



Meeting the needs of tomorrow

Annual Report and Financial Statements 2008



Aberdeen Harbour

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Aberdeen Harbour Board

Administration, maintenance and improvement of the harbour is entrusted to Aberdeen Harbour Board, an independent statutory body formed under the terms of the Aberdeen Harbour Order Confirmation Act 1960. Certain modifications to this constitution were embodied in the Aberdeen Harbour Order Confirmation Act 1987 and the Aberdeen Harbour Revision (Constitution) Order 2002.

Aberdeen Harbour Board

Year to 31 December 2008

Chairman

D R Paton OBE

Vice-Chairman

K K A Allan

Members

Councillor Y Allan

A D J Amoore

R G Bisset OBE, *Appointed 01/01/2008*

M W Goodlad

S Mauduit, *Appointed 01/01/2008*

C Parker

E K Reilly

A D Scott

Captain J R Shaw

B J Turnbull

Principal Officers

C Parker, *Chief Executive*

J G Clark, *Finance Director*

I Jessiman, *Board Secretary*

Captain J R Shaw, *Operations Director & Harbour Master*

E K Reilly, *Engineering Director*



Chairman's Statement

In this my first such statement I am delighted to report a year of consolidation and growth at Aberdeen Harbour as reflected in a record tonnage of shipping at 24.17 million gross tonnes and a third consecutive year of total cargo handled being in excess of five million tonnes.

In a year that witnessed the price of Brent crude ranging from \$38 to \$145 per barrel, activity levels at the port were extremely busy in spite of the much-heralded global financial crisis. The harbour continued to grow its traffic with other parts of the world due in no small part to the region's worldwide reputation for delivering competitive oil and gas-related equipment and services.

The Northern Isles shipping services carried significant numbers of passengers and freight to and from Orkney and Shetland. Aberdeen also played host to ten cruise vessels engaged in North Sea and UK coastal voyages.

The ongoing investment of all profits back into the harbour's facilities for our stakeholders was very evident during 2008. Improvements at Point Law include the provision of a transit shed and the further clearance of areas providing more room for users to operate efficiently on fit-for-purpose quays and yards. The depreciation charge in the accounts includes a significant sum of £2.5 million relating to buildings which have been or will be demolished; this reflects the substantial investment by the Board in modernising the port. The resurfacing of Waterloo Yard paved the way for the planned expansion of rail freight facilities and marshalling of cargoes.

The turnover climbed to a record of £21.98 million due to the increased activity and despite all main charges being held at 2007 levels. The Board's focus on controlling its own costs, combined with the healthy levels of business, delivered a pre-tax profit of £9.65 million.

The arrival of the new pilot cutter the Sea Haven during the year ensures the port has two modern fully equipped vessels for the harbour's busy pilotage service. The Sea Haven also has a full suite of hydrographic surveying equipment providing a valuable back-up to the existing survey vessel.

I would like to acknowledge the time and energy spent by harbour staff on training for and improving both health and safety and the port's environment. These efforts have contributed in no small manner towards a very impressive year for low accident and injury statistics together with improved levels of recycling and waste reduction.

My predecessor David Paton OBE retired at the end of 2008 after many years of highly valued contribution to the governance of the port. I would like to record both mine and the Board's appreciation of David's chairmanship during a very busy period of Aberdeen Harbour's long history. Our users generated large amounts of business throughout 2008 and the Board's staff responded to this with commendable skill and expertise. Thanks go also to retiring Board member Yvonne Allan along with a warm welcome to new members, Chris Lloyd and David Young.

K K A Allan
Chairman
March 2009

Report of the Board

The Board present their Report and the Audited Financial Statements for the year ended 31 December 2008.

Principal Activities

The principal activities of the Board are the operation and maintenance of the port facilities and the provision of services ancillary thereto.

Health, Safety and Environment

The Health and Safety Policy underwent extensive revision during 2008 and strategic targets were successfully met. A large emphasis was placed on implementing new procedures and updating relevant documentation. Communication with all involved was paramount throughout this process with an increase in toolbox talk sessions and communication via newly appointed Representatives of Employee Safety. The Board's officials and a cross-section of staff members completed the IOSH Managing Safely in Ports Course. In addition, resources were put into training our staff's overall awareness of health and safety. Pocket cards displaying the Harbour's Code of Safe Practice were revised and a large quantity distributed to port users, contractors and staff.

The Board's Environmental Adviser, Patrick Jordan, was initially engaged under a Knowledge Transfer Partnership with the University of Aberdeen before becoming a full-time employee in 2007. The partnership was chosen as a finalist for 'Best Partnership' award at the Scottish KTP finals. During 2008 the Board installed new facilities to improve re-use and recycling at its Maintenance Department, which have reduced the amount of waste going to landfill by 45%. Environmental communications with all stakeholders were enhanced by the publication of the first edition of a combined Health, Safety and Environmental newsletter. Levels of energy use continued at broadly comparable levels to 2007 and twelve pollution incidents were investigated by the Board's staff with identification of the source being detected in every case. The Board also completed its Environmental Impact Assessment for the Torry Quay Redevelopment Project.

Harbour Operations

The overall tonnage of vessels entering the port increased for the tenth successive year to a record 24.17 million gross tonnes, with a new record also set for shipping in one week of 589,523 gross tonnes.

Although the number of vessel arrivals was slightly down on the previous year, the number of pilotage acts increased by 15%, reflecting the continuing trend of larger ships using the port.

Total cargo handled in 2008 exceeded five million tonnes for the third successive year, with exports of timber and scrap reaching record levels. The oil and gas sector maintained high levels of activity, despite significant fluctuations in the commodity prices, with some 2.24 million tonnes of cargo being shipped through the bases.

The port also maintained its vital link between the UK mainland and the Northern Isles with over 130,000 passengers travelling between Aberdeen, Shetland and Orkney. The fishing sector again showed a decline from previous years, however over 12,000 tonnes of fish and shellfish, valued at more than £7.4 million, were still handled through the port.

Harbour Developments

2008 saw the completion of Phase I of the £3.7 million redevelopment of the Rail Freight Yard at Waterloo Quay. This yard will be used as valuable back-up land for cargo handling and for the existing and new rail freight traffic. In addition, orders were placed for a further two rail sidings for completion in 2009.

In line with the Board's commitment to provide first-class facilities for customers, a £1.6 million transit shed was built on Point Law peninsula for use by the oil service bases in the area. In addition £129,000 was spent in the area on foundations and bunds to facilitate bulk silos being relocated clear of the operational quayside.

Ongoing works to further increase the operational area at Point Law included the £434,000 demolition of buildings west of Clyde Street and west of Ferry Place. Once cleared these areas will be surfaced for cargo handling.

Major repairs were carried out to the Board's property at 10 Sinclair Road in 2008 by the £300,000 refurbishment of the office space, warehouse and yard. The new tenant will take possession in the Spring of 2009.

Major works were also carried out in 2008 with improvements to the third floor of the Harbour Office and corrosion repairs at Point Law North. In addition, the Board's new £854,000 pilot boat *Sea Haven* entered service in 2008.

Report of the Board (cont.)

The Board present their Report and the Audited Financial Statements for the year ended 31 December 2008.

Finance

Financial Results

Turnover for the year amounted to £21.98 million, an increase of 5.1% compared with 2007. The profit for the year before taxation was £9.65 million compared with £9.49 million in 2007.

The profit for the year after taxation amounted to £6.79 million. All profits are retained for utilisation in the undertaking.

Market Value of Land and Buildings

The Board estimate that the market value for land and buildings is in excess of the value shown in the balance sheet but, in accordance with accounting policy, such assets are not revalued.

Risk

The Board does not consider that it faces any substantive strategic risks as it operates in an area where there will be an ongoing demand for its services. The Board has a strong record of investing in modern facilities, plant and equipment and this together with increased training for our employees will enable us to meet the challenges of the future in offering our port customers a quality cost-effective service.

The port's business has a wide spread of customers and commodities and is capable of adapting to market changes.

The financial risks are limited to the normal commercial risks associated with running a business. We have no currency exposure as all our business is done within the UK.

The Board operates a defined benefit pension scheme which is more fully explained in Notes 20 and 21 of the Accounts. The scheme continues to benefit from a surplus of assets over liabilities.

In the port's business, the Board has statutory responsibility for operations in our areas of jurisdiction.

Any significant risk from any of the above risk categories would be debated by the Board and an agreed procedure of handling that risk would be delegated to the relevant Executive Director as appropriate.

Payment of Accounts

It is the policy of the Board to pay all verified accounts within agreed settlement terms.

I Jessiman

Board Secretary
30 March 2009

Statement of Responsibilities of the Board

Legislation requires the Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Board and of the profit or loss of the Board for that period.

In preparing those Financial Statements, the Board are required to:

- > Select suitable accounting policies and then apply them consistently
- > Make judgements and estimates that are reasonable and prudent
- > State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- > Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Board will continue in business

Financial Statements comply with the Harbours Act 1964 as amended by the Transport Act 1981. The Board are also responsible for safeguarding the port's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board have taken all reasonable steps to ensure that the Board's auditors have received all the relevant information required to carry out the audit.

Profit and Loss Account for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover	2	21,982	20,912
Cost of Services	3	(10,481)	(10,041)
Gross Profit		11,501	10,871
Administrative Expenses		(4,250)	(4,081)
Operating Profit		7,251	6,790
Interest Receivable and Similar Income	4	2,426	2,916
Profit before Interest Payable		9,677	9,706
Interest Payable	5	(30)	(215)
Profit on ordinary activities before taxation	6	9,647	9,491
Tax on profit on ordinary activities	9	(2,852)	(2,892)
Retained Profit for year		6,795	6,599

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2008

Retained Profit for year	6,795	6,599
Unrealised Gain on Investments	560	2,848
Deferred Tax associated with above Gain	108	(455)
Actuarial Gains/(Losses) relating to Pension Asset and Pension Liability	(7,777)	4,399
Deferred Tax associated with Actuarial Gains/(Losses) relating to Pension Asset and Pension Liability	2,242	(1,318)
Total Recognised Gains and Losses for year	1,928	12,073

All amounts relate to continuing activities.

The notes on pages 10 to 19 form part of these Financial Statements.

Balance Sheet as at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed Assets			
Tangible assets	10	71,183	69,542
Investments	11	26,503	25,173
		97,686	94,715
Current Assets			
Stocks		52	56
Debtors	13	3,919	4,157
Short term Deposits		12,884	9,598
Cash at bank and in hand		55	153
		16,910	13,964
Current Liabilities			
Creditors:			
Amounts falling due within one year	14	(4,054)	(3,459)
Net Current Assets		12,856	10,505
Total Assets less Current Liabilities		110,542	105,220
Creditors:			
Amounts falling due after more than one year	15	0	(1,350)
Provision for Liabilities			
Deferred taxation	16	(1,510)	(1,713)
Accruals and Deferred Income			
Capital Investment Grants	17	(88)	(97)
Net Assets excluding pension asset		108,944	102,060
Pension Asset		2,974	7,930
Net Assets		111,918	109,990
Capital and Reserves			
Revenue Reserves	18	108,364	107,104
Revaluation Reserve	18	3,554	2,886
		111,918	109,990

The notes on pages 10 to 19 form part of these Financial Statements.

The Financial Statements were approved by the Board on 30 March 2009.

K K A Allan, *Chairman*

C Parker, *Chief Executive*

Cash Flow Statement for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Net cash inflow from operating activities	19(a)	13,308	11,332
Return on Investments and Servicing of Finance			
Interest and Dividends received		1,251	1,730
Interest paid		(64)	(261)
		1,187	1,469
Taxation		(2,554)	(3,288)
Capital Expenditure			
Payments to acquire tangible fixed assets		(6,382)	(18,225)
Receipts from sales of tangible fixed assets		49	6
Purchase of investments		(770)	(672)
Receipts from investments		0	3,000
		(7,103)	(15,891)
Management of Liquid Resources			
Short term Deposits		(3,286)	9,918
Financing			
Loan paid		(1,650)	(3,600)
Decrease in cash		(98)	(60)
Reconciliation of net cash flow to movement in net funds	19(b)		
Movement in cash in the period		(98)	(60)
Movement in liquid resources		3,286	(9,918)
Movement in investments		1,330	806
Movement in loan debt		1,650	3,600
Change in net funds		6,168	(5,572)
Net funds at 1 January		33,274	38,846
Net funds at 31 December		39,442	33,274

The notes on pages 10 to 19 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2008

1 | Accounting Policies

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of investments and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Tangible Fixed Assets

Tangible fixed assets are initially stated at cost.

Depreciation

Depreciation is calculated on a straight-line basis on the asset costs using asset lives consistent with past practice, subject to a maximum quay life of 40 years. Plant is depreciated on the basis of an economic life of 3 to 20 years depending on the nature of the asset. Buildings are depreciated over periods of between 20 and 40 years. Land is not depreciated.

Capital Investment Grants

Capital investment grants are credited to Profit and Loss account over the expected useful lives of the relevant fixed assets.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Stocks

Stocks are valued at the lower of invoice cost on an average cost basis and estimated net realisable value. Provision is made for obsolescence.

Turnover

Revenue is measured at the fair value of the consideration received or receivable in respect of services provided in the normal course of business stated net of Value Added Tax. Rents receivable are recognised on a straight-line basis over the lease term.

Investments

Investments held as fixed assets are stated at market value.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement as either financial assets or financial liabilities.

Leasing Commitments

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease term.

Retirement Benefits

The Board operates a defined benefits pension scheme. In accordance with FRS17, the service cost of pension provision relating to the year, together with the cost of any benefits relating to past service, is charged to operating profit. A charge equal to interest on the scheme liabilities and a credit equivalent to the long term expected return on assets are included in the profit and loss account under 'Interest Receivable and Similar Income'. The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between the expected return on the assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from other experience or assumption changes.

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

	2008 £000	2007 £000
2 Turnover		
Revenue from Harbour Activities		
Dues: On Ships	7,749	7,567
On Goods	6,102	6,302
On Passengers	94	95
	13,945	13,964
Crannage and Metage	261	295
Storage	175	190
Rent	5,568	4,731
Revenue from Associated Activities:		
Pilotage	1,938	1,598
Other Revenue	95	134
	21,982	20,912
3 Cost of Services		
Operating and Maintenance	4,667	4,925
Dredging	294	299
Major Maintenance	586	519
Depreciation (Net of Grants)	4,982	3,811
(Gain)/Loss on Disposal of Fixed Assets	(48)	487
	10,481	10,041
4 Interest Receivable and Similar Income		
Interest Receivable on Short Term Deposits (gross)	509	865
Gain on Sale of Investments	0	286
Dividends Receivable (net)	773	717
	1,282	1,868
Return on Pension Scheme Assets	3,112	2,782
Interest on Pension Scheme Liabilities	(1,968)	(1,734)
	2,426	2,916
5 Interest Payable		
On bank loans, overdrafts and other loans	26	211
Interest Paid to HMRC on Corporation Tax	4	4
	30	215

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

	2008	2007
	£000	£000
6 Profit on Ordinary Activities		
Stated after accounting for the following:		
Direct Costs of Pilotage	1,213	1,178
Hire of Plant and Machinery	25	23
Hire of Other Assets – Operating Lease	261	132
Major Maintenance		
Low water corrosion repairs	225	488
Refurbishment of Offices at 14 Regent Quay	0	31
Refurbishment of Premises at 10 Sinclair Road, Torry	299	0
Scour Repairs	62	0
Auditors' Remuneration	19	17
Depreciation (excluding on Buildings demolished)	2,604	2,296
Depreciation on Buildings demolished or to be demolished	2,450	1,594
Capital Investment Grants	(9)	(9)
(Gain)/Loss on Disposal of Fixed Assets	(48)	487

7 | Employees

Staff costs during the year were:

Wages and salaries	4,190	3,991
Social Security Costs	353	338
Pension Costs	1,068	1,226
	5,611	5,555

The average number of persons employed during the year was:

	Number	Number
Executive Board Members	3	3
Administrative and Managerial	34	34
Operating and Maintenance	71	77
	108	114

8 | Board Members

	£000	£000
The aggregate of emoluments paid to Board members was (including Executive Board Members):	402	374
Emoluments of the highest-paid Board Member	129	117

Three members are accruing retirement benefits under the Board's defined benefit pension scheme. (2007 Three)

Amount accrued in respect of the highest-paid Board Member at 31 December 2008 was £77,731.

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

	2008 £000	2007 £000
9 Taxation		
Corporation Tax at 28.5% (2007 – 30%)		
Based on the profits for the year	2,947	2,553
Under/(Over) provision in respect of prior years	0	1
	2,947	2,554
Deferred Taxation		
Accelerated capital allowances	(95)	221
Other timing differences	0	117
	(95)	338
	2,852	2,892
Factors affecting Tax charge for period		
Profit on ordinary activities before tax	9,647	9,491
Profit on ordinary activities multiplied by average rate of corporation tax of 28.5% (2007 – 30%)	2,749	2,847
<i>Effects of:</i>		
Items not deductible for tax purposes	22	16
Timing differences	(165)	(117)
Capital allowances for period in excess of depreciation	550	70
Differences on sale of investments	0	(215)
Dividends already taxed	(220)	(48)
Chargeable gains	11	0
Prior year adjustment	0	1
Current tax charge for period	2,947	2,554

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

10 | Fixed Assets – Tangible Assets

	Freehold Land and Buildings £000	Dredging £000	Dock Structures Roads and Permanent Way £000	Floating Craft £000	Plant and Equipment £000	Capital Works in Progress £000	Total £000
At Cost							
At 31 December 2007	52,977	2,668	53,856	925	10,379	2,325	123,130
Additions	749	98	50		93	5,706	6,696
Disposals				(51)	(56)		(107)
Transfers	1,596		3,699	854	329	(6,478)	0
At 31 December 2008	55,322	2,766	57,605	1,728	10,745	1,553	129,719
Depreciation							
At 31 December 2007	13,510	1,773	31,134	415	6,756	0	53,588
Provided during year	3,615	28	866	84	461		5,054
Disposals				(51)	(55)		(106)
At 31 December 2008	17,125	1,801	32,000	448	7,162	0	58,536
Net Book Value							
At 31 December 2008	38,197	965	25,605	1,280	3,583	1,553	71,183
At 31 December 2007	39,467	895	22,722	510	3,623	2,325	69,542

Land, which is not depreciated, included in Freehold Land and Buildings above amounts to £5,425,883 (2007 – £5,425,883). Assets are shown at their original cost to the Board where known, and in other cases at an estimated cost as at the date of acquisition. The 2008 depreciation charge for buildings includes £2.5 million (2007 – £1.6 million) in relation to buildings which have either been demolished or will be demolished.

11(a) | Fixed Assets – Listed Investments

	UK Unit Trusts £000
At Market Value	
At 31 December 2007	25,173
Additions	0
Dividends Reinvested	770
Revaluation	560
Disposals	0
At 31 December 2008	26,503
At Cost	
At 31 December 2008 (includes dividends reinvested)	22,603
At 31 December 2007 (includes dividends reinvested)	21,833

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

	2008 £000	2007 £000
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11(b) | Fixed Assets – Unlisted Investments

Aberdeen Harbour Board own 100% of the issued share capital of Aberdeen Harbour Limited a company incorporated in Scotland. Aberdeen Harbour Limited is engaged in the business of renting out property.

The results of Aberdeen Harbour Limited are not material and therefore group accounts have not been prepared.

At 31 December 2008, Aberdeen Harbour Board owed Aberdeen Harbour Limited £57,000 (2007 – Aberdeen Harbour Limited owed Aberdeen Harbour Board £115,000).

The Board charged Aberdeen Harbour Limited £585,000 (2007 – £94,000) for rent and £16,000 in respect of management charges (2007 – £nil).

12(a) | Capital and Major Maintenance Commitments

Capital and major maintenance expenditure which has been contracted for but has not been provided for in the accounts

1,501	2,684
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12(b) | Commitments Under Operating Leases

As at 31 December 2008, the Board had annual commitments under non-cancellable operating leases of £261,057 in respect of Land and Buildings (2007 £261,057).

The expiry period is after five years.

13 | Current Assets – Debtors

Amounts falling due within one year:

Trade debtors	3,100	3,523
Other debtors	526	472
Prepayments	293	162
	3,919	4,157

14 | Creditors

Amounts falling due within one year:

Current instalments due on loan	0	300
Rent payments received on account	1,122	803
Trade creditors	247	286
Corporation Tax	1,747	1,354
Other taxation and social security payable	115	116
Other creditors	253	122
Accruals	570	478
	4,054	3,459

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

	2008 £000	2007 £000
15 Creditors		
Amounts falling due after more than one year		
Loan		
Repayable by instalments		
Clydesdale Bank plc	0	1,650
Amount due within 1 year included in Current Liabilities	0	(300)
	0	1,350
Amount due in 1-2 years	0	300
Amount due in 2-5 years	0	900
Amount due in over 5 years	0	150
	0	1,350

16 | Deferred Taxation

The total Potential Liability has been fully provided for in the accounts and is made up as follows:

Accelerated Capital Allowances	1,163	1,258
Unrealised Gain on Investments	347	455
	1,510	1,713
Provision at the start of period	1,713	1,037
(Credit)/Charge in profit and loss account (note 9)	(95)	221
(Credit)/Charge in statement of total recognised gains and losses	(108)	455
At 31 December	1,510	1,713

The provision for deferred taxation has decreased by £108,000 due to the change in the rate of corporation tax.

17 | Capital Investment Grants

At 1 January	97	106
Transferred to Profit and Loss Account	(9)	(9)
At 31 December	88	97

	Revenue £000	Revaluation £000
18 Capital and Reserves		
At 31 December 2007	107,104	2,886
Profit for year	6,795	
Increase in Valuation of Investments		560
Deferred Tax on Increase in Valuation of Investments		108
Actuarial Gains/(Losses) relating to Pension Asset and Pension Liability net of Deferred Tax	(5,535)	
At 31 December 2008	108,364	3,554

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

	2008 £000	2007 £000
19 Notes to the Cash Flow Statement		
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	7,251	6,790
Depreciation (net of grants)	5,045	3,881
Loss/(Gain) on disposal of assets	(48)	487
Difference between pension charge and contributions paid	565	658
Movement in stocks	4	(2)
Movement in debtors	269	(286)
Movement in creditors	222	(196)
	13,308	11,332

(b) Analysis of changes in net funds

	At 1 Jan 2008 £000	Cash Flows £000	Non-cash Changes £000	At 31 Dec 2008 £000
Investments	25,173	770	560	26,503
Cash at bank and in hand	153	(98)	0	55
Short term deposits	9,598	3,286	0	12,884
	34,924	3,958	560	39,442
Debt due within one year	(300)	300	0	0
Debt due after one year	(1,350)	1,350	0	0
	(1,650)	1,650	0	0
	33,274	5,608	560	39,442

20 | Pension Schemes

The Board operates a pension scheme providing benefits based on final pensionable pay. The assets of the Scheme are held separately from those of the Board, being invested with Fund Managers. Contributions to the Scheme are charged to the Profit and Loss Account so as to spread the cost of pensions over employees' working lives with the Board. The contributions are determined by a qualified actuary on the basis of valuations carried out at least triennially. The most recent valuation was at 31 March 2008. The 2008 valuation showed that the market value of the Scheme's assets was £42 million and that the actuarial value of those assets represented 108.4% of the benefits that had accrued to members, after allowing for the expected future increases in earnings. The contributions of the Board and employees in 2008 were 13.1% (2007 13.1%) and 5% of earnings respectively, including contributions in respect of Death in Service. Amounts, based on the average working lives of employees, have been charged to the Profit and Loss Account in respect of adjustments to the Scheme's surplus in variation of Funding Plan requirements.

Four of the Board's current employees are members of the Pilots' National Pension Fund. The most recent valuation of the Fund was carried out at 31 December 2004. This valuation showed that the assets of the Fund totalled £339 million which represented 76% of the benefits accruing to members after allowing for future increases. The Fund's actuary has calculated that as at 31 December 2005, the Fund had a deficit of £107 million.

The PPNF is unusual in that the membership of the scheme includes both employed and self-employed members. The Fund rules do not clarify how past service deficits are to be dealt with. The Board has obtained the Opinion of Senior Counsel on the potential liabilities to the PPNF. Counsel has advised that in his opinion the Board would only be responsible for that part of the deficit properly attributable to its current and former employees and their widows. This issue can only be resolved by a definitive judgement of the Court and that is currently being sought. It is anticipated that the Court will consider the matter in 2010 at the earliest.

Consequently, at this stage there is insufficient information available to allow the Board to determine its share of any PPNF deficit and therefore, in accordance with FRS17, transactions with the PPNF are accounted for as if the Fund were a defined contribution scheme. During the year employer contributions paid to the PPNF amounted to £31,000 (2007 £123,000). These have been included in Cost of Services in the Profit and Loss Account.

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

21 | Pension Disclosures – FRS 17

Employee benefit obligations

	2008 £000	2007 £000
Fair value of scheme assets	37,860	45,219
Present value of funded obligations	(33,730)	(33,891)
Surplus	4,130	11,328
Related deferred tax asset	(1,156)	(3,398)
Net pension asset	2,974	7,930

The amounts recognised in the profit and loss account are as follows:

Current service cost	1,037	1,103
Interest on obligation	1,968	1,734
Expected return on scheme assets	(3,112)	(2,782)
	(107)	55

Changes in the fair value of scheme assets are as follows:

Opening fair value of scheme assets		45,219	40,476
	2008 £000	2007 £000	
Expected return on scheme assets	3,112	2,782	
Actuarial (losses)/Gains	(9,987)	2,478	
Actual return on scheme assets		(6,875)	5,260
Contributions by employer		472	445
Members' contributions		180	170
Benefits paid		(1,136)	(1,132)
Closing defined benefit obligation		37,860	45,219

Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation	33,891	33,937
Service cost	1,037	1,103
Interest cost	1,968	1,734
Actuarial gains	(2,210)	(1,921)
Members' contributions	180	170
Benefits paid	(1,136)	(1,132)
Closing defined benefit obligation	33,730	33,891

The Board expects to contribute £966,000 to its pension scheme in 2009.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2008	2007
Equities	72%	78%
Bonds	27%	20%
Other	1%	2%
	100%	100%

Notes to the Financial Statements (cont.) for the year ended 31 December 2008

21 Pension Disclosures – FRS 17 (cont.)

Principal actuarial assumptions at the balance sheet date

To develop the expected long-term rate of return on assets assumption, the Board considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.92% assumption for the year ended 31 December 2008 and a 6.19% assumption which will be used to calculate the P&L items for the year ending 31 December 2009.

Weighted average assumptions used to determine benefit obligations at:

	31 Dec 08	31 Dec 07
Discount rate	5.80%	5.80%
Rate of salary increase	4.40%	5.40%
Rate of increase of pensions in payment	2.90%	3.40%
Rate of statutory revaluation of pensions in deferment	2.90%	3.40%
Inflation	2.90%	3.40%

Weighted average assumptions used to determine net pension cost for year ended:

	31 Dec 08
Discount rate	5.80%
Expected long-term return on Scheme assets	6.92%
Rate of salary increase	5.40%
Rate of increase of pensions in payment	3.40%
Inflation	3.40%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	31 Dec 08	
	Male	Female
Member age 65 (current life expectancy)	22.7	25.1
Member age 45 (life expectancy at age 65)	24.7	27.0

Amounts for the current and previous four periods are as follows:

	2008	2007	2006	2005	2004
Scheme assets	37,860	45,219	40,476	37,715	32,091
Defined benefit obligation	(33,730)	(33,891)	(33,937)	(33,691)	(29,556)
Surplus	4,130	11,328	6,539	4,024	2,535
Experience adjustments on scheme liabilities:					
amount (£000's)	2,040	(4)	(35)	442	(444)
percentage of scheme liabilities	6%	0%	0%	1%	2%
Experience adjustments on scheme assets:					
amount (£000's)	(9,987)	2,478	973	4,262	1,686
percentage of scheme assets	26%	5%	2%	11%	5%

Independent Auditors' Report to the Members of Aberdeen Harbour Board

We have audited the Financial Statements of Aberdeen Harbour Board for the year ended 31 December 2008, which comprise the Profit and Loss Account, Statement of Total recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related Notes. These Financial Statements have been prepared under the historical cost convention as modified by the revaluation of investments and the Accounting Policies set out therein.

This report is made solely to the members of Aberdeen Harbour Board. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in our 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 Board for our audit work for this report, or for the opinions we have formed.

Respective responsibilities of the Board and Auditors

As described in the Statement of Responsibilities of the Board, the Board are responsible for the preparation of Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Policies).

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Harbours Act 1964 as amended by the Transport Act 1981. We also report to you if, in our opinion, the Report of the Board is not consistent with the Financial Statements, if the Board have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board Members' remuneration and transactions with the Board is not disclosed.

We read the Report of the Board and consider the implications for our report if we become aware of any apparent misstatement in it.

Basis of Opinion

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

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

Opinion

In our opinion:

the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Board's affairs as at 31 December 2008 and of its profit for the year then ended;

the Financial Statements have been properly prepared in accordance with the Harbours Act 1964 as amended by the Transport Act 1981, and

the information given in the Report of the Board is consistent with the Financial Statements for year ended 31 December 2008.

BOWER + SMITH

Registered Auditors and Chartered Accountants
6 Rubislaw Place, Aberdeen
30 March 2009

Shipping and Traffic Statistics

	2008	2007	2006	2005	2004
Shipping Statistics					
Number of Vessels					
European Union	1,657	1,610	1,573	1,560	1,562
Foreign (excl. EU)	198	220	246	188	191
Offshore Oil	5,424	5,687	5,677	5,248	5,002
White Fishing	271	327	514	915	1,109
Fishing – Other	572	631	417	414	463
Cruise	10	6	6	10	7
	8,132	8,481	8,433	8,335	8,334
Tonnage of Vessels (Thousand Gross Tonnes)					
European Union	7,557	7,325	7,240	7,249	7,192
Foreign (excl. EU)	984	996	1,082	899	765
Offshore Oil	15,520	15,578	15,000	13,297	12,888
White Fishing	29	39	78	129	148
Fishing – Other	54	66	38	39	44
Cruise	30	18	22	44	29
	24,174	24,022	23,460	21,657	21,066
Traffic Statistics (Thousand Tonnes)					
Goods Inwards					
Commercial Traffic	1,853	1,880	1,882	1,790	1,739
Offshore Oil Traffic	537	566	593	550	521
Fishing	11	13	16	23	22
	2,401	2,459	2,491	2,363	2,282
Goods Outwards					
Commercial Traffic	601	587	540	521	463
Offshore Oil Traffic	2,006	2,084	2,081	1,966	1,815
	2,607	2,671	2,621	2,487	2,278
Total Goods Inwards and Outwards	5,008	5,130	5,112	4,851	4,560
Number of Passengers	134,643	137,330	141,154	140,952	132,340

Aberdeen Harbour Board

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Aberdeen Harbour