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

21 DEFERRED TAXATION

The movement in deferred taxation during the year is as follows:-

	£
At 1 January 2014	(908,040)
Movement in provision	-
Deferred tax asset in relation to pension liability recognised in year:	
Revenue account	-
Statement of total recognised gains and losses	(532,960)
At 31 December 2014	<u>(1,441,000)</u>

Deferred taxation provided in the financial statements and the potential amounts including the amounts for which provision has been made are as follows:-

	Provision		Potential	
	2014 £	2013 £	2014 £	2013 £
Accelerated capital allowances	317,217	360,772	317,217	360,772
Available tax losses	(317,217)	(369,812)	(711,991)	(369,812)
Pilots National Pension Fund accrual		-	(2,270,370)	(3,481,234)
Net (asset)	-	(9,040)	(2,665,144)	(3,490,274)
Deferred tax asset on pension liability deducted from pension liability	(1,441,000)	(899,000)	(899,000)	(899,000)
Total provision for deferred tax	<u>(1,441,000)</u>	<u>(908,040)</u>	<u>(3,564,144)</u>	<u>(4,389,274)</u>

Deferred taxation is not provided on capital dredging because, in the opinion of the Board, there are no circumstances in which it can be foreseen that the tax allowances could be reclaimed.

22 CONTINGENT LIABILITIES

The Pilots National Pension Fund is a UK defined benefit pension scheme for marine pilots. It includes self-employed as well as employed members, and is funded by multiple employers, including harbour authorities that only authorised self-employed pilots and had never previously been required to contribute to the scheme.

The Authority had its debt certified under section 75 of the Pensions Act 1995 on 20 February 2014 and this has been recognised in the financial statements for the year ended 31 December 2013. However under Rule 15(2) additional sums may be claimed from time to time. These additional sums are undefinable and therefore not provided for within these financial statements.