



REPORT AND FINANCIAL STATEMENTS
For The Year Ended
31 December 2012



PETERHEAD PORT AUTHORITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

Contents	Pages
Members, Officers and Advisers	1
Convenor's Report	2 to 3
Members' Report	4 to 5
Auditors' Report	6
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9 to 10
Notes to the Financial Statements	11 to 19

PETERHEAD PORT AUTHORITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2012

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 Armstrong	
Mr I Armstrong	Appointed 1st January 2012
Mr J Buchan	
Mr J G Buchan	Appointed 1st January 2012
Mr R A Buchan	Appointed 1st January 2013
Mr B Davidson	
Mr I Davidson	To 31st December 2012
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 2012**

TRADING REVIEW

Peterhead Port achieved a record gross tonnage of shipping during 2012, exceeding the 10 million milestone for the first time. This was largely due to the increasing number and size of oil-related vessels using the port. Logistics business handled by ASCO was buoyant throughout the year, boosted by a stable and relatively high oil price. Smith Quay also played an important part in the successful year, handling a significant number of port calls by the larger subsea vessels. The quay has proven to be popular for large mobilisation projects and port calls requiring quayside fabrication and heavy lifts.

The story in the fishing sector was more mixed. Stocks of many white fish species are assessed as healthy and quotas are now starting to increase. However, the average selling price for 2012 was £1,472 per tonne, down 15% on the previous year. The net effect of increased throughput but lower prices was a 2% reduction in revenue from this sector. The situation for shellfish was much worse with poor export demand hitting prices and leading to a 24% reduction in revenue. Both quota and prices for mackerel were lower than in 2011. The tonnage of mackerel landed at Peterhead dropped by 22% to 44,219 tonnes and the average price dropped by 19% to £895 per tonne, resulting in an overall reduction in revenue from the species of £549,000. This was partially compensated by increases in the volume of herring and blue whiting which together saw a 110% increase in tonnage and 73% increase in dues, to £613,000.

Exports of agricultural products were severely restricted because of the poor harvest. The increase in tonnage of herring and blue whiting landings had a knock-on effect of increased exports of frozen fish. Peterhead continued to handle the import of wind turbines for installation around the North-East of Scotland.

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 £9,342,214, an increase of 2% on 2011, setting yet another record for the business. Cost of services increased from £4,082,498 to £4,582,823, mainly due to increased spending on maintenance projects - up from £730,661 to £977,358. The largest individual project was painting the piles at Princess Royal Jetty, the cost of which was shared with ASCO. There was a major repair to the roof of the Authority owned premises at Bridge Street. During September the shiplift building suffered damage during a storm. Investigations into the cause have concluded this was due to inadequate design and construction and the companies responsible for the relevant contracts are being pursued for the repair costs, currently estimated at £160,000.

The profit after tax of £1,825,750 was transferred to reserves.

Capital expenditure during 2012 included installing an enhanced ventilation system at the shiplift (£131,259) and installation of an additional mooring bollard at Smith Quay (£89,063).

BUSINESS REVIEW

The port continued its initiatives to improve its health, safety, environmental and quality control systems. The fishmarket retained its British Retail Consortium - Storage & Distribution award recognising its part in the chain of handling fish between sea and plate. The EcoPorts Award which recognises the positive approach to maintaining high environmental standards was also retained. One of the environmental initiatives involves use of an innovative method of capturing waste copper contained in foul water produced when washing down fishing boats in preparation for painting. This system avoids the need to treat this as special waste, allows recovery of the copper and permits the cleaned water to be safely discharged to the harbour. The port achieved the OHSAS 18001 standard for the first time. Ongoing initiatives include setting up an in-house training facility and reducing our carbon footprint by introducing LED lighting and other energy saving measures.

We are pleased to be able to report that there were no serious accidents to employees during 2012.

**CONVENOR'S REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2012**

LOOKING FORWARD

There are real concerns about the profitability of the white and shellfish sectors. Increased quotas have helped but poor demand and increased competition from foreign imports has continued to depress prices. The Authority is supporting initiatives to promote the eating of locally caught fish. The price of mackerel has continued to drop and despite a large increase in the quota for blue whiting, landings are expected to be well down as vessels fish the stock for fishmeal and land the catch abroad.

ASCO secured new logistics contracts with both existing and new oil producers. Together with increased activity from existing clients, 2013 is expected to be another record year for this sector. Demand from the subsea sector for use of Smith Quay also looks to be strong.

During December, severe swell caused damage to many harbours along the East coast of Scotland including at Peterhead. Damage was sustained to many assets and whilst this was generally not so severe as to disrupt operations, repairs will take an extensive effort to complete. Some areas will be improved during the process but general repair costs, estimated at over £1.25 million, will be largely covered by insurance.

The planning application to erect two wind turbines at the port has been completed and lodged with Aberdeenshire Council. A decision is expected in early summer and if approved, the project will represent a £6 million investment and should be operational in 2014.

Work on developing a Master Plan for the port is ongoing alongside marketing efforts to identify new trade opportunities and to develop a framework against which to assess future investment in new infrastructure. There are many exciting opportunities to target including offshore renewables, decommissioning, carbon capture and storage amongst others.

I would like to thank the employees of the Authority and my colleagues on the Board for their care, dedication and support during the past year. I look forward to working with them during the exciting and challenging times that lie ahead.



William J M R Mackie
Convenor

PETERHEAD PORT AUTHORITY

MEMBERS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2012

The members present their report with the financial statements of the Authority for the year ended 31st December 2012.

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 £13,355.

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 2012

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.

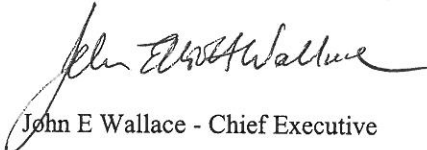
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

22 May 2013

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 2012 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. In addition, we read all the financial and non-financial information in the Members' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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

22 May 2013

PETERHEAD PORT AUTHORITY

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2012**

	Notes	2012 £	2011 £
TURNOVER	2	9,342,214	9,174,825
Cost of services		4,582,823	4,082,498
GROSS PROFIT		4,759,391	5,092,327
Administrative expenses		1,177,136	1,246,052
OPERATING PROFIT		3,582,255	3,846,275
Share of profit of subsidiary undertaking	11	193,015	143,424
Investment income	5	87,193	19,931
		3,862,463	4,009,630
Interest payable	6	734,486	780,289
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	3,127,977	3,229,341
Tax on profit on ordinary activities	8	1,302,227	555,957
RETAINED PROFIT FOR THE PERIOD		1,825,750	2,673,384

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

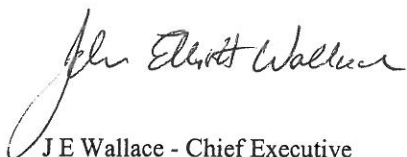
**BALANCE SHEET
AT 31ST DECEMBER 2012**

	Notes	£	2012 £	2011 £
FIXED ASSETS				
Tangible assets	9		62,476,101	64,000,185
Fixed asset investments	10		<u>1,827,323</u>	<u>1,634,308</u>
			64,303,424	65,634,493
CURRENT ASSETS				
Stock	12	45,023		33,856
Debtors	13	1,924,897		1,584,693
Cash at bank and in hand		<u>5,865,047</u>		<u>3,560,972</u>
		7,834,967		5,179,521
CREDITORS: amounts falling due within one year	14	<u>3,205,130</u>		<u>2,618,532</u>
NET CURRENT ASSETS			4,629,837	2,560,989
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>68,933,261</u>	<u>68,195,482</u>
CREDITORS: amounts falling due after more than one year	15		<u>9,289,281</u>	<u>10,447,375</u>
			59,643,980	57,748,107
PROVISIONS FOR LIABILITIES AND CHARGES				
Accruals and deferred income	17		8,694,557	8,958,381
Deferred tax	18		333,947	-
NET ASSETS			<u>50,615,476</u>	<u>48,789,726</u>
GENERAL RESERVES	21		<u>50,615,476</u>	<u>48,789,726</u>

The Financial Statements were approved on 15th May 2013 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 2012**

	Notes	2012 £	2011 £
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	20	5,230,134	5,195,028
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		67,823	14,379
Interest paid		(744,436)	(783,069)
Cash inflow / (outflow) from returns on investments and servicing of finance		(676,613)	(768,690)
TAXATION			
UK Corporation tax paid		(659,041)	(502,290)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(549,074)	(1,674,084)
Receipts from sale of tangible fixed assets		65,000	3,800
Government grants received		-	915,275
Cash outflow from capital expenditure		(484,074)	(755,009)
NET CASH INFLOW/ (OUTFLOW)		3,410,406	3,169,039
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase / (Decrease) in cash in period		3,410,406	3,169,039
Movement in net funds in the period		3,410,406	3,169,039
Net funds at 1st January 2012		(7,992,516)	(11,161,555)
NET FUNDS AT 31ST DECEMBER 2012		(4,582,110)	(7,992,516)

PETERHEAD PORT AUTHORITY

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2012**

ANALYSIS OF CHANGE IN NET FUNDS

	At 1st January 2012 £	Cash flows £	At 31st December 2012 £
Analysis of change in net funds:			
Cash and bank balances	3,560,972	2,304,075	5,865,047
Bank loans	(11,553,488)	1,106,331	(10,447,157)
	(7,992,516)	3,410,406	(4,582,110)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

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 2012**

2. TURNOVER

**2012
£**

**2011
£**

Turnover consists entirely of sales made in the United Kingdom.

Dues on ships	2,189,817	1,827,610
Dues on goods and passengers	4,632,693	4,954,664
	<u>6,822,510</u>	<u>6,782,274</u>
Rental income	1,276,861	1,154,463
General revenue and services	1,242,843	1,238,088
	<u>9,342,214</u>	<u>9,174,825</u>

3. NON-EXECUTIVE MEMBERS' EMOLUMENTS

Aggregate emoluments	71,234	69,241
Social security costs	567	645
	<u>71,801</u>	<u>69,886</u>

4. STAFF COSTS

Wages and salaries	1,861,157	1,668,878
Social security costs	187,972	166,522
Pension costs	195,820	182,314
	<u>2,244,949</u>	<u>2,017,714</u>
Less staff costs recovered from Peterhead Port Services	706,604	542,555
	<u>1,538,345</u>	<u>1,475,159</u>

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

Non-executive members	10	10
Administrative and managerial	25	25
Operating and maintenance	33	28
	<u>68</u>	<u>63</u>

5. INVESTMENT INCOME

Bank interest receivable	<u>87,193</u>	<u>19,931</u>
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PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

6. INTEREST PAYABLE	2012	2011
	£	£
Bank loan interest	<u><u>734,486</u></u>	<u><u>780,289</u></u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after (crediting)/charging:

Loss on sale of tangible fixed assets	60,702	434
Auditors' remuneration for audit	8,500	8,000
Auditors' remuneration - non audit fees	2,500	2,000
Depreciation of tangible fixed assets	1,835,109	1,766,662
Amortisation of grants	<u><u>(263,824)</u></u>	<u><u>(293,136)</u></u>

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	968,782	580,439
Adjustment re prior years	<u><u>(502)</u></u>	<u><u>(24,482)</u></u>
Total current tax	968,280	555,957
Deferred tax	333,947	-
	<u><u>1,302,227</u></u>	<u><u>555,957</u></u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

Profit on ordinary activities before tax	<u><u>3,127,977</u></u>	<u><u>3,229,341</u></u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.497% (2011: 26.493%)	766,269	855,549
Effects of:		
Expenses not deductible for tax purposes	684	910
Depreciation in excess of capital allowances	249,112	132,597
Share of profit of subsidiary undertaking	(47,283)	(37,997)
Losses utilised	-	(370,620)
Adjustment to tax charge in respect of previous periods	<u><u>(502)</u></u>	<u><u>(24,482)</u></u>
	<u><u>968,280</u></u>	<u><u>555,957</u></u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

9. TANGIBLE FIXED ASSETS

	Land, Buildings & Improvements £	Plant, Vehicles & Equipment £	Total £
Cost			
At 31st December 2011:	81,322,782	3,388,158	84,710,940
Additions	174,811	261,916	436,727
Disposals	(210,602)	-	(210,602)
Reclassification	(1,544,847)	1,544,847	-
At 31st December 2012:	<u>79,742,144</u>	<u>5,194,921</u>	<u>84,937,065</u>
Depreciation			
At 31st December 2011:	18,794,200	1,916,555	20,710,755
Charge for year	1,517,208	317,901	1,835,109
Disposals	(84,900)	-	(84,900)
Reclassification	-	-	-
At 31st December 2012:	<u>20,226,508</u>	<u>2,234,456</u>	<u>22,460,964</u>
Net Book Value			
At 31st December 2012	<u>59,515,636</u>	<u>2,960,465</u>	<u>62,476,101</u>
At 31st December 2011	<u>62,528,582</u>	<u>1,471,603</u>	<u>64,000,185</u>

Included within land and buildings are long leasehold structures with a NBV of £46,178,679 (2011: £48,542,478) and short leasehold structures with a NBV of £5,354,726 (2011: £5,611,456).

10. FIXED ASSET INVESTMENTS

**2012
£**

Peterhead Port Services:

At 1st January 2012	1,634,308
Profit/(loss) for year (note 11)	193,015
At 31st December 2012	<u>1,827,323</u>

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 2012 have been incorporated in note 11 to the accounts.

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

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 2012 are summarised as follows:

Revenue and Expenditure Account	2012 £	2011 £
Revenue from pilotage services	<u>940,429</u>	<u>759,434</u>
Aggregate expenditure incurred on:		
Providing the services of a pilot	232,202	193,537
Providing, maintaining and operating the pilot boat	314,232	155,732
Administration and other costs	138,884	117,202
Total pilotage expenditure	<u>685,318</u>	<u>466,471</u>
Profit on pilotage activities	255,111	292,963
Net other expenditure	(9,371)	(112,144)
Taxation	(52,725)	(37,395)
Surplus for year	<u>193,015</u>	<u>143,424</u>
Balance Sheet		
Fixed assets, at cost	629,958	629,958
Aggregate depreciation	<u>(564,819)</u>	<u>(559,547)</u>
	<u>65,139</u>	<u>70,411</u>
Current assets:		
Debtors	273,053	223,214
Investments	78,405	78,405
Cash and bank balances	<u>1,615,257</u>	<u>1,396,505</u>
	<u>1,966,715</u>	<u>1,698,124</u>
Creditors: amounts falling due within one year:		
Creditors and accruals	151,805	96,832
Corporation tax	<u>52,726</u>	<u>37,395</u>
	<u>204,531</u>	<u>134,227</u>
Net current assets	<u>1,762,184</u>	<u>1,563,897</u>
Provision for liabilities and charges	<u>-</u>	<u>-</u>
Net assets	<u>1,827,323</u>	<u>1,634,308</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

12. STOCK	2012	2011
	£	£
Spare parts and consumables	<u>45,023</u>	<u>33,856</u>
13. DEBTORS		
Amounts falling due within one year:		
Trade debtors	1,571,469	1,317,461
Other debtors	107,589	31,900
Prepayments and accrued income	245,839	235,332
	<u>1,924,897</u>	<u>1,584,693</u>
14. CREDITORS: amounts falling due within one year:		
Current instalment due on loans	1,157,876	1,106,113
Trade creditors	806,808	406,036
Corporation tax	456,298	147,059
Other taxes and social security costs	78,295	67,390
Other creditors and accruals	705,853	891,934
	<u>3,205,130</u>	<u>2,618,532</u>
15. CREDITORS: amounts falling due after more than one year:		
Bank Loans	9,289,281	10,447,375
	<u>9,289,281</u>	<u>10,447,375</u>

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

16. BANK LOANS

	2012	2011
	£	£
Repayable by instalments over 20 years to 2020		
Bank loan at 5.68% per annum (fixed by interest rate swap)	1,705,447	1,900,138
Repayable by instalments over 15 years to 2018		
Bank loan at 5.99% per annum (fixed)	4,341,733	4,949,862
Repayable by instalments over 15 years to 2025		
Bank loan at 5.55% per annum (fixed by interest rate swap)	4,399,977	4,703,488
	<u>10,447,157</u>	<u>11,553,488</u>
Included in current liabilities	1,157,876	1,106,113
Amounts falling due between one and two years	1,208,513	1,157,876
Amounts falling due between two and five years	3,956,322	3,787,056
Amounts falling due in more than five years	4,124,446	5,502,443
	<u>10,447,157</u>	<u>11,553,488</u>

At 31st December 2012, in addition to the above loans, the Authority had interest rate swaps in place on £2,695,585 (2011: £2,760,933) 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 2012	8,958,381	9,251,517
Received during year	-	-
Amortisation in year	(263,824)	(293,136)
At 31st December 2012	<u>8,694,557</u>	<u>8,958,381</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

18. DEFERRED TAX

	2012	2011
	£	£
Deferred tax	333,947	-
		Deferred
		tax
		£
Balance at 1 January 2012		-
Transfer to profit and loss account		333,947
Balance at 31 December 2012		333,947

19. 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 actuarial 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 2011. The valuation reported a deficit of £294.4 million (representing an 88% funding level). The employers' contribution to the scheme has been increased by 5.1% aimed at eliminating the deficit over a 16 year period. PPA currently has six employees

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 two outstanding actuarial valuations completed following the conclusion of legal proceedings which the Fund Trustees initiated in 2008. The actuarial valuation at 31st December 2007 reported a deficit of £132 million (representing a 73% funding level) and the actuarial valuation at 31st December 2010 reported a deficit of £187 million (representing a 61% funding level). A 16 year recovery plan has been announced by the Fund Trustees. The members' best estimate of the annual amount expected to be paid over a projected 16 year period starting in 2013 on the basis of the last actuarial valuation at 31st December 2010 is

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. Preliminary actuarial valuation results at 31st March 2012 report a deficit of £152 million (representing a 94% funding level). The timing and extent of any payments which PPS will have to contribute to the deficit has not been intimated. PPS currently has one employee contributing to the fund.

PETERHEAD PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012**

20. NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

	2012	2011
	£	£
Operating profit	3,582,255	3,846,275
Depreciation of tangible fixed assets	1,835,109	1,766,662
Loss on sale of tangible fixed assets	60,702	434
Amortisation of grants	(263,824)	(293,136)
(Increase)/Decrease in stock	(11,167)	(21,381)
(Increase)/Decrease in debtors	(320,833)	(268,692)
Increase/(Decrease) in creditors	347,892	164,866
Net cash inflow from continuing operating activities	<u>5,230,134</u>	<u>5,195,028</u>

21. GENERAL RESERVES

	2012
	£
At 1st January 2012	48,789,726
Retained profit for the year	1,825,750
At 31st December 2012	<u>50,615,476</u>

22. 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	-	15,576
Expiring in over 5 years	<u>74,742</u>	<u>-</u>

23. CAPITAL COMMITMENTS

	2012	2011
	£	£
Contracted but not provided for in the financial statements	<u>17,222</u>	<u>-</u>

24. RELATED PARTY TRANSACTIONS

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



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