

ABERDEEN HARBOUR BOARD
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

ABERDEEN HARBOUR BOARD

INFORMATION

Board members

C A Armstrong

F Black

J Brebner

R Buchan

E Craig

M Keith

A Y MacKenzie

J MacLennan

M North

J Oakey

R Sanguinetti

K Shand

(Appointed 20 September 2021)

(Appointed 1 January 2022)

Board secretary

MacKinnons Solicitors

Registered office

16 Regent Quay

ABERDEEN

AB11 5SS

Auditor

Johnston Carmichael LLP

Bishop's Court

29 Albyn Place

ABERDEEN

AB10 1YL

ABERDEEN HARBOUR BOARD

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ABERDEEN HARBOUR BOARD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board members present the Strategic Report and the audited financial statements for the year ended 31 December 2021.

Fair Review of the Business

The reach and scale of the impacts from the global pandemic have continued to impact businesses across the globe for most of the reporting period for these accounts, and Aberdeen Harbour Board (“the Board”) has not escaped the economic pressures of future uncertainty throughout the global economy. However, the diverse nature of the businesses that support our operations has meant that a solid core of revenue remained unaffected which, together with careful cost management, has allowed the Board to maintain its slow recovery.

At just over 24.6 million tonnes, the port experienced a 4% decrease in vessel tonnage compared with 2020, and this figure was underlined by a 2% decrease in vessel arrival numbers, with just over 6,000 vessels entering the port in the period. The decline in visits was in the smaller tonnage classifications, particularly focussed on oil and gas supply vessels, while larger tonnage vessels numbers, including general goods and dive support vessels, remained less volatile.

Passenger numbers in 2021 made some recovery as restrictions for Covid-19 lifted with some 111,000 passengers transferred through the port, representing a 73% increase compared to the record low numbers in 2020. Though Serco Northlink ferry services continued throughout the period, physical distancing and travel restrictions have impacted the available capacity and very little cruise traffic was seen throughout the year.

Rental income again recovered ground lost in 2020. No discounting of operational rents and rental holidays for office premises were required and occupation levels remained stable. Even with the reduction in vessel visits referred to above, pilotage income remained stable as training for pilotage exemptions had lapsed during lockdown.

Turnover for the year amounted to £33.5 million, an increase of 1.5% compared with 2020. An operating profit of £17.4 million was earned in 2021 compared to an operating profit of £16.9 million in 2020.

The profit for the year after taxation amounted to £6.1 million (2020: £11.9m). As a Trust Port the business retains all profits for reinvestment in harbour developments for the benefit of the harbour's stakeholders.

At the year-end, the Board has a strong Balance Sheet with net assets of £266 million (2020: £256 million). The main movements during the year were increased fixed asset values, reflecting the progress of the Aberdeen Harbour expansion, offset by the necessary reduction in cash reserves to fund this.

While the extended nature of the global pandemic has established another set of variables on the needs and expectations of our customers, recovery in the face of unprecedented economic challenges has started, though there is a growing need to adapt to a changing commercial environment. The strength of expectations regarding diversification, climate change and global trading patterns have not slackened despite the pandemic and, as the world emerges from that challenge, the pace of change has quickened.

For Aberdeen Harbour Board that need to adapt and change is manifested in the construction of the South Harbour and that construction has continued throughout the period. There has been no change to the requirement for large-scale marine infrastructure to accommodate the renewables industry, in particular offshore and floating wind activities, and to create a natural home for energy transition activities. Our aim to become the UK's Energy Port remains as strong a goal today as it did when this vision was first conceived.

The establishment of an Energy Transition Zone adjacent to South Harbour, where new energy solutions such as the harnessing of hydrogen into a future energy source, the development of carbon capture, and the creation of port centric logistics and high value manufacturing is gathering momentum. The Energy Transition Zone is a key enabler for the growth of future harbour business.

The Post-Brexit trading landscape also holds potential for UK Ports, and for Aberdeen Harbour. The combined quayside of the Port of Aberdeen will make us the largest berthage port in Scotland and this considerable component in building Scotland's international trading capability will enable Aberdeen to become an increasingly intrinsic driver for growth within the Scottish economy as a whole.

ABERDEEN HARBOUR BOARD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

The role that ports will play in the green arena is vital, not only through the transformation of their own activities, and working facilities, but also in acting as facilitator in the development of ground-breaking net-zero initiatives by our customers and associated industries.

The benefit of electric shore-power, of alternative vessel fuels and of the decarbonisation of offshore oil and gas activities present significant challenges and opportunities, not just in Aberdeen, but around the globe.

Principal Risks and Uncertainties

The Board members consider the Board 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 Board is currently working to address certain business risks regarding capacity constraints by building a new deep-water harbour to the south of the current harbour. Building works commenced on 1st January 2017 and the project is due for completion in 2022, which represents an extension to the original opening date of some two years. This is due to a combination of technical issues in the early stages of the project and the impact of the COVID-19 pandemic that closed the site and led to the departure of the principal contractor. Progress was resumed in June 2020 and all significant marine works are now complete.

Activity levels in the harbour are strongly supported by traffic related to the oil and gas industry and the early stages of the pandemic negatively impacted oil prices in the industry though these have since recovered to a position better than before the pandemic. Price volatility is expected to continue, however, the growth in both the drive for Energy Transition and the Climate Change agenda indicates that the oil and gas element of activity will decline over time.

The harbour currently has a wide portfolio of different port users that will mitigate this change and expect to derive new activity as a result of the changes noted above. The Board is actively engaging in the work currently being performed to introduce alternative fuel solutions and is well placed to benefit in the future.

The financial risks are limited to the normal commercial risks associated with running a business. The harbour expansion project has resulted in the business taking debt from the European Investment Bank of £180 million and the Board has agreed fixed interest rates for the full 16 years of the debt on all tranches drawn down. There is no currency exposure. Throughout the project performance against budget and adequacy of funds are monitored using forecasts and forward looking cash flow analysis to ensure adequate resources are available to complete the project.

The Board's principal financial assets are bank balances and cash and trade and other receivables. The credit risk in liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit ratings agencies. The Board has no significant concentration of credit risk, with exposure spread over a large number of customers.

To maintain liquidity, to ensure that sufficient funds are available for ongoing operations and projects, the Board monitors the timing of cash flows and aligns this with its strategic planning. Budgets and forecasts are produced to assist the Board in identifying requirements and maintaining adequate resources.

The Board operates a Defined Benefit Pension Scheme and also employs four marine pilots who are members of the Pilots' National Pension Fund. These arrangements are fully explained in Note 22 to the financial statements.

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

Any significant business risks identified are reviewed by the Executive Team and the Board to ensure the designated measures to eliminate, or at least mitigate, the risk are suitable and sufficient.

The Board has compiled a Risk Register which is reviewed in full by the Audit & Risk Committee with the highest risks reviewed by the Board monthly.

ABERDEEN HARBOUR BOARD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board continues to monitor the current situation regarding the UK's recent completion of its exit from the European Union. At this early stage in the process, the Board is confident that there is no material direct impact on revenue and is confident that the business is well placed to react to significant changes in trade or duty regulation. The achievement of Authorised Economic Operator accreditation by HM Revenue & Customs, and the current project to strengthen Border protection, has positioned the Board to benefit now that the future trading relationship with the EU is clarified.

The Board also continues to monitor the ongoing situation regarding the economic impact of the global COVID-19 pandemic. The Board's robust business continuity plan remains in place ensuring that the port remains open and that our employees and stakeholders' interests are protected. Current cash reserves and cost saving measures are continuing to minimise economic impacts. Continued uncertainty regarding the timescale for emergence from protective measures has been factored into forecasts and forward looking cash flows.

Development and Performance

Future Developments

The future plans for the business are focussed on the deliverability of the Aberdeen Harbour Expansion Plan, which will provide capacity for larger vessels with 1,400 metres of deep-water berths, supported by 125,000 square metres of laydown area. This is expected to provide an attractive base for the renewable industry, cruise operations and further developments associated with Energy Transition and Decommissioning. The Board announced an extension to the completion date into 2022 during the year and efforts are focussed on ensuring momentum is maintained as the Project continues.

The Board has engaged work to support research into electrification of both North and South harbours to reduce vessel emissions while in port. Projects developing the use of artificial intelligence in monitoring and allocating berth usage within the port during the year, and alternative fuel provision for shipping in the North Sea, are continuing.

The Board has commissioned work to support a potential application to the Scottish Government's Greenport initiative that would grant potential freeport status to the port. It is also engaged closely with local business partners on the development of the Energy Transition Zone.

Key Performance Indicators

The annual budget agreed by the Board is the basis for measuring the performance of the business throughout the year. In addition, this drives financial and non-financial targets for the senior management team. As part of the budgeting process the Board considers the financial projections for a five-year time horizon with the strategic aim of the business to provide state-of-the-art facilities for its customers and to leave the business in a better condition than when they took office.

The KPI's, which are used to measure these aspects include:

1. Quayside utilisation - there was a decrease of 5.6% in overall utilisation compared to the previous period consistent with the decrease in vessel tonnages seen in the year ending 31 December 2021.
2. Vessel movements/Pilotage acts - licensed pilotage acts increased and exempt pilotage acts declined in 2021 when compared to 2020 and vessel movements reduced slightly compared to 2020.
3. Income per tonne - vessels - this improved to 61.5p from 59.5p in 2020 as the increase in rates and charges applied by the business in the year.
4. Income per tonne - goods – this increased from £2.49 to £2.57 as the increase in rates and charges applied by the business in the year combined with the increased tonnages achieved.
5. Debtors days - the number of debtor days has decreased from 44 days to 41 days through improved debt management control.
6. EBITDA - actual versus budget EBITDA was only 5% behind budget for 2021, largely driven by the increases in vessel numbers despite the continuing global pandemic and also good cost control.
7. Rental property occupied - the level of property occupied was 81% for 2021 and 84% for 2020.

ABERDEEN HARBOUR BOARD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

By including EBITDA as a KPI the business aims to monitor the profitability of the business in order that the business generates the necessary funds to re-invest in the port infrastructure to ensure the relevant facilities can be provided for our customers.

On behalf of the Board members:



A Y MacKenzie
Chairman
28 March 2022



R Sanguinetti
Chief Executive
28 March 2022

ABERDEEN HARBOUR BOARD

REPORT OF THE BOARD MEMBERS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board members presents their report with the Financial Statements for the year ended 31 December 2021.

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.

Principal activities

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

Review of business, future developments and financial risk management

Review of business, future developments and financial risk management for the year can be found in the Strategic Report and form part of this report by cross reference.

Board members

Other than as set out below board members have held office during the whole of the period from 1 January 2021 to the date of this report.

Chairman

A Y MacKenzie

Vice-Chairman

M McNeill (Resigned 31 December 2021)

R Buchan (Appointed 1 January 2022)

Members

C A Armstrong

F Black (Appointed 1 January 2021)

J Brebner

E Craig

M Handforth (Resigned 16 July 2021)

M Keith

J MacLennan

M J North

J Oakey

R Sanguinetti (Appointed 20 September 2021)

K Shand (Appointed 1 January 2022)

Principal Officers

M Handforth Chief Executive (Resigned 16 July 2021)

R Sanguinetti Chief Executive (Appointed 20 September 2021)

M J North Chief Operating Officer

J Oakey Chief Financial Officer

A McIntosh Harbour Master

K Young Engineering Director

Board secretary

MacKinnons Solicitors

ABERDEEN HARBOUR BOARD

REPORT OF THE BOARD MEMBERS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Supplier payment policy

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

Auditor

The auditor, Johnston Carmichael LLP, will be deemed re-appointed under S487 of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a Board member at the date of approving this report is aware, there is no relevant audit information of which the Board's auditor is unaware. Additionally, the Board members individually have taken all necessary steps that they ought to have taken as Board members in order to make themselves aware of all relevant audit information and to establish that the Board's auditor is aware of that information.

On behalf of the Board members



A Y MacKenzie
Chairman
28 March 2022



R Sanguinetti
Chief Executive
28 March 2022

ABERDEEN HARBOUR BOARD

STATEMENT OF RESPONSIBILITIES OF THE BOARD MEMBERS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board members are responsible for preparing the Strategic Report, Report of the Board Members and the Financial Statements in accordance with applicable law and regulations.

Legislation requires the Board members to prepare financial statements for each financial year. Under that law the Board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board members must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Board members are required to:

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

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the financial statements comply with the applicable legislation. They are also responsible for safeguarding the harbour's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements comply with the Companies Act 2006 and Harbours Act 1964 as amended by the Transport Act 1981.

ABERDEEN HARBOUR BOARD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABERDEEN HARBOUR BOARD

Opinion

We have audited the financial statements of Aberdeen Harbour Board ("the Board") for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Board's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Board's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors report thereon. The Board members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

ABERDEEN HARBOUR BOARD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN HARBOUR BOARD

Opinions on other matters prescribed by the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Board Members for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Board Members have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Board and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Board Members.

We have nothing to report in respect of the following matters where the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board members remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Board members

As explained more fully in the Statement of Responsibilities of the Board Members set out on page 7, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, are detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Board, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK GAAP
- Companies Act 2006
- The Harbours Act 1964, as amended by the Transport Act 1981
- Corporate Tax legislation
- VAT legislation

ABERDEEN HARBOUR BOARD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN HARBOUR BOARD

Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)

We gained an understanding of how the Board is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies and Board meeting minutes.

We assessed the susceptibility of the Board's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing the level of and reasoning behind the Board's procurement of legal and professional services;
- Making enquiries of executive management, the Board members and the Board's finance team around instances of actual and suspected fraud and actual and potential litigation and claims;
- Reviewing minutes of meetings of those charged with governance;
- Undertaking a disclosure checklist on the financial statements to ensure the Companies Act 2006 requirements are satisfied; and
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

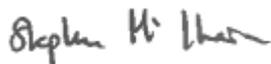
ABERDEEN HARBOUR BOARD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABERDEEN HARBOUR BOARD

Use of our report

This report is made solely to the members of Aberdeen Harbour Board, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981. Our audit work has been undertaken so that we might state to the Board's members those matters we are required to state to them in an auditor's 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 and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen McIlwaine (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

07 April 2022

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

ABERDEEN HARBOUR BOARD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Turnover	3	33,549	33,051
Cost of sales	4	(9,792)	(9,927)
Gross profit		23,757	23,124
Administrative expenses		(6,349)	(6,248)
Operating profit	5	17,408	16,876
Interest receivable and similar income	9	216	588
Fair value losses on investment properties	12	(4,154)	-
Gain on realisation of fixed assets		-	1,271
Interest payable and similar expenses	8	(3,800)	(3,489)
Profit before taxation		9,670	15,246
Taxation	10	(3,564)	(3,312)
Profit for the financial year		6,106	11,934

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

ABERDEEN HARBOUR BOARD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Profit for the financial year		6,106	11,934
Other comprehensive income/(expense)			
Actuarial gain/(loss) on defined benefit pension schemes	22	4,793	(4,296)
Tax relating to other comprehensive (income)/expense	10	(1,392)	670
Other comprehensive income/(expense) for the year		3,401	(3,626)
Total comprehensive income for the year		9,507	8,308

Profit and total comprehensive income for the year are attributable to the Board.

ABERDEEN HARBOUR BOARD

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Tangible assets	11	419,530	340,710
Investment properties	12	35,105	31,151
		<u>454,635</u>	<u>371,861</u>
Current assets			
Stocks	15	79	81
Debtors falling due after one year	16	4,163	1,871
Debtors falling due within one year	16	4,634	5,354
Cash at bank and in hand		21,343	106,736
		<u>30,219</u>	<u>114,042</u>
Creditors: amounts falling due within one year	17	<u>(13,108)</u>	<u>(22,650)</u>
Net current assets		<u>17,111</u>	<u>91,392</u>
Total assets less current liabilities		<u>471,746</u>	<u>463,253</u>
Creditors: amounts falling due after more than one year	17	(199,607)	(202,049)
Provisions for liabilities	19	(14,388)	(8,120)
Net assets excluding pension surplus		<u>257,751</u>	<u>253,084</u>
Defined benefit pension surplus	22	<u>8,077</u>	<u>3,237</u>
Net assets		<u><u>265,828</u></u>	<u><u>256,321</u></u>
Capital and reserves			
Other reserves	23	5,102	7,350
Profit and loss reserves	23	260,726	248,971
Total equity		<u><u>265,828</u></u>	<u><u>256,321</u></u>

The financial statements were approved by the Board members and authorised for issue on 28 March 2022 and signed on its behalf by:

A Y MacKenzie
Chairman

R Sanguinetti
Chief Executive

ABERDEEN HARBOUR BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Other reserves	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2020	7,283	240,730	248,013
Year ended 31 December 2020:			
Profit for the year	67	11,867	11,934
Other comprehensive (expense) / income:			
Actuarial losses on defined benefit plans	-	(4,296)	(4,296)
Tax relating to other comprehensive income	-	670	670
Total comprehensive income for the year	67	8,241	8,308
Balance at 31 December 2020	7,350	248,971	256,321
Year ended 31 December 2021:			
Profit for the year	(2,248)	8,354	6,106
Other comprehensive (expense)/income:			
Actuarial gain on defined benefit plans	-	4,793	4,793
Tax relating to other comprehensive expense	-	(1,392)	(1,392)
Total comprehensive (expense) / income for the year	(2,248)	11,755	9,507
Balance at 31 December 2021	5,102	260,726	265,828

ABERDEEN HARBOUR BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	28		20,700		23,119
Income taxes paid			(850)		(731)
			<u> </u>		<u> </u>
Net cash inflow from operating activities			19,850		22,388
Investing activities					
Purchase of tangible fixed assets		(104,131)		(49,373)	
Proceeds on disposal of tangible fixed assets		148		1,271	
Interest received		216		387	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(103,767)		(47,715)
Financing activities					
Loan repayments during the year		(938)		-	
Increase in capital investment grants		2,000		1,000	
Proceeds from new bank loans		-		60,000	
Interest paid		(2,538)		(2,700)	
		<u> </u>		<u> </u>	
Net cash (used in) / generated from financing activities			(1,476)		58,300
			<u> </u>		<u> </u>
Net (decrease) / increase in cash and cash equivalents			(85,393)		32,973
Cash and cash equivalents at beginning of year			106,736		73,763
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			21,343		106,736
			<u> </u>		<u> </u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Board information

Aberdeen Harbour Board (the "Board") is a trust port having its principal place of business in Scotland. The main office is 16 Regent Quay, Aberdeen, AB11 5SS.

1.1 Accounting convention

The financial statements are prepared in sterling, which is the functional currency of the Board. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investment properties. The principal accounting policies adopted are set out below.

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

1.2 Going concern

The Board members at the time of approving the financial statements, have a reasonable expectation that the Board has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. In reaching this conclusion, they have considered the ongoing impact on trading from the Covid-19 pandemic and funding requirements of the Aberdeen Harbour Expansion Plan. The Board members believe that there are sufficient reserves to continue to withstand any ongoing impacts from the pandemic and complete the expansion plan. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

In reaching their conclusion, it was noted that two of the Board's financial covenants in respect of its loan with the European Investment Bank ("EIB") were renegotiated ahead of the 31 December 2021 and revised covenants were agreed, meaning covenant compliance was achieved at the year-end test date. The two specific covenants were in respect of liquidity and interest cover ratio. As such, the EIB bank loan continues to be appropriately agreed between current and long-term liabilities within these financial statements, in accordance with the repayment terms of the loan agreement,

1.3 Turnover

Revenue is measured at the fair value of the consideration received in respect of services provided in the normal course of business stated net of any discounts, rebates or Value Added Tax. Generally revenue is recognised when the significant risks and rewards associated with the service have passed to the customer and the amount of revenue can be measured reliably. Revenue is based on the movement of vessels, cargo and passengers through the port and on provision of ancillary services by the Board such as pilotage and port-side support services and applying agreed port tariffs. Revenue is recognised on completion of the port traffic and on provision of the services. Rents receivable are recognised on a straight line basis over the lease term.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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. Dredgings are depreciated over a 40 year period. Dock, structures, roads and permanent ways are depreciated over the periods of between 20 and 40 years. Plant and machinery are depreciated on the basis of an economic life of 3 to 20 years depending on the nature of the asset. Floating craft is depreciated over a period of 15 years. Buildings are depreciated over the periods of between 20 and 50 years. Land and capital works in progress are not depreciated.

Included in capital works in progress are costs of £363.9m (2020 - £274.1m) in relation to the Aberdeen Harbour Expansion Project. Capital works in progress is valued at cost.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

1.6 Fixed asset investments

Investments held as fixed assets are stated at cost less impairment.

1.7 Impairment of fixed assets

At each reporting end date, the Board reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Stocks

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

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of twelve months or less.

1.10 Financial assets

The Board has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the Board's balance sheet when the Board becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

Financial assets (continued)

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss account, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit and loss account.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Board transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1.11 Financial liabilities

Basic financial liabilities, including loans, trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Board's obligations are discharged, cancelled, or they expire.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Board's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Board has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Board is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Capital investment grants

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

1.16 Provisions

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.17 Retirement benefits

The Board operates one defined benefit pension scheme and participates in another (Pilots' National Pension Fund).

- For the main scheme, in accordance with FRS 102, 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 scheme assets and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet. A defined benefit pension scheme asset is recognised only when an entity has an unconditional right to the asset, assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme. Deferred tax is recognised in relation to the timing differences arising on pension costs. Any difference between the net interest on assets and the return actually achieved is recognised in the statement of other comprehensive income along with differences which arise from other experience or assumption changes.
- The Pilots' National Pension Fund is accounted for as if it were a defined contribution as the Board's ultimate share of assets and liabilities cannot be identified.

The Board also operates a defined contribution pension scheme. Contributions payable to the Board's defined contribution pension scheme are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the Board's accounting policies, the board members are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Investment properties carrying value

The Board holds its investment property portfolio at fair value, in accordance with its stated accounting policy. As per note 12 to these financial statements, a desktop valuation was undertaken at the end of 2021 by J & E Shepherd Chartered Surveyors, representing the investment property portfolio fair value assessment at 31 December 2021.

Useful economic life of fixed assets

Land & Buildings, Dredging, Dock Structures, Plant & Machinery, and Floating Craft are depreciated over the useful lives of the assets. Useful lives are based on the Board's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests, these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change.

The Board members have considered whether or not there were indicators of impairment and concluded that at the balance sheet date none were identified. The assessment included both external sources such as the market conditions, and internal sources such as physical damage and obsolescence.

Provisions for dilapidations

Provision is made for dilapidations in respect of certain investment properties, which requires the Board's best estimate of the expenditure that will be incurred to reinstate the properties based on contractual requirements. Where necessary, external parties with the necessary technical expertise are engaged to provide these cost estimates. At the 31 December 2021 the dilapidations provision is £0.9m (2020: £0.8m).

Defined benefit pension scheme

Accounting for pensions and other-post retirement benefits involves judgements about uncertain events including estimated retirement dates, salary levels at retirement, mortality rates, determination of discount rates for measuring plan obligations and net interest expense and assumptions for inflation rates. Pension and other post retirement assumptions are reviewed by the Board at the end of each year. These assumptions are used to determine the projected benefit obligations at the year-end and hence determine the net defined benefit pension scheme surplus or deficit at the balance sheet date. The assumptions reflect historical experience and current trends. The assumptions used are provided in note 22.

The surplus for the defined benefit pension scheme of £8.1m (2020: £3.2m) has been recognised on the basis that the Board has an unconditional right to this asset, assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme, with the scheme being closed to new members since 31 October 2013.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover

An analysis of the Board's turnover is as follows:

	2021	2020
	£000	£000
Turnover		
Dues: on vessels	14,383	14,932
Dues: on goods	9,686	9,155
Cranage and weighbridges	204	200
Storage	502	441
Rent	6,280	5,704
Pilotage	2,358	2,427
Other revenue	136	192
	<u>33,549</u>	<u>33,051</u>
Other significant revenue		
Interest income (net) (note 9)	<u>216</u>	<u>588</u>

4 Cost of sales

	2021	2020
	£000	£000
Operating and maintenance	7,076	7,244
Dredging	526	443
Depreciation (net of grants)	2,254	2,240
Gain on disposal of fixed assets	(64)	-
	<u>9,792</u>	<u>9,927</u>

5 Operating profit

	2021	2020
	£000	£000
Operating profit for the year is stated after charging/(crediting):		
Direct costs of pilotage	2,314	2,342
Fees payable to the Board's auditors for the audit of the Board's annual accounts	31	32
Depreciation of owned tangible fixed assets	2,502	2,522
Gain on disposal of fixed assets	(64)	(1,271)
Operating lease charges	<u>594</u>	<u>556</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Employees

The average monthly number of persons (including executive board members) employed by the Board during the year was:

	2021	2020
	Number	Number
Executive Board Members	3	3
Administrative and Managerial	54	49
Operating and Maintenance	41	40
	<u>98</u>	<u>92</u>

Their aggregate remuneration comprised:

	2021	2020
	£000	£000
Wages and salaries	5,123	5,449
Social security costs	587	625
Pension costs	1,883	1,667
	<u>7,593</u>	<u>7,741</u>

7 Board members' remuneration

	2021	2020
	£000	£000
Remuneration for qualifying services	554	630
Board pension contributions to defined contribution schemes	43	65
	<u>597</u>	<u>695</u>

The number of Board members for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid Board member:

	2021	2020
	£000	£000
Remuneration for qualifying services	124	256
Board pension contributions to defined contribution schemes	9	10
	<u>133</u>	<u>266</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8	Interest payable and similar expenses	2021	2020
		£000	£000
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	3,800	3,489
		<u> </u>	<u> </u>
9	Interest receivable and similar income	2021	2020
		£000	£000
	Interest income		
	Interest on bank deposits	90	335
	Other interest income	74	87
		<u> </u>	<u> </u>
	Total interest revenue	164	422
	Other finance income		
	Net finance income on net pension scheme surplus	52	166
		<u> </u>	<u> </u>
		52	166
		<u> </u>	<u> </u>
	Total interest receivable and similar income	216	588
		<u> </u>	<u> </u>
10	Taxation	2021	2020
		£000	£000
	Current tax		
	UK corporation tax on profits for the current period	1,621	1,830
	Adjustments in respect of prior periods	(876)	(989)
		<u> </u>	<u> </u>
	Total current tax	745	841
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of timing differences	155	998
	Adjustments in respect of prior periods	538	842
	Effect of tax rate change on opening balance	2,126	631
		<u> </u>	<u> </u>
	Total deferred tax	2,819	2,471
		<u> </u>	<u> </u>
	Total tax charge	3,564	3,312
		<u> </u>	<u> </u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£000	£000
Profit before taxation	9,670	15,246
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	1,837	2,897
Expenses/(income) not deductible for tax purposes	793	(241)
Adjustments in respect of prior years	(876)	(989)
Permanent fixed asset differences	324	284
Deferred tax adjustments in respect of prior years	538	842
Adjust deferred tax to average rate	2,126	631
Chargeable (losses)/gains	(1,178)	35
Other adjustments	-	(147)
Tax expense for the year	3,564	3,312

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021	2020
	£000	£000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive expense	1,392	(670)

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Tangible fixed assets

	Land and buildings Freehold	Dredging	Docks, Structures, Roads and Permanent Way	Plant and machinery	Floating Craft	Capital Works in Progress	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 January 2021	26,336	9,767	91,558	9,360	2,406	274,127	413,554
Additions	-	-	78	26	-	89,802	89,906
Disposals	(8,550)	-	(560)	(1,090)	-	-	(10,200)
At 31 December 2021	17,786	9,767	91,076	8,296	2,406	363,929	493,260
Depreciation and impairment							
At 1 January 2021	9,715	3,345	49,788	8,017	1,979	-	72,844
Depreciation charged in the year	238	214	1,680	256	114	-	2,502
Eliminated in respect of disposals	(953)	-	(84)	(579)	-	-	(1,616)
At 31 December 2021	9,000	3,559	51,384	7,694	2,093	-	73,730
Carrying amount							
At 31 December 2021	8,786	6,208	39,692	602	313	363,929	419,530
At 31 December 2020	16,621	6,422	41,770	1,343	427	274,127	340,710

Included in cost of land and buildings is freehold land of £4,185,883 (2020 - £11,782,959) which is not depreciated.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Investment properties

	£000
Fair value	
At 1 January 2021	31,151
Transfers from Land & Buildings in Fixed Assets	8,108
Net losses through fair value adjustments	<u>(4,154)</u>
As at 31 December 2021	<u>35,105</u>

The fair value of the investment properties has been arrived at on the basis of a desktop valuation carried out by J & E Shepherd Chartered Surveyors, who are independent from the Board. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties as at 31 December 2021 and was undertaken in the last few months of 2021.

13 Investments

Aberdeen Harbour Board owns 100% of the issued ordinary share capital of Aberdeen Harbour Limited and Aberdeen Services Limited which are companies incorporated in Scotland. Both companies are currently dormant.

The results of Aberdeen Harbour Limited and Aberdeen Services Limited are not material and therefore group financial statements have not been prepared. For the year ended 31 December 2021, Aberdeen Harbour Limited reported results for the year of £nil and net assets of £1 and Aberdeen Harbour Services reported results for the year of £nil and net assets of £2.

14 Financial instruments

	2021	2020
	£000	£000
Carrying amount of financial assets		
Instruments measured at amortised cost	24,418	109,735
	<u>24,418</u>	<u>109,735</u>
Carrying amount of financial liabilities		
Instruments measured at amortised cost	186,808	200,705
	<u>186,808</u>	<u>200,705</u>

15 Stocks

	2021	2020
	£000	£000
Stocks	79	81
	<u>79</u>	<u>81</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Debtors

	2021	2020
	£000	£000
Amounts falling due within one year:		
Trade debtors	3,075	2,949
Corporation tax recoverable	275	169
Other debtors	950	1,547
Prepayments and accrued income	334	689
	<u>4,634</u>	<u>5,354</u>
Amounts falling due after one year:		
Other debtors	819	474
Deferred tax asset (note 20)	3,344	1,397
	<u>4,163</u>	<u>1,871</u>
Total debtors	<u>8,797</u>	<u>7,225</u>

17 Creditors

	Notes	Due within one year		Due after one year	
		2021	2020	2021	2020
		£000	£000	£000	£000
Loans and overdrafts	18	3,750	417	175,312	179,583
Taxation and social security		194	188	-	-
Capital investment grants	21	-	-	22,700	20,700
Trade creditors		4,252	7,774	-	-
Rent payments received on account		1,226	1,160	-	-
Accruals		2,090	6,298	-	-
Other creditors		1,596	6,813	1,595	1,766
		<u>13,108</u>	<u>22,650</u>	<u>199,607</u>	<u>202,049</u>

18 Loans and overdrafts

	2021	2020
	£000	£000
Bank loans – Payable within one year	<u>3,750</u>	<u>417</u>
Bank loans - Payable after one year	<u>175,312</u>	<u>179,583</u>

The long-term loans are secured by a negative pledge over the assets of the Board whereby they cannot pledge their assets as security against any other loan.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Provisions for liabilities	Notes	2021 £000	2020 £000
Deferred tax liabilities	20	13,444	7,286
Dilapidations provisions		944	834
		<u>14,388</u>	<u>8,120</u>

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Board and movements thereon:

	Liabilities 2021 £000	Liabilities 2020 £000	Assets 2021 £000	Assets 2020 £000
Balances:				
Accelerated capital allowances	11,425	6,671	-	-
Pension contributions unpaid at the year end	-	-	308	267
Unrealised loss on investment properties	-	-	3,036	1,130
Deferred tax on defined pension scheme	2,019	615	-	-
	<u>13,444</u>	<u>7,286</u>	<u>3,344</u>	<u>1,397</u>

21 Capital investment grants

	2021 £000	2020 £000
Capital investment grants	22,700	20,700
	<u>22,700</u>	<u>20,700</u>

22 Retirement benefit schemes

Defined contribution schemes

The Board operates a defined contribution pension plan for its employees. The amount recognised as an expense in the year was £564,959 (2020 - £594,286).

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Retirement benefit schemes (continued)

Defined benefit schemes

The Board operates a defined benefit pension plan for qualifying employees providing benefits based upon final pensionable pay. The pension plan is funded by payment of contributions and the assets of the plan are held in a separately administered fund. The fund was closed to new members on the 31 October 2013.

The most recent triennial valuation was carried out at 31 March 2020 and this showed that the market value of the Fund's assets were £70.4 million, compared to £73.9 million of benefits that had accrued to the members (95% funded), allowing for the expected future increases in earnings. The contributions to the scheme are determined by a qualified actuary and in 2021 were £1,436,000 (2020 - £1,313,000). The funding level was reviewed again at the 1st September 2020 and this reached 100% due mainly to an improvement in the value of the investments since their significant falls in February and March 2020.

The Board is also contributing for four current employees to a defined benefit pension plan called the Pilot's National Pension Fund. The PNPf is unusual in that the membership of the Fund includes both employed and self-employed members. As at 31 December 2019 the valuation of the Fund's assets totalled £321.6 million, which represented 67% of the liabilities and resulting in a deficit of £159.3 million. A decision of the courts in June 2010 determined that the Trustees of the PNPf could amend the Trust Deed and Rules so that all Competent Harbour Authorities (pilot licensing authorities) whether direct employers or not would have a joint and several responsibilities to meet any funding deficit.

The Board's share of the funding deficit based on the Trustee's most recent valuation advice has been estimated at £2.72 million which the Trustees have agreed will be payable by monthly instalments over an 8 year period ending in December 2028. The obligation is included within other creditors at the year-end measured at its present value of future discounted cash flows.

In accordance with FRS 102, transactions with the PNPf are accounted for as if the Fund were a defined contribution scheme as there is insufficient information available to use defined benefit accounting for the multi-employer plan. During the year employer contributions paid to the PNPf amounted to £45,124 (2020 - £34,237). These have been included in cost of sales in the profit and loss account.

The principal actuarial assumptions of the Board's defined benefit scheme were as follows:

	2021	2020
	%	%
Discount rate	1.80	1.40
Expected rate of salary increases	3.55	3.15
Expected rate of increase of pension increases	2.80	2.40
Inflation (CPI)	2.80	2.40
Inflation (RPI)	3.30	2.90

The mortality assumptions used for longevity (in years) on retirement at age 65 are:

	2021	2020
	Years	Years
Retired today (member age 65)	21.9	21.8
Retiring in 25 years (member aged 40 today)	23.2	23.4

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Retirement benefit schemes (continued)

Total amounts recognised in the year for the Board's defined benefit pension plan was as follows:

	2021 £000	2020 £000
Amounts recognised in the profit and loss account		
Current service cost	1,134	1,018
Past service cost	-	-
Net interest on defined benefit asset	(52)	(166)
Administrative costs	307	304
	<u>1,389</u>	<u>1,156</u>

Amounts taken to other comprehensive income

	2021 £000	2020 £000
Effect of changes in assumptions	400	(9,373)
Effect of experience adjustments	-	(218)
Return on plan assets	4,393	5,295
	<u>4,793</u>	<u>(4,296)</u>

Amounts recognised in the balance sheet was as follows:

	2021 £000	2020 £000
Present value of defined benefit obligations	(73,522)	(76,708)
Fair value of plan assets	81,599	79,945
	<u>8,077</u>	<u>3,237</u>

The Board members are of the view that it is appropriate to recognise the plan surplus on the basis that this will be recovered by the Board on the death of the last member.

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

	2021 £000
Liabilities at 1 January 2021	76,708
Current service cost	1,134
Interest cost	1,039
Actuarial gains	(400)
Contributions by scheme members	71
Benefits paid	(5,003)
Insurance premiums for risk benefits	(27)
	<u>73,522</u>
At 31 December 2021	<u>73,522</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Retirement benefit schemes (continued)

The Board expects to contribute £1,506,364 to the pension scheme in 2022.

Movements in the fair value of plan assets

	2021
	£000
Fair value of assets at 1 January 2021	79,945
Interest income	1,091
Return on plan assets (excluding amounts included in net interest)	4,393
Administrative expenses	(307)
Insurance premiums for risk	(27)
Contributions by the employer	1,436
Contributions by scheme members	71
Benefits paid	(5,003)
	<u>81,599</u>
At 31 December 2021	<u>81,599</u>

Fair value of plan assets at the reporting period end

	2021	2020
	£000	£000
Equity instruments	8,756	11,329
Debt instruments	6,562	10,193
Diversified growth funds	23,795	20,061
Liability driven investments	28,198	24,562
Cash and cash equivalents	208	273
Property	7,236	6,658
Direct lending	6,844	6,869
	<u>81,599</u>	<u>79,945</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

23 Reserves

Profit and loss reserves

The profit and loss account represents cumulative realised profits and losses.

Other reserves

Other reserves relate to the revaluation of investment properties and represents the cumulative effect of revaluations net of deferred tax of investment properties. The reserve has been made to separately identify non-distributable profits from distributable profits.

24 Operating lease commitments

Lessee

At the reporting end date the Board had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£000	£000
Within one year	646	602
Between two and five years	2,796	2,672
In over five years	56,649	57,838
	<u>60,091</u>	<u>61,112</u>

Lessor

The Board owns 28 (2020 - 22) investment properties for rental purposes. Rental income, including investment property income, earned during the year was £6,280,162 (2020 - £5,703,950). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

24 Operating lease commitments (continued)

At the reporting end date the Board had contracted with tenants for the following minimum lease payments:

	2021	2020
	£000	£000
Within one year	6,200	5,977
Between two and five years	15,347	17,049
In over five years	22,562	20,555
	<u>44,109</u>	<u>43,581</u>

25 Capital commitments

At 31 December the Board had capital commitments as follows:
Contracted for but not provided in the financial statements:

	2021	2020
	£000	£000
Acquisition of tangible fixed assets	<u>10,178</u>	<u>7,434</u>

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, some of who are also board members, is as follows.

	2021	2020
	£000	£000
Aggregate compensation	<u>700</u>	<u>989</u>

No guarantees have been given or received.

27 Analysis of changes in net debt

	1 January	Cash flows	31 December
	2021		2021
	£000	£000	£000
Cash at bank and in hand	106,736	(85,393)	21,343
Borrowings excluding overdrafts	(180,000)	938	(179,062)
	<u>(73,264)</u>	<u>(84,455)</u>	<u>(157,719)</u>

ABERDEEN HARBOUR BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

28 Cash generated from operations	2021	2020
	£000	£000
Profit for the year	6,106	11,934
Adjustments for:		
Income tax expense	3,564	3,312
Finance costs	3,800	3,489
Investment income	(216)	(588)
Gain on disposal of tangible fixed assets	(64)	(1,271)
Fair value gains on Investment Properties	4,154	-
Depreciation and impairment of tangible fixed assets	2,502	2,522
Pension scheme non-cash movement	(47)	(157)
Movements in working capital:		
Decrease in stocks	2	5
Decrease in debtors	873	2,899
Increase in creditors	26	974
Cash generated from operations	20,700	23,119

ABERDEEN HARBOUR BOARD
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

ABERDEEN HARBOUR BOARD

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	£000	2021 £000	£000	2020 £000
Turnover				
Dues on vessels		14,383		14,932
Dues on goods		9,686		9,155
Rent		6,280		5,704
Pilotage		2,358		2,427
Storage		502		441
Cranage and weighbridge		204		200
Other revenue		136		192
		<u>33,549</u>		<u>33,051</u>
Cost of sales				
Dredging costs	526		443	
Wages and salaries	3,537		3,832	
Social security costs	411		423	
Staff pension costs	1,426		1,482	
Operating and maintenance	1,702		1,507	
Profit on sale of tangible assets	(64)		0	
Depreciation	2,254		2,240	
		<u>(9,792)</u>		<u>(9,927)</u>
Gross profit		23,757		23,124
Administrative expenses		<u>(6,349)</u>		<u>(6,248)</u>
Operating profit		17,408		16,876
Investment revenues				
Bank interest received	90		330	
Other interest received on financial instruments	74		87	
Interest received from HMRC on corporation tax	0		5	
Fair value (losses) gains on Investment Properties	(4,154)		0	
Return on pension scheme assets	1,091		1,547	
Interest on pension scheme liabilities	(1,039)		(1,381)	
		<u>(3,938)</u>		588
Interest payable and similar expenses				
Bank interest on loans and overdrafts		<u>(3,800)</u>		<u>(3,489)</u>
Other gains and losses				
Gain on disposal of tangible fixed assets	0		1,271	
		<u>0</u>		<u>1,271</u>
Profit before taxation		<u>9,670</u>		<u>15,246</u>