

PETERHEAD PORT AUTHORITY

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31ST DECEMBER 2006**

PETERHEAD PORT AUTHORITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

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PETERHEAD PORT AUTHORITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

MEMBERS

Mr W J M R Mackie	- Convener
Mr J A Porter	- Deputy Convener
Mr J E Wallace	- Chief Executive and Secretary
Mr D Anderson	
Mrs B Bruce	
Mr J Buchan	
Mr B Davidson	
Mr I Davidson	
Mr J Maxwell	
Capt R Middleton	
Dr I Moir	

PRINCIPAL OFFICERS

Mr J E Wallace	- Chief Executive
Mr S Paterson	- Chief Financial Officer
Capt T Hemingway	- Harbour Master and Director of Port Operations
Mr D Buchan	- Senior Port Engineer

AUDITORS

Bain Henry Reid
28 Broad Street
Peterhead
AB42 1BY

PRINCIPAL BANKERS

Clydesdale Bank plc
43 Broad Street
Peterhead
AB42 1JB

SOLICITORS

Masson and Glennie
Broad House
Broad Street
Peterhead
AB42 1HY

INVESTMENT MANAGERS

Tilney Investment Management
10 Hill Street
Edinburgh
EH2 3JZ

MacKinnons
14 Carden Place
Aberdeen
AB10 1UR

PETERHEAD PORT AUTHORITY

CONVENER'S REPORT FOR THE YEAR ENDED 31ST DECEMBER 2006

INTRODUCTION

Peterhead Port Authority was formed on 1st January 2006 with the merger of Peterhead Bay Authority into Peterhead Harbour Trustees. The merger heralded a hectic start to the year as policies, systems and procedures were reviewed and harmonised. The first order of business was to review the port's maintenance and management plans and procedures. Actions were taken to protect and promote the physical integrity of the port's infrastructure thus ensuring our clients continue to enjoy an uninterrupted efficient service. Since then thoughts have turned to the longer-term strategy for developing the port and remarkable progress has been made in preparing the way for a new quayside project at the Smith Embankment.

TRADING REVIEW

Both predecessor organisations reported buoyant activity in 2005 and predicted a continuation of these favourable market conditions in 2006. This has been the pattern for trading throughout 2006 and into 2007. Peterhead handled its highest ever value of fish in the year – at over £107 million. Both whitefish and pelagic species did well and the port recorded the highest throughput of any UK port in both categories.

High oil prices ensured drilling and exploration in the North Sea remained buoyant with activity restrained only by the fact that all available rigs were fully committed. Development activity produced an abundance of projects for the diving support sector and the port capitalised on this with another substantial increase in the number of calls from such vessels – up 47% on 2005.

The unusual market conditions prevailing in wholesale gas trading led to a short-term opportunity for the import of fuel oil for electrical generation at Peterhead Power Station boosting throughput of this commodity.

Finally, the upturn in the local economy has led to increased demand for the Authority's commercial properties. There are now no long-term vacant properties and a review of leases and rental payments is being conducted on an ongoing basis.

FINANCIAL REVIEW

Turnover for the year was £6,382,846. Whilst there are no direct figures for 2005 to compare, this represents an estimated increase of 12% on fish dues, 8% on oil-related activity and 13% for quayside and property rental.

During the year a number of large maintenance projects which had been deferred before the merger, were actioned. This included refurbishment of certain properties (£232,000) and implementation of a programme to protect all marine steel structures from Accelerated Low Water Corrosion (£127,000). This led to an increase in Cost of Services.

INVESTMENT PORTFOLIO

The investment portfolio continued to provide strong growth during the year. However, to reduce the risk to the Authority's resources and lock-in gains made during 2005, £3.5 million of equities were sold in January 2006, producing a net gain of £175,000. The decision was taken in April 2007 to realise the remainder of the portfolio and invest the funds in bank bonds. At the time the portfolio was valued at £5.1 million and the sale produced a net gain of £700,000.

In January 2006 a £3.5 million loan from Clydesdale Bank was repaid in full. In December 2006 a £7.5 million loan which had reverted to a variable interest rate basis was fixed for a further 10 years at an interest rate of 5.99%. The above transactions assist in providing a fixed position on which to build a funding package for the proposed Smith Embankment project.

PETERHEAD PORT AUTHORITY

CONVENER'S REPORT FOR THE YEAR ENDED 31ST DECEMBER 2006

SMITH EMBANKMENT PROJECT

The increase in trade from deeper drafted fishing vessels and oil-related diving support vessels has led to congestion at some berths. The port has also been unable to positively respond to several enquiries for new business because of a lack of land adjacent to the quayside. An extensive stakeholder consultation exercise completed in 2006 confirmed demand for additional all weather deepwater berths with adjacent backup land. These plans progressed to the consideration of more than a dozen potential sites for such a development. Initial studies confirmed the Smith Embankment as the favoured location based on commercial demand, safety, technical performance and cost. Since the year end several key studies have been commissioned to progress these aspirations. These include wave modelling, site investigation, technical design, environmental impact assessment and cost benefit analysis. The budgeted expenditure for 2007 on the project is £750,000.

The expected developments consists of a 200m long quay with minimum water depth of 10m Chart Datum. The quay will provide all weather berthing and have up to 10,000 square metres adjacent backup land. A second phase could extend the land to up to 80,000 square metres. The estimated cost of the works is £26 million but the project's viability is subject to receiving grant assistance. If the plans are fully supported, it is hoped to start construction in early 2008 and be completed within two years.

LOOKING FORWARD

All the early signs indicate that 2007 will be another busy year at the port, with an increase in traffic levels from oil-related work and continued healthy landings from the different fishing sectors. The main focus of attention will be the proposed Smith Embankment project. This exciting project will require significant effort from all parties involved to bring to fruition. We look forward with optimism and enthusiasm to the year ahead.

I would like to take this opportunity to thank all of our employees and my fellow Board members for their commitment, diligence and hard work during the past year.

William Mackie
Convener

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2006

The members present their report with the financial statements of the Authority for the year ended 31st December 2006.

PRINCIPAL ACTIVITIES

Peterhead Port Authority was established by the Peterhead Port Authority Harbour (Constitution) Revision Order, 2005. The Statutory Instrument transferred responsibility for the holding, managing, maintaining and developing Peterhead Bay Harbour from Peterhead Bay Authority to Peterhead Harbour Trustees. The enlarged organisation was then reconstituted and renamed Peterhead Port Authority.

Peterhead Port Authority caters mainly for the fishing and offshore oil and gas industries. Peterhead is the foremost fishing port in the UK and provides a comprehensive range of modern facilities for the industry, including the UK's largest fishmarket, ship repair facilities and a portfolio of fish processing and workshop properties. The port is also an important centre for servicing the offshore oil industry and is particularly well placed to act as a base for logistics and diving support operations. A range of commodities are handled and Peterhead is also a port of call for cruise ships and hosts a marina for leisure vessels, which is owned and operated by the Authority.

The profit and loss account for the period is set out on page 7. The profit after tax of £1,656,572 has been transferred to reserves.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

See Convener's report on page 2.

MEMBERS

The members of the Authority during the year under review are listed on page 1.

CHARITABLE CONTRIBUTIONS

During the year the Authority made various charitable contributions totalling £5,957.

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members are responsible for preparing the financial statements in accordance with applicable law and regulations.

The members are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Authority and of the profit or loss of the Authority for that period. In preparing these financial statements, the members are required to

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

The members are responsible for keeping proper accounting records 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 Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983. They are 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.

PETERHEAD PORT AUTHORITY

**MEMBERS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

AUDITORS

The auditors, Bain Henry Reid, will be proposed for re-appointment.

ON BEHALF OF THE BOARD:

John E Wallace - Chief Executive

16th May 2007

PETERHEAD PORT AUTHORITY

AUDITORS' REPORT TO THE MEMBERS OF PETERHEAD PORT AUTHORITY

We have audited the financial statements of Peterhead Port Authority for the year ended 31st December 2006 on pages seven to nineteen. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

This report is made solely to the Authority's members, as a body. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditors' 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, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITORS

As described on page four the Authority's members are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983. We also report to you, if in our opinion, the Report of the Members is not consistent with the financial statements, if the Authority has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding members' remuneration and other transactions is not disclosed.

We read the Convener's Report and the Report of the Members and consider the implications for our report if we become aware of any apparent misstatements therein.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of Peterhead Port Authority as at 31st December 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983.

Bain Henry Reid
Chartered Accountants
Registered Auditors
28 Broad Street
Peterhead

PETERHEAD PORT AUTHORITY

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	Notes	2006 £
TURNOVER	2	6,382,846
Cost of services		2,835,347
GROSS PROFIT		<u>3,547,499</u>
Administrative expenses		1,079,309
OPERATING PROFIT		<u>2,468,190</u>
Share of profits / (losses) of subsidiary undertaking	11	(13,009)
Investment income	5	617,421
		<u>3,072,602</u>
Interest payable	6	662,860
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	<u>2,409,742</u>
Tax on profit on ordinary activities	8	753,170
RETAINED PROFIT FOR THE PERIOD		<u><u>1,656,572</u></u>

All of the activities undertaken by the Authority relate to continuing operations undertaken by Peterhead Port Authority following the merger of Peterhead Harbour Trustees and Peterhead Bay Authority on 31st December 2005.

The Authority has no recognised gains/losses other than the profits for the current year.

PETERHEAD PORT AUTHORITY

**BALANCE SHEET
AT 31ST DECEMBER 2006**

	Notes	£	31/12/2006 £	01/01/2006 £
FIXED ASSETS				
Tangible assets	9		37,649,023	38,507,072
Fixed asset investments	10		<u>850,064</u>	<u>863,073</u>
			38,499,087	39,370,145
CURRENT ASSETS				
Stock	12	10,475		11,037
Debtors	13	1,198,883		653,934
Investments	14	4,171,441		7,365,070
Cash at bank and in hand		<u>7,342,815</u>		<u>5,939,623</u>
		12,723,614		13,969,664
CREDITORS: amounts falling due within one year	15	<u>1,978,941</u>		<u>2,106,563</u>
NET CURRENT ASSETS			10,744,673	11,863,101
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>49,243,760</u>	<u>51,233,246</u>
CREDITORS: amounts falling due after more than one year	16		<u>9,479,095</u>	<u>13,400,437</u>
			39,764,665	37,832,809
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred tax	18		3,137,661	2,760,750
Accruals and deferred income	19		<u>4,422,617</u>	<u>4,524,244</u>
			7,560,278	7,284,994
NET ASSETS			<u><u>32,204,387</u></u>	<u><u>30,547,815</u></u>
GENERAL RESERVES	22		<u><u>32,204,387</u></u>	<u><u>30,547,815</u></u>

The Financial Statements were approved on 16th May 2007 and signed by:

W J M R Mackie - Convener

J E Wallace - Chief Executive

PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	Notes	£	2006 £
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	21		3,300,859
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received			295,654
Dividends received			88,567
Interest paid			(677,230)
Cash outflow from returns on investments and servicing of finance			<u>(293,009)</u>
TAXATION			
UK Corporation tax paid			<u>(598,808)</u>
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets			(415,800)
Receipts from sale of tangible fixed assets			18,500
Government grants received			22,183
Cash outflow from capital expenditure			<u>(375,117)</u>
MANAGEMENT OF LIQUID RESOURCES			
Purchase of current asset investments			(420,281)
Proceeds from sale of current asset investments			3,841,123
Cash inflow from management of liquid resources			<u>3,420,842</u>
NET CASH INFLOW			5,454,767
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase in cash in period		5,454,767	
Cash inflow from decrease in liquid resources		<u>(3,420,842)</u>	
Change in net funds resulting from cash flows			2,033,925
Other non-cash changes			<u>227,213</u>
Movement in net funds in the period			2,261,138
Net funds at 1st January 2006			(779,697)
NET FUNDS AT 31ST DECEMBER 2006			<u><u>1,481,441</u></u>

PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

ANALYSIS OF CHANGE IN NET FUNDS

	At 1st January 2006 £	Cash flows £	Other non-cash changes £	At 31st December 2006 £
Analysis of change in net funds:				
Cash and bank balances	5,939,623	1,403,192	-	7,342,815
Bank loans	(14,070,155)	4,037,340	-	(10,032,815)
Hire purchase loans	(14,235)	14,235	-	-
Current asset investments	7,365,070	(3,420,842)	227,213	4,171,441
	<u>(779,697)</u>	<u>2,033,925</u>	<u>227,213</u>	<u>1,481,441</u>

PETERHEAD PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents the invoiced value of services supplied, excluding value added tax and trade discounts.

Tangible fixed assets

Depreciation is provided on a straight line basis in order to write off each asset over its estimated useful life:

Harbour structures	- 25 to 50 years
Buildings and improvements	- 25 to 50 years
Plant and equipment	- 5 to 15 years
Motor vehicles	- 4 years
Leasehold improvements	- over the lease term

Investments in subsidiary

The profits or losses of the Authority's subsidiary, Peterhead Port Services, are accounted for under a separate heading in the profit and loss account. The fixed asset investment is increased by the profits or losses of Peterhead Port Services, and reduced by any distributions actually received from the subsidiary. No distributions have ever been received.

Stock

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

2. TURNOVER

2006

£

Turnover consists entirely of sales made in the United Kingdom.

Dues on ships 1,159,267
Dues on goods and passengers 3,549,549

4,708,816

Rental income 946,204
General revenue and services 727,826

6,382,846

3. MEMBERS' EMOLUMENTS

Aggregate emoluments 61,723

4. STAFF COSTS

Wages and salaries 1,241,269
Social security costs 116,466
Pension costs 113,488

1,471,223

Less staff costs recovered from Peterhead Port Services 259,253

1,211,970

The average weekly number of employees during the year was as follows:

Administrative and managerial 17
Operating and maintenance 35

52

5. INVESTMENT INCOME

From listed investments 88,722
Bank interest receivable 301,486
Gain on realisation of investments 227,213

617,421

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

6. INTEREST PAYABLE	2006
	£
Bank loan interest	661,542
Hire purchase interest	1,318
	<u>662,860</u>
7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	
Profit on ordinary activities before taxation is stated after (crediting)/charging:	
(Gain)/Loss on realisation of investments	(227,213)
(Gain)/Loss on sale of tangible fixed assets	(943)
Auditors' remuneration for audit	7,500
Auditors' remuneration - non audit fees	-
Depreciation of tangible fixed assets	1,252,309
Amortisation of grants	<u>(174,829)</u>
8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES	
United Kingdom corporation tax at 30%	
Current	341,312
Deferred	376,911
	<u>718,223</u>
Under/(Over) provision in respect of prior years:	
Current	34,947
	<u>753,170</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

9. TANGIBLE FIXED ASSETS

	Land, Buildings & Improvements £	Plant, Vehicles & Equipment £	Total £
Cost			
At 31st December 2005:			
Peterhead Harbour Trustees	40,500,521	2,361,905	42,862,426
Peterhead Bay Authority	8,660,281	370,024	9,030,305
	<u>49,160,802</u>	<u>2,731,929</u>	<u>51,892,731</u>
Additions	316,820	94,990	411,810
Disposals	-	(42,101)	(42,101)
At 31st December 2006	<u>49,477,622</u>	<u>2,784,818</u>	<u>52,262,440</u>
Depreciation			
At 31st December 2005:			
Peterhead Harbour Trustees	8,151,301	1,228,419	9,379,720
Peterhead Bay Authority	3,720,894	285,046	4,005,940
	<u>11,872,195</u>	<u>1,513,465</u>	<u>13,385,660</u>
Charge for year	1,079,064	173,245	1,252,309
Disposals	-	(24,552)	(24,552)
At 31st December 2006	<u>12,951,259</u>	<u>1,662,158</u>	<u>14,613,417</u>
Net Book Value			
At 31st December 2006	<u>36,526,363</u>	<u>1,122,660</u>	<u>37,649,023</u>
At 31st December 2005	<u>37,288,607</u>	<u>1,218,464</u>	<u>38,507,071</u>

Included within land and buildings are long leasehold structures with a NBV of £19,706,190 and short leasehold structures with a NBV of £7,249,894.

10. FIXED ASSET INVESTMENTS

**2006
£**

Peterhead Port Services:

At 1st January 2006	863,073
Profit/(loss) for year (note 11)	(13,009)
At 31st December 2006	<u>850,064</u>

Peterhead Port Authority wholly owns Peterhead Port Services which is an unincorporated association providing pilotage services within the Port of Peterhead.

Accounts prepared for Peterhead Port Services for the period to 31st December 2006 have been incorporated in note 11 to the accounts.

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

11. PILOTAGE

The Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 require the separate disclosure of revenue and expenditure applicable to pilotage activities. Pilotage at Peterhead is undertaken by Peterhead Port Services, which provides pilotage services for vessels visiting the Port of Peterhead. The income and expenditure for Peterhead Port Services for the year ended 31st December 2006 is summarised as follows:

	2006
	£
Revenue from pilotage services	<u>385,990</u>
Aggregate expenditure incurred on:	
Providing the services of a pilot	201,931
Providing, maintaining and operating the pilot boat	156,442
Administration and other costs	79,938
Total pilotage expenditure	<u>438,311</u>
Profit/(loss) on pilotage activities	(52,321)
Profit on other activities	21,260
Taxation	18,052
Profit/(loss) for year	<u>(13,009)</u>

12. STOCK

	31/12/2006	01/01/2006
	£	£
Spare parts and consumables	<u>10,475</u>	<u>11,037</u>

13. DEBTORS

	31/12/2006	01/01/2006
	£	£
Amounts falling due within one year:		
Trade debtors	1,003,821	542,673
Other debtors	85,172	32,207
Prepayments and accrued income	109,890	79,054
	<u>1,198,883</u>	<u>653,934</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

14. INVESTMENTS

2006
£

Listed investments at cost

At 31st December 2005:

Peterhead Harbour Trustees

Peterhead Bay Authority

-
7,365,070

7,365,070

Additions

420,281

Disposals

(3,613,910)

At 31st December 2006

4,171,441

Market value

4,954,001

As at 31st December 2006, £57,616 cash was included in the portfolio totals given above.

15. CREDITORS: amounts falling due within one year:

31/12/2006

01/01/2006

£

£

Current instalment due on loans

553,720

669,718

Hire purchase contracts

-

14,235

Trade creditors

323,169

141,125

Corporation tax

341,157

564,811

Other taxes and social security costs

55,426

29,355

Other creditors and accruals

705,469

687,319

1,978,941

2,106,563

16. CREDITORS: amounts falling due after more than one year:

Bank Loans

9,479,095

13,400,437

9,479,095

13,400,437

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

17. BANK LOANS	31/12/2006	01/01/2006
	£	£
Repayable by instalments over 10 years to 2010 Bank loan at 7.5% per annum (fixed)	2,535,515	2,634,839
Repayable by instalments over 15 years to 2018 Bank loan at 5.99% per annum (fixed)	7,497,300	7,919,761
Repayable by instalments over 16 years to 2020 Bank loan at 6.13% per annum (floating)	-	3,515,555
	<u>10,032,815</u>	<u>14,070,155</u>
Included in current liabilities	553,720	669,718
Included in non-current liabilities	9,479,095	13,400,437
	<u>10,032,815</u>	<u>14,070,155</u>

Bank loans are secured by standard securities over heritable property and by assignment of revenues from Peterhead Port Authority.

18. PROVISION FOR LIABILITIES AND CHARGES

	Fully provided
Deferred taxation:	
Tax effect of timing differences because of:	
Excess of capital allowances over depreciation	4,311,238
Tax Losses	(1,173,577)
	<u>3,137,661</u>

The movement on the provision for deferred taxation is as follows:

At 1st January 2006	2,760,750
Transfer from/(to) profit and loss account	376,911
At 31st December 2006	<u>3,137,661</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

19. ACCRUALS AND DEFERRED INCOME

2006

£

Grants

At 31st December 2005:

Peterhead Harbour Trustees

4,107,335

Peterhead Bay Authority

416,909

4,524,244

Received during year

73,202

Amortisation in year

(174,829)

At 31st December 2006

4,422,617

20. STAFF COSTS

Peterhead Port Authority participates in the Aberdeen City Council Pension Fund which is part of the local Government Pension Scheme (Scotland), a multi-employer, defined benefits scheme.

Under the Aberdeen City Council Pension Fund the contribution rate required for Peterhead Port Authority is set on a grouped basis, combining the experience of the employer with a number of other employers also participating in the Fund.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actual valuation and cannot otherwise be separately identified on a consistent and reasonable basis. As a result Peterhead Port Authority is unable to identify its relevant share of underlying assets and liabilities in the Fund. These accounts have therefore been drawn up in accordance with FRS17 on the basis that the pension cost is accounted for as a defined contribution scheme.

Information about the overall funding position of the Aberdeen City Council Pension Fund has been provided by the actuary to the Fund on the actuarial valuation of the Scheme at 31st March 2005. The valuation shows that the overall funding position of the Scheme as a whole was 84.3%, the deficit being £243.4 million.

21. NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

2006

£

Operating profit

2,468,190

Depreciation of tangible fixed assets

1,252,309

(Gain)/Loss on sale of tangible fixed assets

(943)

Amortisation of grants

(174,829)

(Increase)/Decrease in stock

562

(Increase)/Decrease in debtors

(488,099)

Increase/(Decrease) in creditors

243,669

Net cash inflow from continuing operation activities

3,300,859

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

22. GENERAL RESERVES

**2006
£**

At 31st December 2005:

Peterhead Harbour Trustees

14,282,373

Peterhead Bay Authority

16,265,442

30,547,815

Retained profit for the year

1,656,572

At 31st December 2006

32,204,387

23. FINANCIAL COMMITMENTS

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

Land

Expiring within 1 year

-

Expiring within 2-5 years

-

Expiring in over 5 years

52,662