

Scrabster Harbour Trust

**Board members' report and financial statements
for the year ended 31 March 2021**

Scrabster Harbour Trust

Trust information

Board members	Alexander Anderson	(Vice Chairman)
	Frank Bremner	
	Douglas Mackay	
	Sandy Mackie	
	Thomas Pottinger	(Chairman)
	William Thomson	
	Tanya Sutherland	
	Catriona Whitfield	

Clerk to the Board	Ewan Thoms
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Business address	Harbour Office Scrabster Caithness KW14 7UJ
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Independent auditors	Saffery Champness LLP Kintail House Beechwood Park Inverness IV2 3BW
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Solicitors	Young Robertson & Co 29 Traill Street Thurso Caithness KW14 8EQ
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	Burness Paul LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ
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Scrabster Harbour Trust

Contents

	Page
Board report	1 - 3
Board members' responsibilities statement	4
Independent auditor's report	5 - 8
Profit and loss account	9
Balance sheet	10
Statement of cash flows	11
Notes to the financial statements	12 - 26

Scrabster Harbour Trust

Board report

For the year ended 31 March 2021

The Board present their report and financial statements for the year ended 31 March 2021.

Principal activities

The Trust was established under the Scrabster Harbour Act 1841 with the power to build and operate a harbour in Scrabster. Since that date various amendments to the original Act have taken place, which have allowed the Harbour to be developed and expanded.

Commercially 2020-21 was a challenging trading period for the port. The Trust had to deal with the economic and health impacts of the COVID-19 pandemic and progress the St Ola Pier port infrastructure project whilst always maintaining a safe and efficient port. This has impacted on revenues, profitability and cashflow.

Turnover amounted to £3,035,090 for the year, a decrease of 22% on the previous year. This reflects the impact of the Covid travel restrictions on ferry and cruise revenues. Other revenue sectors performed well and in aggregate were close to original budget projections. To compensate for reduced overall revenue, non-project expenditure was reduced to offset the impact.

The 2020-21 financial statements show a significant loss reflecting increased repairs and maintenance expenditure. An element of the St Ola project has been classified as repairs in line with the external engineering and structural assessments received in the planning of the project.

The trading position and the St Ola Project expenditure are reflected on the Trust's balance sheet, with the net current asset position weakening in the period.

The St Ola Project is further demonstration of the Trust's commitment to re-investing past surpluses in the port. The project contractor was able to mobilise to site in June 2020. The project progresses satisfactorily in terms of cost, time, and quality. The current forecast completion date is October 2021. The project will ensure that the port can meet the changing needs of port users and to further capitalise on the port's strategic location.

Since March 2021 there has been a gradual easing of the Covid health restriction including travel. Ferry traffic is recovering although still below pre-Covid levels. Similarly domestic cruise activity has resumed. The results for the first quarter of financial year 2021-22 show an encouraging recovery in trading profitability and cashflow. However, the Trust's borrowing will increase as the St Ola project progresses to completion.

Results

The loss before taxation for the year was £1,958,963 (2020 restated - £1,109,511 profit) on a turnover of £3,035,090 (2020: £3,912,983).

Net operating costs have increased from £2,596,646 (restated) in the previous year to £4,948,719 reflecting the increased St Ola project repairs expenditure.

Scrabster Harbour Trust

Board report (continued) For the year ended 31 March 2021

Board members

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

Alexander Anderson	Vice Chairman
Frank Bremner	
Colin Calder	(Term ended 25 September 2020)
Douglas Mackay	
Sandy Mackie	
Thomas Pottinger	Chairman
William Thomson	
Tanya Sutherland	
Catriona Whitfield	(Co-opted 5 October 2020)

Charitable donations

During the year, the Trust donated £950 (2020: £3,320) to local charities.

The Scrabster Harbour Revision (Constitution) Order 2005

The Scrabster Harbour Revision (Constitution) Order 2005 (the "Order") reconstituted Scrabster Harbour Trust. The grant of the Order on 2 March 2005 provided the Trust with a modernised constitution which complies with the Government's document 'Modernising Trust Ports - A Guide to Good Governance'. The new constitution date was 7 November 2005, being the date of the first Annual General Meeting of the Trust occurring more than three months after the coming into force of the Order.

Under the new constitution the Trust is managed by the Board of between six and eight persons with experience in relevant matters.

On the new constitution date, all the powers and duties of the Trustees vested in the Board except those given to Trust Body by Article 12 of the Order, all assets and liabilities of the Trustees vested in the Trust and the Trustees were extinguished, but the Body Corporate established by the Act of 1841 remains a Body Corporate with perpetual succession.

The Order includes provisions with regard to the establishment of a Trust Body designed to maintain and develop the links with the community by encouraging continuing stakeholder interest. The Trust Body came into being on 12 September 2005.

The Order also extends the seaward limit of the Harbour and repeals or revokes certain statutory provisions.

Auditor

Saffery Champness LLP have expressed their willingness to remain in office as auditors of the Trust.

Scrabster Harbour Trust

**Board report (continued)
For the year ended 31 March 2021**

Statement of disclosure to auditor

So far as the Board is aware, there is no relevant audit information of which the Trust's auditor are unaware. Additionally, the Board have taken all the necessary steps that they ought to have taken as Board Members in order to make themselves aware of all relevant audit information and to establish that the Trust's auditors are aware of that information.

On behalf of the board



.....
Thomas Pottinger
Chairman

.....
6th September 2021

Scrabster Harbour Trust

**Board members responsibilities statement
For the year ended 31 March 2021**

The Board members are responsible for preparing the Board's Report and financial statements in accordance with applicable laws and United Kingdom Generally Accepted Accounting Practice.

The Scrabster Act 1841, as amended by The Scrabster Harbour Order 1897 and the Scrabster Harbour Revision (Constitution) Order 2005 requires the Board to prepare financial statements for each financial year. The Board is required to submit its annual statement of accounts to the annual general meeting of the Trust. These financial statements should give a true and fair view of the state of affairs of the Trust and of the profit or loss of the Trust for that period.

In preparing those financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Scrabster Harbour Act 1841. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



.....
Thomas Pottinger
Chairman

.....
6th September 2021

Scrabster Harbour Trust

Independent auditor's report

To the members of Scrabster Harbour Trust

Opinion

We have audited the financial statements of Scrabster Harbour Trust for the year ended 31 March 2021 which comprise the profit and loss account, the statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2021 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 Scrabster Harbour Act 1841.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Scrabster Harbour Trust

Independent auditor's report (continued) To the members of Scrabster Harbour Trust

Other information

The members are responsible for the other information. The other information comprises the information included in the board report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Scrabster Harbour Act 1841

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

- the information given in the Members' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Members' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Members' Report.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Board Members' Responsibilities Statement, set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Scrabster Harbour Trust

Independent auditor's report (continued) To the members of Scrabster Harbour Trust

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include UK Tax legislation, The Scrabster Harbour Act 1841, as amended by the Scrabster Harbour Order 1987, the Scrabster Harbour Revision (Constitution) Order 2005 and the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

Scrabster Harbour Trust

**Independent auditor's report (continued)
To the members of Scrabster Harbour Trust**

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trust's Board, in accordance with the Scrabster Harbour Act 1841, as amended. Our audit work has been undertaken so that we might state to the Trust's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Saffery Champness LLP

**Eunice McAdam (Senior Statutory Auditor)
For and on behalf of Saffery Champness LLP**

Date: *10 September 2021*

**Chartered Accountants
Statutory Auditors**

Kintail House
Beechwood Park
Inverness
IV2 3BW

Scrabster Harbour Trust

Profit and loss account

For the year ended 31 March 2021

		2021	2020
	Notes	£	as restated
			£
Turnover	2	3,035,090	3,912,983
Administrative expenses		(8,121,171)	(3,545,038)
Other operating income		3,172,452	948,392
		<hr/>	<hr/>
Operating (loss)/profit	4	(1,913,629)	1,316,337
Interest receivable and similar income		6,840	29,588
Interest payable and similar expenses		(99,487)	(186,714)
Other gains and losses		47,313	(49,700)
		<hr/>	<hr/>
(Loss)/profit before taxation		(1,958,963)	1,109,511
Taxation	5	310,066	(297,615)
		<hr/>	<hr/>
(Loss)/profit for the financial year	14	(1,648,897)	811,896
		<hr/> <hr/>	<hr/> <hr/>

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

There are no recognised gains or losses other than those passing through the profit and loss account.

The notes on pages 10 to 25 form part of these financial statements.

Scrabster Harbour Trust


**Balance sheet
As at 31 March 2021**

		2021		2020 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	6		39,534,882		33,134,892
Investment properties	7		1,671,939		1,671,939
			<u>41,206,821</u>		<u>34,806,831</u>
Current assets					
Debtors	9	1,483,494		573,447	
Cash at bank and in hand		2,440,754		6,860,002	
		<u>3,924,248</u>		<u>7,433,449</u>	
Creditors: amounts falling due within one year	10	<u>(1,771,560)</u>		<u>(1,253,639)</u>	
Net current assets			<u>2,152,688</u>		<u>6,179,810</u>
Total assets less current liabilities			<u>43,359,509</u>		<u>40,986,641</u>
Creditors: amounts falling due after more than one year	11		(3,602,387)		(3,849,700)
Provisions for liabilities	12		(535,278)		(330,966)
Grants and deferred income	13		(27,857,356)		(23,792,590)
Net assets			<u>11,364,488</u>		<u>13,013,385</u>
Trust funds					
Profit and loss account	14		<u>11,364,488</u>		<u>13,013,385</u>

The notes on pages 10 to 25 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 6th September 2021 and are signed on its behalf by:


Thomas Pottinger
Chairman


Alexander Anderson
Vice Chairman

Scrabster Harbour Trust

Statement of cash flows
For the year ended 31 March 2021

	Notes	2021 £	2020 as restated £
Cash flows from operating activities			
Cash (absorbed by)/generated from operations	19	(4,102,902)	1,840,856
Interest paid		(99,487)	(186,714)
Corporate taxes paid		(268,436)	(335,124)
Net cash (outflow)/inflow from operating activities		(4,470,825)	1,319,018
Investing activities			
Purchase of tangible fixed assets		(6,759,115)	(433,734)
Proceeds on disposal of tangible fixed assets		-	1,807
Purchase of investment property		-	(220,000)
Interest received		6,840	29,588
Net cash used in investing activities		(6,752,275)	(622,339)
Financing activities			
Government grants received		7,003,852	25,451
Receipt/(Repayment) of bank loans		(200,000)	58,595
Bank loan break and arrangement fees		-	(138,060)
Net cash generated from/(used in) financing activities		6,803,852	(54,014)
Net (decrease)/increase in cash and cash equivalents		(4,419,248)	642,665
Cash and cash equivalents at beginning of year		6,860,002	6,217,337
Cash and cash equivalents at end of year		2,440,754	6,860,002

Scrabster Harbour Trust

Notes to the financial statements For the year ended 31 March 2021

1 Accounting policies

Trust information

Scrabster Harbour Trust is a trust established under the Scrabster Harbour Act 1841 with the power to build and operate a harbour in Scrabster. Since that date various amendments to the original Act have taken place, which have allowed the Harbour to be developed and expanded. The registered office is Harbour Office, Scrabster, Caithness, KW14 7UJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Scrabster Harbour Revision (Constitution) Order 2005. The exemptions available under FRS 102 section 1A have been applied as the Trust qualifies as a small entity.

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

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

1.2 Turnover

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

1.3 Tangible fixed assets

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

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Harbour and buildings	20 - 60 years
Crafts, equipment and floating plant	10 - 20 years
Office equipment	10 years
Motor vehicles	5 years

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

Notes to the financial statements (continued)
For the year ended 31 March 2021

1 Accounting policies (continued)

1.4 Investment properties

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

1.5 Impairment of fixed assets

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

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

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

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

1.6 Financial instruments

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

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

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

1 Accounting policies (continued)

Basic financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

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

Basic financial liabilities, including trade and other creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as 'creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

1 Accounting policies (continued)

Derecognition of financial liabilities

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

1.7 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.8 Taxation

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

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable nor deductible in other years and it further excludes items that are never taxable or deductible. The Trust's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Scrabster Harbour Trust

Notes to the financial statements (continued) For the year ended 31 March 2021

1 Accounting policies (continued)

1.9 Employee benefits

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

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

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

1.10 Retirement benefits

The Trust contributes to a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rule of the scheme.

1.11 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.12 Government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal instalments.

Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

1.13 Cash at bank and in hand

Cash held on deposit is included in cash in hand.

2 Turnover and other revenue

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

	2021	2020
	£	£
Turnover		
Dues receivable	2,855,170	3,647,441
Car parking	2,392	5,989
Service sales	109,992	136,709
Miscellaneous sales	67,536	122,844
	<u>3,035,090</u>	<u>3,912,983</u>

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

2 Turnover and other revenue (continued)

	2021	2020
	£	£
Other revenue		
Interest income	6,840	29,588
Grants received and released	2,964,881	760,933
Rental income	207,571	187,459
	<u> </u>	<u> </u>

Turnover analysed by geographical market

	2021	2020
	£	£
United Kingdom	3,035,090	3,912,983
	<u> </u>	<u> </u>

3 Employees

The average monthly number of persons (including Board Members) employed by the Trust during the year was: 27 (2020: 27).

	2021	2020
	Number	Number
Total	27	27
	<u> </u>	<u> </u>

4 Operating (loss)/profit

	2021	2020
	£	£
Operating (loss)/profit for the year is stated after charging:		
Fees payable to the Trust's auditors for the audit of the financial statements	10,000	9,400
	<u> </u>	<u> </u>

Scrabster Harbour Trust**Notes to the financial statements (continued)
For the year ended 31 March 2021****5 Taxation**

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	(514,378)	275,269
Adjustments in respect of prior periods	-	12
Total current tax	<u>(514,378)</u>	<u>275,281</u>
Deferred tax		
Origination and reversal of timing differences	204,312	22,334
Total tax charge	<u>(310,066)</u>	<u>297,615</u>

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

	2021	2020
	£	£
(Loss)/profit before taxation	<u>(1,958,963)</u>	<u>1,109,511</u>
Expected tax charge based on a corporation tax rate of 19% (2020 - 19%)	(372,203)	210,807
Tax effect of expenses that are not deductible in determining taxable profit	197	25,956
Adjustments in respect of prior years	(10)	20
Fixed asset differences	61,950	42,042
Adjustment to closing deferred tax	-	18,790
Tax expense for the year	<u>(310,066)</u>	<u>297,615</u>

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

6 Tangible fixed assets

	Harbour and buildings	Crafts, and equipment and floating plant	Total
	£	£	£
Cost			
At 1 April 2020	48,802,376	2,251,776	51,054,152
Additions	7,463,967	9,895	7,473,862
At 31 March 2021	<u>56,266,343</u>	<u>2,261,671</u>	<u>58,528,014</u>
Depreciation and impairment			
At 1 April 2020	16,806,858	1,112,402	17,919,260
Depreciation charged in the year	982,206	91,666	1,073,872
Transfers	(39,835)	39,835	-
At 31 March 2021	<u>17,749,229</u>	<u>1,243,903</u>	<u>18,993,132</u>
Carrying amount			
At 31 March 2021	<u>38,517,114</u>	<u>1,017,768</u>	<u>39,534,882</u>
At 31 March 2020	<u>31,995,518</u>	<u>1,139,374</u>	<u>33,134,892</u>

7 Investment property

	2021 £
Fair value	
At 1 April 2020 and 31 March 2021 as restated	<u>1,671,939</u>

Investment property comprises both commercial and residential properties. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 31 March 2021 by the board members. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

8 Financial instruments

	2021 £	2020 £
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	2,387	49,700
	<u>2,387</u>	<u>49,700</u>

All other financial assets and liabilities are measured at amortised cost.

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

9 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	293,285	343,833
Corporation tax recoverable	507,545	-
Other debtors	635,589	177,977
Prepayments and accrued income	47,075	51,637
	<u>1,483,494</u>	<u>573,447</u>

10 Creditors: amounts falling due within one year

	2021	2020
	£	£
Loans and overdrafts	200,000	200,000
Trade creditors	915,527	356,094
Corporation tax payable	-	275,269
Other taxation and social security	21,836	21,879
Accruals and deferred income	634,197	400,397
	<u>1,771,560</u>	<u>1,253,639</u>

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

11 Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Loans and overdrafts	3,600,000	3,800,000
Derivative financial instrument	2,387	49,700
	<u>3,602,387</u>	<u>3,849,700</u>
Analysis of loans		
Wholly repayable after 5 years	3,800,000	4,000,000
	<u>3,800,000</u>	<u>4,000,000</u>
Included in current liabilities	(200,000)	(200,000)
	<u>3,600,000</u>	<u>3,800,000</u>
Loan maturity analysis		
Due within one year	200,000	200,000
Due in greater than one year but not more than five years	800,000	800,000
Due in greater than five years	2,800,000	3,000,000
	<u>3,800,000</u>	<u>4,000,000</u>

All bank facilities are secured by a legal charge over certain buildings and land owned by the Trust.

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

12 Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Liabilities 2021	Liabilities 2020
	£	£
Balances:		
Fixed asset timing differences	386,362	182,050
Capital gains on investment property	148,916	148,916
	<u>535,278</u>	<u>330,966</u>
		2021
Movements in the year:		£
Liability at 1 April 2020		330,966
Charge to profit or loss		204,312
		<u>535,278</u>
Liability at 31 March 2021		<u>535,278</u>

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

13 Grants and deferred income	Government grants	
	£	
Balance at 1 April 2020	23,542,092	
Grants additions during the year	7,003,853	
Amortisation in the year	(2,936,095)	
Balance at 31 March 2021	<u>27,609,850</u>	
	Deferred income	
	£	
Rental income	32,844	
Other income	213,175	
Deferred composite dues	1,487	
	<u>247,506</u>	
Balance at 31 March 2021	<u>27,857,356</u>	
Balance at 31 March 2020	<u>23,792,590</u>	
14 Profit and loss reserves		
	2021	2020
	£	as restated
		£
At beginning of year - as previously reported	12,354,903	11,566,633
Prior year adjustment (note 20)	658,482	634,856
At beginning of year - as restated	<u>13,013,385</u>	<u>12,201,489</u>
(Loss)/profit for the year	(1,648,897)	811,896
At end of year	<u>11,364,488</u>	<u>13,013,385</u>

Scrabster Harbour Trust

**Notes to the financial statements (continued)
For the year ended 31 March 2021**

15 Pilotage activities

Statement under regulation 4 of the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 in respect of pilotage activities.

	2021	2020
	£	£
Revenue from pilotage activities	11,749	21,703
	<u> </u>	<u> </u>
Expenses incurred in:		
Providing the services of pilots	5,609	7,824
Providing a pilot boat and crew	4,460	20,999
	<u> </u>	<u> </u>

The foregoing items of income and expenditure have been included in the Profit and Loss Account of the Trust.

16 Controlling party

The operations and activities of the Trust are controlled by the Board members. There is no single controlling party.

Scrabster Harbour Trust

Notes to the financial statements (continued) For the year ended 31 March 2021

17 Related party transactions

During the year the Trust carried out transactions with related parties. Sales and purchases on normal commercial terms were carried out with the following businesses. These transactions are deemed to be with related parties because directors of the companies listed served on the Board of the Trust during the year.

Young Robertson & Co - services of £6,440 were provided to the Trust. At the year end there were no amounts owed by the Trust to Young Robertson & Co. The related party is Clerk to the Board Ewan Thoms.

Thomson International (Fish Sales) Limited - sales of £2,027 were charged by the Trust. At the year end the Trust was due £114. The related party is William Thomson.

LED Scotland Limited - purchases of £11,874 were made by the Trust. At the year end there were no amounts owed by the Trust to LED Scotland Limited. The related party is Frank Bremner.

Calder Engineering Limited - The related party is Colin Calder. Purchases of £800 were made by the Trust in the period up to him leaving the board. At this date there were no amounts owed by the Trust to Calder Engineering Limited.

18 Analysis of changes in net funds/(debt)

	1 April 2020	Cash flows	31 March 2021
	£	£	£
Cash at bank and in hand	6,860,002	(4,419,248)	2,440,754
Borrowings excluding overdrafts	(4,000,000)	200,000	(3,800,000)
	<u>2,860,002</u>	<u>(4,219,248)</u>	<u>(1,359,246)</u>

Scrabster Harbour Trust

Notes to the financial statements (continued)
For the year ended 31 March 2021

19 Cash generated from operations

	2021	2020
	£	as restated £
(Loss)/profit for the year	(1,648,897)	811,896
Adjustments for:		
Corporation tax	(310,066)	297,615
Finance costs	99,487	186,714
Investment income	(6,840)	(29,588)
Depreciation and impairment of tangible fixed assets	1,073,872	1,090,033
Government grant received and released	(2,936,095)	(804,434)
Bank loan break and arrangement fees		138,060
Other gains and losses	(47,313)	49,700
Movements in working capital:		
Increase in debtors	(402,502)	(63,734)
Increase in creditors	75,452	164,594
Cash (absorbed by)/generated from operations	<u>(4,102,902)</u>	<u>1,840,856</u>

20 Prior period adjustment

With the removal of the undue cost or effort exemption from FRS 102 in 2019 the Trust is now required to account for its investment properties at fair value. This change is applied retrospectively by way of a prior year adjustment. This adjustment has the impact of transferring investment properties with a carrying value of £668,167 at 1 April 2019 and £220,000 of additions in the year ended 31 March 2020 from tangible assets to investment properties with a fair value of £1,671,939. A provision for deferred tax of £148,916 on this gain has been recognised at 1 April 2019 and 31 March 2020. Depreciation charged in the year to 31 March 2020 of £23,626 has been removed from the profit and loss account in that period. The net gain of £634,856 at 1 April 2019 is held in a separate, non-distributable reserve.

