



# **REPORT AND FINANCIAL STATEMENTS**

## **For The Year Ended**

## **31 December 2013**



**PETERHEAD PORT AUTHORITY**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

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## **PETERHEAD PORT AUTHORITY**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013**

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#### **MEMBERS**

Mr W J M R Mackie	- Convenor
Mr J Maxwell	- Deputy Convenor
Mr J E Wallace	- Chief Executive and Secretary
Mr D Armstrong	
Mr I Armstrong	
Mr J Buchan	
Mr J G Buchan	
Mr R A Buchan	Appointed 1st January 2013
Mr B Davidson	
Capt R Middleton	
Dr I Moir	

#### **PRINCIPAL OFFICERS**

Mr J E Wallace	- Chief Executive
Mr S Paterson	- Chief Financial Officer
Capt J Forman	- Harbour Master
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 2013**

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**TRADING REVIEW**

The white fish sector was relatively buoyant during 2013 with the port recording the highest tonnage - 54,045 tonnes (up 7% on 2012) and value - £78.3 million (up 5.4%) for many years. The shellfish sector remained depressed but there was some encouraging signs of a recovery in the landings at the end of the year. There was a small reduction in the tonnage and value of mackerel but a much more significant decline in tonnage (down 46% to 30,967 tonnes) and value (down 60% to £10,282,000) of other pelagic species landed at the port. This was mainly because much of the blue whiting quota was landed in Norway for fishmeal production. One of the port's main processors also struggled to obtain landings of herring from foreign vessels.

The port recorded another record gross tonnage of commercial shipping for 2013 at 10.4 million tonnes. This was largely due to the increased number of port calls by oil and gas logistics customers and the larger size of subsea vessels.

Exports of agricultural products started very poorly but a decent harvest in the summer ensured a partial recovery with more frequent exports in the final quarter of 2013.

**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 £9,178,290, down £164,000 on 2012. All areas experienced growth in activity except pelagic fish landings and the income generated from this sector was down by £401,000 (26%).

Maintenance costs incurred during 2013 totalled nearly £1.4 million with the largest projects relating to repairing the sea wall at Gerries Yard and roadway maintenance. Administrative costs increased by 13%, with the largest changes being in payroll related costs and donations.

The Authority made a £36,000 contribution towards a project to bring the historic Julia Park Barry of Glasgow lifeboat to Peterhead, with the aim of having the vessel restored and put on public display. This was the largest single amount from total donations of £56,608 which helped a number of local charities, programmes and events.

The Authority is now in receipt of information from the actuaries to the North East of Scotland Pension Fund which identifies the Authority's share of Fund assets and liabilities which have now been incorporated in the Financial Statements in accordance with Financial Reporting Standard 17. The Authority's share of the net liabilities of the Fund after adjustment for deferred taxation amounted to £595,210 at 31/12/11, £734,580 at 31/12/12 and £350,350 at 31/12/13. The net deficit at 31/12/12 has been included in the Financial Statements as a prior year adjustment reducing reserves brought forward by £734,580. The reduction in the deficit of £387,230 in respect of the year ended 31/12/13 has been credited to the statement of total recognised gains and losses which together with the profit after tax of £1,540,658 results in a total of £1,927,888 being transferred to reserves for the year under review.

Fixed Asset additions included the purchase from tenants with ground leases from PPA of two workshops and improvements to the sea wall at Alexandra Parade. A water tank, located at the South Base, was sold to the base operator, ASCO.

A large increase in 'Other Debtors' reflects the outstanding Scottish Government grant on the sea wall improvement works and settlements from insurers for costs incurred repairing storm damage.

**BUSINESS REVIEW**

The port suffered widespread wave damage in December 2012 due to freak storm conditions. Work is still ongoing but good progress has been made repairing the damage. The costs of this have largely been met by insurance underwriters, with £1,025,000 (£475,000 of this after the year-end) having been paid to date. In addition, the Scottish Government awarded a £250,000 grant under the emergency harbours works scheme. The final elements of repair will be completed in the first half of 2014.



**CONVENOR'S REPORT  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

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**BUSINESS REVIEW (CONT'D)**

Following a review of storm protection, it was decided to improve sea defences along the access road to the northern part of the port. A successful grant application to Marine Scotland covered 50% of the estimated £1.3 million cost, which includes a mix of repairs and improvements. The work was completed in April 2014 under budget and on time.

After a long struggle, planning permission to erect two wind turbines at the port was finally refused and the ensuing appeal was also unsuccessful. The project provided a unique opportunity to address the carbon footprint of the port and provide a diversified income stream and a revised project may be developed in the future.

Work on the port Masterplan has made significant progress in recent months. After considering future client needs of the port and assessing a large number of potential projects to address these, a favoured option has now emerged. This project involves the modernisation of the inner harbours, creating a larger and improved fishmarket, development of a bespoke fishing hub in Alexandra Basin, creating new opportunities for oil and gas trade and facilitates future upgrade of ship repair facilities at the shiplift.

**LOOKING FORWARD**

Predictions for 2014 are that there will be a further increase in the number of oil and gas related vessels using the port. The Authority's Smith Quay has been popular for large scale mobilisations of subsea vessels and demand for space remains high. Logistics clients of ASCO are also budgeting for more activity in 2014. It is expected that the recent investment by Interfish Group in Fresh Catch to form Northbay Pelagic Ltd will greatly assist the company secure stocks of pelagic fish and therefore a recovery in the value of landings is expected. Stocks of most major white fish species landed at Peterhead are healthy and prices reasonable so no major changes are expected in this sector.

The main focus of attention in 2014 will be in developing and refining plans for the possible development project. Now that a favoured option has emerged, work begins in earnest to assess the technical and financial merits of the project. A site investigation, environmental impact assessment and business plan are the first priorities. Thereafter, a design team will be appointed and once a detailed design has been finalised, the project will be tendered. The estimated budget for the works is £40 million which will be partially funded through new bank loans. However, the project will not be able to proceed without grant assistance and the primary focus is expected to be an application to the European Marine Fisheries Fund. Statutory approvals are also required including a Harbour Revision Order. If all of these hurdles are successfully overcome, it is hoped that a contract for the works can be awarded in early 2015 and the work completed in mid-2016.

The Harbour Master, Capt Tom Hemingway retired after 22 years' service and has been replaced through the promotion of Capt John Forman. I would like to thank Capt Hemingway for his service and commitment during these years and wish him a happy retirement. I also thank the other employees of the Authority and my colleagues on the Board for their care and dedication during this past year. I look forward to working with them during the months ahead as we seek to develop the port, grow the business and enhance the benefit that the port brings to the local economy.



William J M R Mackie  
Convenor

## **PETERHEAD PORT AUTHORITY**

### **MEMBERS' REPORT**

**FOR THE YEAR ENDED 31ST DECEMBER 2013**

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The members present their report with the financial statements of the Authority for the year ended 31st December 2013.

#### **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 £56,608.

#### **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 2013**

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#### **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.

The members of the Authority are appointed in accordance with the Peterhead Port Authority Harbour (Constitution) Revision Order 2005 and the guiding principles set out in the "Modern Trust Ports for Scotland (Guidance for good governance)" document issued by Transport Scotland.

#### **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

23 May 2014

## **PETERHEAD PORT AUTHORITY**

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

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We have audited the financial statements of Peterhead Port Authority for the year ended 31st December 2013 set out on pages 7 to 24. 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 2013 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

23 May 2014

**PETERHEAD PORT AUTHORITY**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	Notes	2013 £	2012 as restated £
<b>TURNOVER</b>	2	<b>9,178,290</b>	9,342,214
Cost of services		<b>5,168,048</b>	4,587,823
<b>GROSS PROFIT</b>		<b>4,010,242</b>	4,754,391
Administrative expenses		<b>1,336,929</b>	1,177,136
<b>OPERATING PROFIT</b>		<b>2,673,313</b>	3,577,255
Share of profit of subsidiary undertaking	11	<b>161,132</b>	193,015
Investment income	5	<b>93,204</b>	87,193
		<b>2,927,649</b>	3,857,463
Interest payable	6	<b>678,706</b>	734,486
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	<b>2,248,943</b>	3,122,977
Tax on profit on ordinary activities	8	<b>708,285</b>	1,302,227
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,540,658</b>	1,820,750

**CONTINUING OPERATIONS**

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



**PETERHEAD PORT AUTHORITY**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

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	Notes	2013 £	2012 as restated £
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,540,658</b>	1,820,750
Actuarial gain/(loss) relating to net pension deficit	25	387,230	(134,370)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<b>1,927,888</b>	<u>1,686,380</u>
<b>PRIOR YEAR ADJUSTMENT</b>	24	<b>(734,580)</b>	
<b>TOTAL RECOGNISED GAINS AND LOSSES RECOGNISED SINCE THE LAST ANNUAL REPORT</b>		<b><u>1,193,308</u></b>	

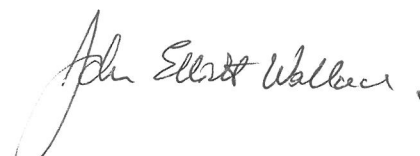
**PETERHEAD PORT AUTHORITY**

**BALANCE SHEET  
AT 31ST DECEMBER 2013**

			2013	2012
	Notes	£	£	as restated £
<b>FIXED ASSETS</b>				
Tangible assets	9		<b>61,118,726</b>	62,476,101
Fixed asset investments	10		<b>1,988,455</b>	1,827,323
			<b>63,107,181</b>	64,303,424
<b>CURRENT ASSETS</b>				
Stock	12	<b>48,069</b>		45,023
Debtors	13	<b>2,637,901</b>		1,924,897
Cash at bank and in hand		<b>7,106,609</b>		5,865,047
		<b>9,792,579</b>		7,834,967
<b>CREDITORS: amounts falling due within one year</b>	14	<b>3,645,948</b>		3,205,130
<b>NET CURRENT ASSETS</b>			<b>6,146,631</b>	4,629,837
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>69,253,812</b>	68,933,261
<b>CREDITORS: amounts falling due after more than one year</b>	15		<b>8,080,996</b>	9,289,281
			<b>61,172,816</b>	59,643,980
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Accruals and deferred income	17		<b>8,708,393</b>	8,694,557
Deferred tax	18		<b>305,289</b>	333,947
<b>NET ASSETS EXCLUDING PENSION DEFICIT</b>			<b>52,159,134</b>	50,615,476
<b>PENSION DEFICIT</b>	25		<b>350,350</b>	734,580
<b>NET ASSETS INCLUDING PENSION DEFICIT</b>			<b>51,808,784</b>	49,880,896
<b>GENERAL RESERVES</b>	20		<b>51,808,784</b>	49,880,896

The Financial Statements were approved on 21 May 2014 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 2013**

	Notes	2013 £	2012 £
<b>NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES</b>	19	<b>3,725,603</b>	<b>5,230,134</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		109,902	67,823
Interest paid		(678,297)	(744,436)
<b>Cash inflow / (outflow) from returns on investments and servicing of finance</b>		<b>(568,395)</b>	<b>(676,613)</b>
<b>TAXATION</b>			
UK Corporation tax paid		(736,298)	(659,041)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(409,883)	(549,074)
Receipts from sale of tangible fixed assets		172,171	65,000
Government grants received		157,404	-
<b>Cash outflow from capital expenditure</b>		<b>(80,308)</b>	<b>(484,074)</b>
<b>NET CASH INFLOW/ (OUTFLOW)</b>		<b>2,340,602</b>	<b>3,410,406</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Increase / (Decrease) in cash in period		2,340,602	3,410,406
Movement in net funds in the period		2,340,602	3,410,406
Net funds at 1st January 2013		(4,582,110)	(7,992,516)
<b>NET FUNDS AT 31ST DECEMBER 2013</b>		<b>(2,241,508)</b>	<b>(4,582,110)</b>

**PETERHEAD PORT AUTHORITY**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

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**ANALYSIS OF CHANGE IN NET FUNDS**

	<b>At 1st January 2013 £</b>	<b>Cash flows £</b>	<b>At 31st December 2013 £</b>
Analysis of change in net funds:			
Cash and bank balances	5,865,047	1,241,562	7,106,609
Bank loans and overdrafts	(10,447,157)	1,099,040	(9,348,117)
	<u>(4,582,110)</u>	<u>2,340,602</u>	<u>(2,241,508)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

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**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 contributions are invested separately from the Authority's assets and the Authority has no liabilities to the scheme other than the annual contributions payable to the scheme.

The Authority also participates in a multi-employer defined benefit pension scheme and the Authority's share of the assets and liabilities of the scheme are incorporated in the financial statements based on information provided by the actuary to the scheme.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****1. ACCOUNTING POLICIES (CONT'D)****Pension costs and other post-retirement benefits (cont'd)**

The net pension scheme asset or liability is included in the balance sheet.

Net actuarial gains and losses are recognised in the statement of total recognised gains and losses in the period in which they occur.

The current service cost and interest on pension liabilities less expected return on assets are charged to the profit and loss account in the period in which they occur. The current pension cost reflects the amount that would need to be paid at the start of the reporting period in order to meet the cost of the benefit accrual during the period based on projected salaries at retirement or earlier leaving.

**2. TURNOVER**

**2013**  
**£**

**2012**  
**£**

Turnover consists entirely of sales made in the United Kingdom.

Dues on ships	2,216,424	2,189,817
Dues on goods and passengers	4,243,801	4,632,693
	<u>6,460,225</u>	<u>6,822,510</u>
Rental income	1,398,407	1,276,861
General revenue and services	1,319,658	1,242,843
	<u>9,178,290</u>	<u>9,342,214</u>

**3. NON-EXECUTIVE MEMBERS' EMOLUMENTS**

Aggregate emoluments	85,907	71,234
Social security costs	1,195	567
	<u>87,102</u>	<u>71,801</u>

**4. STAFF COSTS**

Wages and salaries	2,081,046	1,861,157
Social security costs	212,322	187,972
Pension costs	212,683	195,820
	<u>2,506,051</u>	<u>2,244,949</u>
Less staff costs recovered from Peterhead Port Services	856,220	706,604
	<u>1,649,831</u>	<u>1,538,345</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	33
	<u>68</u>	<u>68</u>

**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	2013 £	2012 £
<b>5. INVESTMENT INCOME</b>		
Bank interest receivable	<u>93,204</u>	<u>87,193</u>
<b>6. INTEREST PAYABLE</b>		
Bank loan interest	<u>678,706</u>	<u>734,486</u>
<b>7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
(Profit)/loss on sale of tangible fixed assets	(41,391)	60,702
Auditors' remuneration for audit	8,500	8,500
Auditors' remuneration - non audit fees	2,000	2,500
Depreciation of tangible fixed assets	1,896,861	1,835,109
Amortisation of grants	<u>(275,280)</u>	<u>(263,824)</u>
<b>8. TAXATION</b>		
<b>Analysis of the tax charge</b>		
The tax charge on the profit on ordinary activities for the year was as follows:		
UK corporation tax:		
Current	736,943	968,782
Adjustment re prior years	<u>-</u>	<u>(502)</u>
Total current tax	736,943	968,280
Deferred tax	(28,658)	333,947
	<u>708,285</u>	<u>1,302,227</u>
<b>Factors affecting the tax charge</b>		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:		As restated
Profit on ordinary activities before tax	<u>2,248,943</u>	<u>3,122,977</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.247% (2012: 24.497%)	522,802	765,036
Effects of:		
Expenses not deductible for tax purposes	1,473	1,917
Depreciation in excess of capital allowances	250,126	249,112
Share of profit of subsidiary undertaking	(37,458)	(47,283)
Adjustment to tax charge in respect of previous periods	-	(502)
	<u>736,943</u>	<u>968,280</u>

**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**9. TANGIBLE FIXED ASSETS**

	<b>Land, Buildings &amp; Improvements £</b>	<b>Plant, Vehicles &amp; Equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 31st December 2012:	79,742,144	5,194,921	84,937,065
Additions	458,532	211,735	670,267
Disposals	(604,718)	(133,754)	(738,472)
Reclassification	-	-	-
At 31st December 2013:	<u>79,595,958</u>	<u>5,272,902</u>	<u>84,868,860</u>
<b>Depreciation</b>			
At 31st December 2012:	20,226,508	2,234,456	22,460,964
Charge for year	1,511,617	385,244	1,896,861
Disposals	(581,768)	(25,923)	(607,691)
Reclassification	-	-	-
At 31st December 2013:	<u>21,156,357</u>	<u>2,593,777</u>	<u>23,750,134</u>
<b>Net Book Value</b>			
At 31st December 2013	<u>58,439,601</u>	<u>2,679,125</u>	<u>61,118,726</u>
At 31st December 2012	<u>59,515,636</u>	<u>2,960,465</u>	<u>62,476,101</u>

Included within land and buildings are long leasehold structures with a NBV of £45,235,872 (2012: £46,178,679) and short leasehold structures with a NBV of £5,052,766 (2012: £5,354,726).

**10. FIXED ASSET INVESTMENTS**

**2013  
£**

**Peterhead Port Services:**

At 1st January 2013	1,827,323
Profit/(loss) for year (note 11)	161,132
At 31st December 2013	<u>1,988,455</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 2013 have been incorporated in note 11 to the accounts.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****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 2013 are summarised as follows:

<b>Revenue and Expenditure Account</b>	<b>2013 £</b>	<b>2012 £</b>
Revenue from pilotage services	<b>914,640</b>	940,429
Aggregate expenditure incurred on:		
Providing the services of a pilot	<b>299,552</b>	232,202
Providing, maintaining and operating the pilot boat	<b>366,003</b>	314,232
Administration and other costs	<b>133,640</b>	138,884
Total pilotage expenditure	<b>799,195</b>	685,318
Profit on pilotage activities	<b>115,445</b>	255,111
Net other income/(expenditure)	<b>86,176</b>	(9,371)
Taxation	<b>(40,489)</b>	(52,725)
Surplus for year	<b>161,132</b>	193,015
<b>Balance Sheet</b>		
Fixed assets, at cost	<b>635,295</b>	629,958
Aggregate depreciation	<b>(570,091)</b>	(564,819)
	<b>65,204</b>	65,139
Current assets:		
Debtors	<b>392,176</b>	273,053
Investments	<b>78,405</b>	78,405
Cash and bank balances	<b>1,740,125</b>	1,615,257
	<b>2,210,706</b>	1,966,715
Creditors: amounts falling due within one year:		
Creditors and accruals	<b>246,966</b>	151,805
Corporation tax	<b>40,489</b>	52,726
	<b>287,455</b>	204,531
Net current assets	<b>1,923,251</b>	1,762,184
Provision for liabilities and charges	-	-
Net assets	<b>1,988,455</b>	1,827,323

**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**12. STOCK**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Spare parts and consumables	<b>48,069</b>	<b>45,023</b>

**13. DEBTORS**

**Amounts falling due within one year:**

Trade debtors	<b>1,593,874</b>	<b>1,571,469</b>
Other debtors	<b>691,995</b>	<b>107,589</b>
Prepayments and accrued income	<b>352,032</b>	<b>245,839</b>
	<b>2,637,901</b>	<b>1,924,897</b>

**14. CREDITORS: amounts falling due within one year:**

Current instalment due on loans	<b>1,208,513</b>	<b>1,157,876</b>
Bank overdraft	<b>58,607</b>	<b>-</b>
Trade creditors	<b>921,324</b>	<b>806,808</b>
Corporation tax	<b>456,943</b>	<b>456,298</b>
Other taxes and social security costs	<b>102,488</b>	<b>78,295</b>
Other creditors and accruals	<b>898,073</b>	<b>705,853</b>
	<b>3,645,948</b>	<b>3,205,130</b>

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

Bank Loans	<b>8,080,996</b>	<b>9,289,281</b>
	<b>8,080,996</b>	<b>9,289,281</b>



**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**16. BANK LOANS**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Repayable by instalments over 20 years to 2020 Bank loan at 5.68% per annum (fixed by interest rate swap)	<b>1,506,838</b>	1,705,447
Repayable by instalments over 15 years to 2018 Bank loan at 5.99% per annum (fixed)	<b>3,691,825</b>	4,341,733
Repayable by instalments over 15 years to 2025 Bank loan at 5.55% per annum (fixed by interest rate swap)	<b>4,090,847</b>	4,399,977
	<b><u>9,289,510</u></b>	<b><u>10,447,157</u></b>
Included in current liabilities	<b>1,208,513</b>	1,157,876
Amounts falling due between one and two years	<b>1,261,064</b>	1,208,513
Amounts falling due between two and five years	<b>3,910,293</b>	3,956,322
Amounts falling due in more than five years	<b>2,909,640</b>	4,124,446
	<b><u>9,289,510</u></b>	<b><u>10,447,157</u></b>

At 31st December 2013, in addition to the above loans, the Authority had interest rate swaps in place on £2,609,218 (2012: £2,695,585) 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 2013	<b>8,694,557</b>	8,958,381
Receivable during year	<b>289,116</b>	-
Amortisation in year	<b>(275,280)</b>	(263,824)
At 31st December 2013	<b><u>8,708,393</u></b>	<b><u>8,694,557</u></b>

**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**18. DEFERRED TAX**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Deferred tax	<b><u>305,289</u></b>	<b><u>333,947</u></b>
		<b>Deferred</b>
		<b>tax</b>
		<b>£</b>
Balance at 1 January 2013		<b>333,947</b>
Transfer to profit and loss account		<b>(28,658)</b>
Balance at 31 December 2013		<b><u>305,289</u></b>

**19. NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>As restated £</b>
Operating profit	<b>2,673,313</b>	3,577,255
Depreciation of tangible fixed assets	<b>1,896,861</b>	1,835,109
(Profit)/Loss on sale of tangible fixed assets	<b>(41,391)</b>	60,702
Amortisation of grants	<b>(275,280)</b>	(263,824)
Pension cost adjustment	<b>3,000</b>	5,000
(Increase)/Decrease in stock	<b>(3,046)</b>	(11,167)
(Increase)/Decrease in debtors	<b>(597,991)</b>	(320,833)
Increase/(Decrease) in creditors	<b>70,137</b>	347,892
Net cash inflow from continuing operating activities	<b><u>3,725,603</u></b>	<b><u>5,230,134</u></b>

**20. GENERAL RESERVES**

	<b>2013</b>
	<b>£</b>
At 1st January 2013	<b>50,615,476</b>
Prior year adjustments:	
Net pension deficit	<b>(734,580)</b>
At 1st January 2013 as restated	<b><u>49,880,896</u></b>
Profit for the financial year	<b>1,540,658</b>
Actuarial gain/(loss) relating to net pension deficit	<b>387,230</b>
At 31st December 2013	<b><u>51,808,784</u></b>

**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**21. FINANCIAL COMMITMENTS**

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

	<b>Land and buildings</b>	<b>Other operating leases</b>
Expiring within 1 year	-	-
Expiring within 2-5 years	-	15,576
Expiring in over 5 years	<u>50,000</u>	<u>-</u>

**22. CAPITAL COMMITMENTS**

	<b>2013 £</b>	<b>2012 £</b>
Contracted but not provided for in the financial statements	<u>1,043,808</u>	<u>17,222</u>

**23. RELATED PARTY TRANSACTIONS**

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

**24. PRIOR YEAR ADJUSTMENTS**

The receipt of the relevant information from the actuary to the North East Scotland Pension Fund has enabled the Authority to adopt the full disclosure recommended by FRS17 Retirement Benefits. This has resulted in a change to the accounting treatment in respect of the Authority's participation in the fund and the prior year results have been restated accordingly.

**(a) Balance sheet**

	<b>Pension deficit £</b>	<b>General Reserves 2013 £</b>
At 31st December 2012 as previously reported	-	50,615,476
Adoption of FRS 17 full disclosure at 31st December 2012	(734,580)	(734,580)
<b>At 31st December 2012 as restated</b>	<u>(734,580)</u>	<u>49,880,896</u>

**(b) Profit and Loss Account**

	<b>Cost of services £</b>	<b>Profit for the year £</b>
Year to 31st December 2012 as previously reported	4,582,823	1,825,750
Adoption of FRS 17 full disclosure	5,000	5,000
<b>Year to 31st December 2012 as restated</b>	<u>4,587,823</u>	<u>1,820,750</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****25. 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.

Information about the overall funding position of the North East Scotland Pension Fund has been provided by the actuary to the Fund. The results of the actuarial valuation as at 31st March 2011 have been updated to 31st December 2013 by the qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

**Balance sheet items as at 31st December 2013**

	31/12/13 £	31/12/12 £
Present value of benefit obligations	3,429,000	3,438,000
Fair value of plan assets	(2,974,000)	(2,484,000)
Pension liability recognised in balance sheet before allowance for deferred tax	455,000	954,000
Deferred tax adjustment	(104,650)	(219,420)
Net pension deficit	<u>350,350</u>	<u>734,580</u>

**Change in benefit obligation during period to 31st December 2013**

	Period Ending 31/12/13 £	Period Ending 31/12/12 £
Benefit obligation at start of period	3,438,000	2,974,000
Current service cost	77,000	66,000
Interest on pension liabilities	148,000	141,000
Member contributions	30,000	34,000
Actuarial (gains)/losses on liabilities	(195,000)	304,000
Benefits/transfers paid	(69,000)	(81,000)
Benefit obligation at end of period	<u>3,429,000</u>	<u>3,438,000</u>

**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**25. PENSION ARRANGEMENTS (DEFINED BENEFIT SCHEMES) (CONT'D)**

**Change in plan assets during period to 31st December 2013**

	<b>Period Ending 31/12/13 £</b>	<b>Period Ending 31/12/12 £</b>
Fair value of plan assets at start of period	<b>2,484,000</b>	2,201,000
Expected return on plan assets	<b>154,000</b>	134,000
Actuarial (losses)/gain on assets	<b>307,000</b>	128,000
Contributions by employers	<b>68,000</b>	68,000
Contributions by members	<b>30,000</b>	34,000
Benefits/transfers paid	<b>(69,000)</b>	(81,000)
Fair value of scheme assets at end of period	<b><u>2,974,000</u></b>	<u>2,484,000</u>

The actual return on the plan assets over the period ended 31st December 2013 was £461,000.

**Components of pension cost for period to 31st December 2013**

Current service cost	<b>77,000</b>	66,000
Interest on pension liabilities	<b>148,000</b>	141,000
Expected return on assets	<b>(154,000)</b>	(134,000)
Total expense recognised in profit and loss	<b><u>71,000</u></b>	<u>73,000</u>

**Statement of total recognised gains and losses**

Actuarial gains/(losses) on liabilities	<b>195,000</b>	(304,000)
Actuarial gains/(losses) on assets	<b>307,000</b>	128,000
Actuarial gain/(loss) relating to pension deficit	<b><u>502,000</u></b>	<u>(176,000)</u>
Deferred tax adjustment	<b>(114,770)</b>	41,630
Total amount recognised in statement of total recognised gains and losses:		
Amount: gain/(loss)	<b><u>387,230</u></b>	<u>(134,370)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is £252,860 (a gain).



**PETERHEAD PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**25. PENSION ARRANGEMENTS (DEFINED BENEFIT SCHEMES) (CONT'D)**

**Assets**

	<b>31/12/13</b>	<b>31/12/12</b>
	<b>£</b>	<b>£</b>
Equities	<b>2,490,000</b>	1,978,000
Government bonds	<b>190,000</b>	171,000
Other bonds	<b>65,000</b>	60,000
Property	<b>172,000</b>	129,000
Cash/liquidity	<b>57,000</b>	32,000
Other	-	114,000
Total assets	<b><u>2,974,000</u></b>	<b><u>2,484,000</u></b>

None of the fair values of the assets shown above include any of the authority's own financial instruments or any property occupied by, or other assets used by, the authority.

**Assumptions**

	<b>31/12/13</b>	<b>31/12/12</b>
	<b>% per annum</b>	<b>% per annum</b>
Rate of CPI Inflation	<b>2.4</b>	2.4
Rate of increase in salaries	<b>4.15</b>	4.15
Rate of increase in pensions	<b>2.4</b>	2.4
Discount rate	<b>4.6</b>	4.3

The mortality assumptions adopted at 31st December 2013 imply the following future life expectancies:

Male retiring at age 65 in 2013	<b>22.4 years</b>
Female retiring at age 65 in 2013	<b>25.4 years</b>
Male retiring at age 65 in 2033	<b>24.7 years</b>
Female retiring at age 65 in 2033	<b>27.8 years</b>

**Expected long term rates of return**

The long-term expected rate of return on cash is determined as the Actuary's best estimate at the balance sheet dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013****25. PENSION ARRANGEMENTS (DEFINED BENEFIT SCHEMES) (CONT'D)****Expected long term rates of return (cont'd)**

The expected long-term rates of return applicable at the start of each period are as follows:

	<b>Period Commencing 01/01/13 % per annum</b>	<b>Period Commencing 01/01/12 % per annum</b>
Equities	7.0	7.0
Government bonds	2.7	2.8
Other bonds	3.8	4.1
Property	6.0	6.0
Cash/liquidity	0.5	0.5
Other	7.0	7.0
Expenses deduction	0.34	0.34
Overall for scheme	6.15	6.08

**Amounts for the current and previous year**

	<b>2013 £</b>	<b>2012 £</b>
Fair value of plan assets	2,974,000	2,484,000
Present value of benefit obligations	3,429,000	3,438,000
Surplus (deficit) in scheme	(455,000)	(954,000)
Experience gains/(losses) on assets	307,000	128,000
Experience gains/(losses) on liabilities	-	-

**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 2010 which reported a deficit of £187 million (representing a 61% funding level). Interim funding update results at 30th September 2013 report a deficit of £225 million (representing a 55% 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 approximately £60,000 per annum.

The Merchant Navy Officers Pension Fund had its last actuarial valuation at 31st March 2012 which reported a deficit of £120 million (representing a 95.5% funding level). A funding plan, the objective of which is to pay off the deficit over a period of 12 years has been agreed. The PPS contribution to this deficit was £13,441 which was paid during the year. PPS currently has one employee contributing to the fund.

## **Developing the port to bring jobs and investment to Peterhead**



£40'm investment planned to secure Peterhead's position as the leading fishing port in Europe

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