



REPORT AND FINANCIAL STATEMENTS
For The Year Ended
31 December 2011

PETERHEAD PORT AUTHORITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

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PETERHEAD PORT AUTHORITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2011

MEMBERS

Mr W J M R Mackie	- Convenor
Mr J Maxwell	- Deputy Convenor (appointed 1st January 2012)
Mr J E Wallace	- Chief Executive and Secretary
Mr D Anderson	To 31st December 2011
Mr D Armstrong	
Mr I Armstrong	Appointed 1st January 2012
Mrs B Bruce	Deputy Convenor (to 31st December 2011)
Mr J Buchan	
Mr J G Buchan	Appointed 1st January 2012
Mr B Davidson	
Mr I Davidson	
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

Mackinnons
14 Carden Place
Aberdeen
AB10 1UR

**CONVENOR'S REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2011**

TRADING REVIEW

By all standards 2011 was another excellent trading year for Peterhead Port. The value of fish handled increased for the seventh consecutive year to a record £165 million (up 11.5% on 2010 and 72% since 2005). Peterhead has increased its market share of Scottish landings and consolidated its position as the top UK fishing port. However, this growth masks the very difficult time being experienced by much of the industry, particularly the whitefish sector. The increased cost of fuel, leasing quota and effort restrictions are all placing a heavy toll on the fleet.

Commercial traffic remained buoyant throughout 2011 and was greatly assisted with the successful introduction of Smith Quay to the subsea sector. The total gross tonnage of vessels using the port increased by 11% over 2010 to a record 8.7 million tonnes. Total cargo handled was 1.4 million tonnes. Of particular note was the volume of exports of agricultural products which saw another very welcome increase although this was offset by a reduction in the tonnage of frozen fish exported by sea. A change in customer order patterns has led to an increasing proportion of this product leaving Peterhead by road.

FINANCIAL REVIEW

The results for the year and financial position of the Authority are shown on the attached Financial Statements.

Turnover for the year was £9,174,825, up 10% from 2010 and the highest recorded by the business. All main sectors of operation contributed to the growth which was achieved against a very tough economic climate. Cost of services increased from £3,913,824 to £4,082,498. The main contributory factors were a decrease in maintenance costs of £273,648 offset by an increase in depreciation charges of £412,711. Nevertheless, 2011 was a busy year for the engineering and maintenance department with significant expenditure on a number of projects which included surveying the breakwaters (£69,179), repairing winter storm damage (£116,797) and refurbishing the scaffold access to the slipway and shiplift. Depreciation increased reflecting the new charge associated with the completion of Smith Quay. Responsibility for running the Vessel Traffic Services function was transferred from Peterhead Port Authority to Peterhead Port Services on 1st January 2011. This involved the transfer of payroll and operating costs of £212,071 per annum and was the main reason for the decrease in administrative expenses.

Interest charges increased on account of this being the first full accounting year since drawdown of a loan to fund the Smith Embankment Development. Overall there was total interest payable of £780,289.

The profit after tax of £2,673,384 was transferred to reserves.

The main items of capital expenditure during the year were on completion of the Smith Quay (£710,747) and for removal of the roundhead at the end of Albert Quay to provide additional berthing capacity (£327,112). The final instalment of a £5,250,000 grant from the European Fisheries Fund and Scottish Government towards the Smith Quay costs was received during the year.

SMITH EMBANKMENT DEVELOPMENT (SED)

At a cost of £31,276,931, the Smith Embankment project achieved practical completion on 30th September 2010 and was officially opened by the First Minister for Scotland the Right Honourable Alex Salmond on 21st March 2011. The project secured the design category award by the Saltire Society for its innovative design. This extensive and complicated marine development was completed on time and within budget. I would like to thank all those employees, contractors and others associated with the scheme for their assistance in delivering this landmark project for the port and Peterhead.

Smith Quay has so far proven to be sound investment for the port. The multi-purpose quayside has been popular with the oil and gas industry, meeting a specific requirement just as activity in the sector increases. The quay has been instrumental in attracting a range of new business to Peterhead. The deep water berth, heavy lift capability and extensive adjacent working area have already been used for an impressive mix of projects including quayside fabrication, decommissioning, subsea mobilisation, wind turbines, landings of white and pelagic fish species and exports of frozen fish.

**CONVENOR'S REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2011**

LOOKING FORWARD

Prospects for the next 12 months look good for overall port activity. There have been increases in the fish quota of many key species including haddock, herring and blue whiting. The main concern in this sector lies with the ongoing dispute between the European Union and Faroe/Iceland over mackerel quota. Another year of over fishing will damage the stock and put at risk future quota allocations. Oil related activity in the North Sea is bouyant and this period of high activity is expected to last throughout 2012.

The port is actively engaged in the renewable energy industry. A planning application has been lodged to construct two wind turbines at the port. Shipments of turbines for erection on wind farms around Aberdeenshire are a regular trade. Scotland could play a key role in the offshore renewables sector over the next decade. We are actively marketing the port to this new industry, both on our own and through a joint initiative with ASCO and other local companies called Peterhead Energy Hub.

A masterplan is being finalised to provide a management and development template to chart and guide the port through the next 15 - 20 years. This document will form the strategic basis from which plans will germinate to take advantage of opportunities and address the many challenges which lie ahead to ensure Peterhead's role as a thriving Trust Port is maintained and enhanced. This is a busy and exciting time for our employees and my fellow Board Members, all of whom I would like to thank for their dedication and enthusiasm during the past year.

William J M R Mackie
Convenor

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2011

The members present their report with the financial statements of the Authority for the year ended 31st December 2011.

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 busiest 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 subsea 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.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

See Convenor's Report on page 2.

CHARITABLE CONTRIBUTIONS

During the year the Authority made various charitable contributions totalling £5,355.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Authority's objectives are subject to a number of risks. The key business risks and uncertainties affecting the Authority relate to periodic downturns in the fishing and offshore oil and gas industries, failure of a major customer and to the potential loss of business to other ports. These risks and uncertainties are formally reviewed by the Board and processes are put in place to monitor them and to deal with them as far as possible.

FINANCIAL RISK MANAGEMENT

The Authority's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Authority's operations.

The Authority has also entered into derivative transactions in the form of interest rate swaps the purpose of which is to manage the interest rate risk arising from the Authority's operations and its sources of finance.

The main risk arising out of the Authority's financial instruments is interest rate risk which is reviewed by the Board and policies are agreed for managing this risk in order to generate the desired interest rate profile and to manage the Authority's exposure to interest rate fluctuations.

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 will continue in business.

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2011

STATEMENT OF MEMBERS' RESPONSIBILITIES cont'd

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 Section 42 of the Harbours Act 1964 as amended by Schedule 6 of the Transport Act 1981. 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.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the members and principal officers are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Authority's auditors are unaware, and each member and principal officer has taken all the steps that he or she ought to have taken in order to make himself or herself aware of any relevant audit information and to establish that the Authority's auditors are aware of that information.

AUDITORS

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

ON BEHALF OF THE BOARD:

John E Wallace - Chief Executive

16th May 2012

PETERHEAD PORT AUTHORITY

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PETERHEAD PORT AUTHORITY

We have audited the financial statements of Peterhead Port Authority for the year ended 31st December 2011 set out on pages 7 to 19. 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 members of Peterhead Port Authority. 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 explained more fully in the Statement of Members' Responsibilities set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made; and the overall presentation of the financial statements.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Authority's affairs as at 31st December 2011 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of Section 42 of the Harbours Act 1964 as amended by Schedule 6 of the Transport Act 1981; and
- the information given in the Members' Report on pages 4 and 5 is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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
- the financial statements are not in agreement with the accounting records; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gillian E Burns MA CA (Senior Statutory Auditor)

For and on behalf of Bain Henry Reid

Statutory Auditors

Chartered Accountants

28 Broad Street

Peterhead

AB42 1BY

16th May 2012

PETERHEAD PORT AUTHORITY

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2011**

	Notes	2011 £	2010 £
TURNOVER	2	9,174,825	8,307,166
Cost of services		4,082,498	3,913,824
GROSS PROFIT		5,092,327	4,393,342
Administrative expenses		1,246,052	1,334,990
OPERATING PROFIT		3,846,275	3,058,352
Share of profit of subsidiary undertaking	11	143,424	143,783
Investment income	5	19,931	7,545
		4,009,630	3,209,680
Interest payable	6	780,289	743,241
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	3,229,341	2,466,439
Tax on profit on ordinary activities	8	555,957	215,505
RETAINED PROFIT FOR THE PERIOD		2,673,384	2,250,934

CONTINUING OPERATIONS

None of the Authority's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

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

PETERHEAD PORT AUTHORITY

**BALANCE SHEET
AT 31ST DECEMBER 2011**

	Notes	£	2011 £	2010 £
FIXED ASSETS				
Tangible assets	9		64,000,185	64,549,926
Fixed asset investments	10		1,634,308	1,490,884
			65,634,493	66,040,810
CURRENT ASSETS				
Stock	12	33,856		12,475
Debtors	13	1,584,693		2,225,724
Cash at bank and in hand		3,560,972		1,455,006
		5,179,521		3,693,205
CREDITORS: amounts falling due within one year	14	2,618,532		2,812,368
NET CURRENT ASSETS			2,560,989	880,837
TOTAL ASSETS LESS CURRENT LIABILITIES			68,195,482	66,921,647
CREDITORS: amounts falling due after more than one year	15		10,447,375	11,553,788
			57,748,107	55,367,859
PROVISIONS FOR LIABILITIES AND CHARGES				
Accruals and deferred income	17		8,958,381	9,251,517
NET ASSETS			48,789,726	46,116,342
GENERAL RESERVES	20		48,789,726	46,116,342

The Financial Statements were approved on 16th May 2012 and signed by:

W J M R Mackie - Convenor

J E Wallace - Chief Executive

PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011**

	Notes	2011 £	2010 £
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	19	5,195,028	4,317,824
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		14,379	8,421
Interest paid		(783,069)	(740,694)
Cash inflow / (outflow) from returns on investments and servicing of finance		(768,690)	(732,273)
TAXATION			
UK Corporation tax paid		(502,290)	(262,000)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(1,674,084)	(13,184,347)
Receipts from sale of tangible fixed assets		3,800	32,500
Government grants received		915,275	2,861,361
Cash outflow from capital expenditure		(755,009)	(10,290,486)
NET CASH INFLOW/ (OUTFLOW)		3,169,039	(6,966,935)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase / (Decrease) in cash in period		3,169,039	(6,966,935)
Movement in net funds in the period		3,169,039	(6,966,935)
Net funds at 1st January 2011		(11,161,555)	(4,194,620)
NET FUNDS AT 31ST DECEMBER 2011		(7,992,516)	(11,161,555)

PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011**

ANALYSIS OF CHANGE IN NET FUNDS

	At 1st January 2011 £	Cash flows £	At 31st December 2011 £
Analysis of change in net funds:			
Cash and bank balances	1,455,006	2,105,966	3,560,972
Bank loans	(12,616,561)	1,063,073	(11,553,488)
	<u>(11,161,555)</u>	<u>3,169,039</u>	<u>(7,992,516)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

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.

Deferred taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the Authority's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

Deferred tax assets and liabilities are not discounted.

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.

Pension costs and other post-retirement benefits

The Authority operates a group personal pension scheme (money purchase defined contribution scheme). Contributions are charged to the profit and loss account for the year in which they are payable to the scheme.

The Authority also participates in a multi-employer defined benefit pension scheme. Contributions payable to the scheme are charged to the profit and loss account so as to spread the cost of the pension over the employee's expected working life. The pension charge is calculated on the basis of actuarial advice. The contributions are invested separately from the Authority's assets.

Contributions are charged to the profit and loss account for the year in which they are payable to the scheme.

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

2. TURNOVER

**2011
£**

**2010
£**

Turnover consists entirely of sales made in the United Kingdom.

Dues on ships	1,827,610	1,488,884
Dues on goods and passengers	4,954,664	4,668,268
	<u>6,782,274</u>	<u>6,157,152</u>
Rental income	1,154,463	1,114,415
General revenue and services	1,238,088	1,035,599
	<u>9,174,825</u>	<u>8,307,166</u>

3. NON-EXECUTIVE MEMBERS' EMOLUMENTS

Aggregate emoluments	69,241	67,242
Social security costs	645	1,250
	<u>69,886</u>	<u>68,492</u>

4. STAFF COSTS

Wages and salaries	1,668,878	1,615,358
Social security costs	166,522	157,006
Pension costs	182,314	166,982
	<u>2,017,714</u>	<u>1,939,346</u>
Less staff costs recovered from Peterhead Port Services	542,555	310,145
	<u>1,475,159</u>	<u>1,629,201</u>

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

Non-executive members	10	10
Administrative and managerial	25	24
Operating and maintenance	28	29
	<u>63</u>	<u>63</u>

5. INVESTMENT INCOME

Bank interest receivable	<u>19,931</u>	<u>7,545</u>
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PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

6. INTEREST PAYABLE	2011	2010
	£	£
Bank loan interest	780,289	743,241
7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
(Gain)/Loss on sale of tangible fixed assets	434	(13,893)
Auditors' remuneration for audit	8,000	7,500
Auditors' remuneration - non audit fees	2,000	2,000
Depreciation of tangible fixed assets	1,766,662	1,353,951
Amortisation of grants	(293,136)	(214,386)
8. TAXATION		
Analysis of the tax charge		
The tax charge on the profit on ordinary activities for the year was as follows:		
UK corporation tax:		
Current	580,439	215,505
Adjustment re prior years	(24,482)	-
	555,957	215,505
Factors affecting the tax charge		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:		
Profit on ordinary activities before tax	3,229,341	2,466,439
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.493% (2010: 28%)	855,549	690,603
Effects of:		
Expenses not deductible for tax purposes	910	1,935
Capital allowances in excess of depreciation	132,597	48,117
Share of profit of subsidiary undertaking	(37,997)	(40,259)
Losses utilised	(370,620)	(484,891)
	580,439	215,505

PETERHEAD PORT AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011****9. TANGIBLE FIXED ASSETS**

	Current Developments £	Land, Buildings & Improvements £	Plant, Vehicles & Equipment £	Total £
Cost				
At 31st December 2011:	30,566,184	49,697,007	3,802,528	84,065,719
Additions	710,747	348,844	161,565	1,221,156
Disposals	-	-	(575,935)	(575,935)
Reclassification	(31,276,931)	31,276,931	-	-
At 31st December 2011:	-	81,322,782	3,388,158	84,710,940
Depreciation				
At 31st December 2011:	144,000	17,089,265	2,282,528	19,515,793
Charge for year	576,000	984,935	205,727	1,766,662
Disposals	-	-	(571,700)	(571,700)
Reclassification	(720,000)	720,000	-	-
At 31st December 2011:	-	18,794,200	1,916,555	20,710,755
Net Book Value				
At 31st December 2011	-	62,528,582	1,471,603	64,000,185
At 31st December 2010	30,422,184	32,607,742	1,520,000	64,549,926

Included within land and buildings are long leasehold structures with a NBV of £48,542,478 (2010: £18,064,574) and short leasehold structures with a NBV of £5,611,456 (2010: £5,920,610).

10. FIXED ASSET INVESTMENTS

**2011
£**

Peterhead Port Services:

At 1st January 2011	1,490,884
Profit/(loss) for year (note 11)	143,424
At 31st December 2011	1,634,308

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

The financial statements prepared for Peterhead Port Services for the year ended 31st December 2011 have been incorporated in note 11 to the accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011****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 financial statements of Peterhead Port Services for the year ended 31st December 2011 are summarised as follows:

	2011	2010
	£	£
Revenue and Expenditure Account		
Revenue from pilotage services	<u>759,434</u>	<u>666,635</u>
Aggregate expenditure incurred on:		
Providing the services of a pilot	193,537	213,226
Providing, maintaining and operating the pilot boat	155,732	168,052
Administration and other costs	117,202	122,142
Total pilotage expenditure	<u>466,471</u>	<u>503,420</u>
Profit on pilotage activities	292,963	163,215
Net other expenditure	(112,144)	19,540
Taxation	(37,395)	(38,972)
Surplus for year	<u>143,424</u>	<u>143,783</u>
Balance Sheet		
Fixed assets, at cost	629,958	629,958
Aggregate depreciation	(559,547)	(554,227)
	<u>70,411</u>	<u>75,731</u>
Current assets:		
Debtors	223,214	162,644
Investments	78,405	78,405
Cash and bank balances	1,396,505	1,319,751
	<u>1,698,124</u>	<u>1,560,800</u>
Creditors: amounts falling due within one year:		
Creditors and accruals	96,832	106,595
Corporation tax	37,395	39,052
	<u>134,227</u>	<u>145,647</u>
Net current assets	<u>1,563,897</u>	<u>1,415,153</u>
Provision for liabilities and charges	<u>-</u>	<u>-</u>
Net assets	<u>1,634,308</u>	<u>1,490,884</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

12. STOCK

	2011	2010
	£	£
Spare parts and consumables	<u>33,856</u>	<u>12,475</u>

13. DEBTORS

Amounts falling due within one year:

Trade debtors	1,317,461	929,348
Other debtors	31,900	1,064,375
Prepayments and accrued income	235,332	232,001
	<u>1,584,693</u>	<u>2,225,724</u>

14. CREDITORS: amounts falling due within one year:

Current instalment due on loans	1,106,113	1,062,773
Trade creditors	406,036	350,538
Corporation tax	147,059	93,393
Other taxes and social security costs	67,390	70,054
Other creditors and accruals	891,934	1,235,610
	<u>2,618,532</u>	<u>2,812,368</u>

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

Bank Loans	10,447,375	11,553,788
	<u>10,447,375</u>	<u>11,553,788</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

16. BANK LOANS	2011 £	2010 £
Repayable by instalments over 20 years to 2020 Bank loan at 5.68% per annum (fixed by interest rate swap)	1,900,138	2,090,987
Repayable by instalments over 15 years to 2018 Bank loan at 5.99% per annum (fixed)	4,949,862	5,524,093
Repayable by instalments over 15 years to 2025 Bank loan at 5.55% per annum (fixed by interest rate swap)	4,703,488	5,001,481
	<u>11,553,488</u>	<u>12,616,561</u>
Included in current liabilities	1,106,113	1,062,773
Amounts falling due between one and two years	1,157,876	1,106,113
Amounts falling due between two and five years	3,787,056	3,627,453
Amounts falling due in more than five years	5,502,443	6,820,222
	<u>11,553,488</u>	<u>12,616,561</u>

At 31st December 2011, in addition to the above loans, the Authority had interest rate swaps in place on £2,760,933 (2010: £716,875) at 4.43% to 30th June 2025.

Bank loans are secured by a legal charge over property and quays at Peterhead Port.

17. ACCRUALS AND DEFERRED INCOME

Grants

At 1st January 2011	9,251,517	5,689,267
Received during year	-	3,776,636
Amortisation in year	(293,136)	(214,386)
At 31st December 2011	<u>8,958,381</u>	<u>9,251,517</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

18. PENSION ARRANGEMENTS (DEFINED BENEFIT SCHEMES)

Peterhead Port Authority

PPA participates in the North East Scotland Pension Fund which is part of the Local Government Pension Scheme (Scotland), a multi-employer, defined benefits scheme. The contribution rate required for PPA 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 PPA 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 North East Scotland Pension Fund has been provided by the actuary to the Fund on the actuarial valuation of the Scheme at 31st March 2008. The valuation reported a deficit of £372.3 million (representing an 83% funding level). PPA currently has nine employees contributing to the scheme.

Peterhead Port Services

Peterhead Port Services (PPS) is a member of two multi-employer final salary pension schemes both of which are currently in deficit.

The Pilots National Pension Fund had its last actuarial valuation at 31st December 2004 which reported a deficit of £105 million (representing a 76% funding level). A voluntary payment scheme for participating employers was instigated to eliminate £15.1 million of this deficit of which PPS's contribution amounted to £49,005 as reported in the Financial Statements for the year ended 30th September 2005. The next actuarial valuation at 31st December 2007 remains outstanding.

In 2008 the voluntary payments scheme was terminated and the Fund Trustees initiated legal proceedings to seek the court's determination as to which parties could be held responsible for meeting a share of the deficit. The questions which the court were asked to consider are complex and varied. The judgement was favourable to PPS in that it was determined that no employment cessation event had occurred and cast the net very widely when deciding who was responsible for contributing towards the deficit. Now that the legal case has been concluded the Fund Trustees have arranged to complete the outstanding actuarial valuations and are preparing a funding plan which is expected to be finalised by the end of 2012. Until this time it is not possible to predict the extent and timing of any payments which PPS will have to contribute to the deficit.

The Merchant Navy Officers Pension Fund had its last actuarial valuation at 31st March 2009 which reported a deficit of £557 million (representing a 76% funding level). A funding plan, the objective of which is to pay off the deficit over a period of 12 years has been agreed. PPS currently has one employee contributing to the fund. Interim funding updates since the last actuarial valuation indicate the deficit has been substantially reduced.

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

19. NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

	2011	2010
	£	£
Operating profit	3,846,275	3,058,352
Depreciation of tangible fixed assets	1,766,662	1,353,951
(Gain)/Loss on sale of tangible fixed assets	434	(13,893)
Amortisation of grants	(293,136)	(214,386)
(Increase)/Decrease in stock	(21,381)	(451)
(Increase)/Decrease in debtors	(268,692)	(18,595)
Increase/(Decrease) in creditors	164,866	152,846
Net cash inflow from continuing operating activities	<u>5,195,028</u>	<u>4,317,824</u>

20. GENERAL RESERVES

	2011
	£
At 1st January 2011	46,116,342
Retained profit for the year	2,673,384
At 31st December 2011	<u>48,789,726</u>

21. FINANCIAL COMMITMENTS

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

	Land and buildings	Other operating leases
Expiring within 1 year	-	-
Expiring within 2-5 years	-	16,375
Expiring in over 5 years	<u>74,187</u>	<u>-</u>

22. CAPITAL COMMITMENTS

	2011	2010
	£	£
Contracted but not provided for in the financial statements	<u>-</u>	<u>577,528</u>

23. RELATED PARTY TRANSACTIONS

All transactions during the year with related parties were concluded on normal commercial terms.