



ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2013

Harbour Views



We are grateful to Mike Nash, Gayle Collins, Bill Gribble and Kevin Green for the use of the photographs in this report

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The paddle steamer Waverley leaving Sharpness on a trip to Clevedon

THE TRUSTEES – MARCH 2013



John Beevor
Chairman
Community Interest



Basil Booth
Environmental Interest



Barry Leat
Maritime Interest



Gordon Craig
Community / Maritime
Interest



Carl Merry
Maritime Interest



Derek Hughes
Vice-Chairman
Maritime Interest



Anthony Potts
Community Interest



Mike Johnson
Principal Operational
Officer



Garry Strickland
Commercial Maritime
Interest

CHAIRMAN'S REPORT

I have pleasure in introducing the Gloucester Harbour Trustees' annual report and accounts for the financial year 2012-2013.

This has proved to be a difficult year for GHT as we wrestled with the problems created by the deficit in the Pilots National Pension Fund and the actions of the PNPF Trustee in attempting to rectify this situation. The issue has been the cause of much anxiety for many port and harbour authorities for a number of years.

The Trustee of the PNPF, of which our three self-employed pilots are members, reported in 2006 that the fund was in deficit and that various ways of repairing this situation were being explored. After protracted legal arguments, the Trustee has been allowed to change the rules of the PNPF so that all competent harbour authorities which authorise pilots in the PNPF, whether employed or self-employed, must make contributions to the deficit. These amounts have now been calculated and invoices issued for the first tranche of contributions.

We have always vigorously repudiated liability for any contributions to this scheme as GHT has never had any involvement in the pension arrangements of its authorised pilots who have always been self-employed. GHT's overall liability has been calculated at just under £2m with repayments due over sixteen years. This level of payment could only be achieved by increasing the pilotage rate to a level which would be uneconomic for the ships using Sharpness and undermine the future viability of the port itself. Instead, we have offered an affordable payment to the PNPF over a finite period of five years without admitting liability but as a gesture of commercial good sense. This will necessitate us adding an additional 2p per dwt to our pilotage rate from 1 April 2013 purely for the pension deficit. This surcharge is in line with the increases being imposed by other ports and harbour authorities.

On brighter note, we have had another successful year as Sharpness continues to maintain a consistent level of trade in line with the assumptions we made at the beginning of the financial year. This is due in no small part to the efforts of the local port operator, Sharpness Dock Ltd, in maintaining existing customers and attracting new business to the port. Imports of cement, fertiliser and grain, together with export of scrap metal, continue to be the main cargoes carried.

My first full year as Chairman of GHT has been a challenging one and I look forward to a period of greater stability in future.

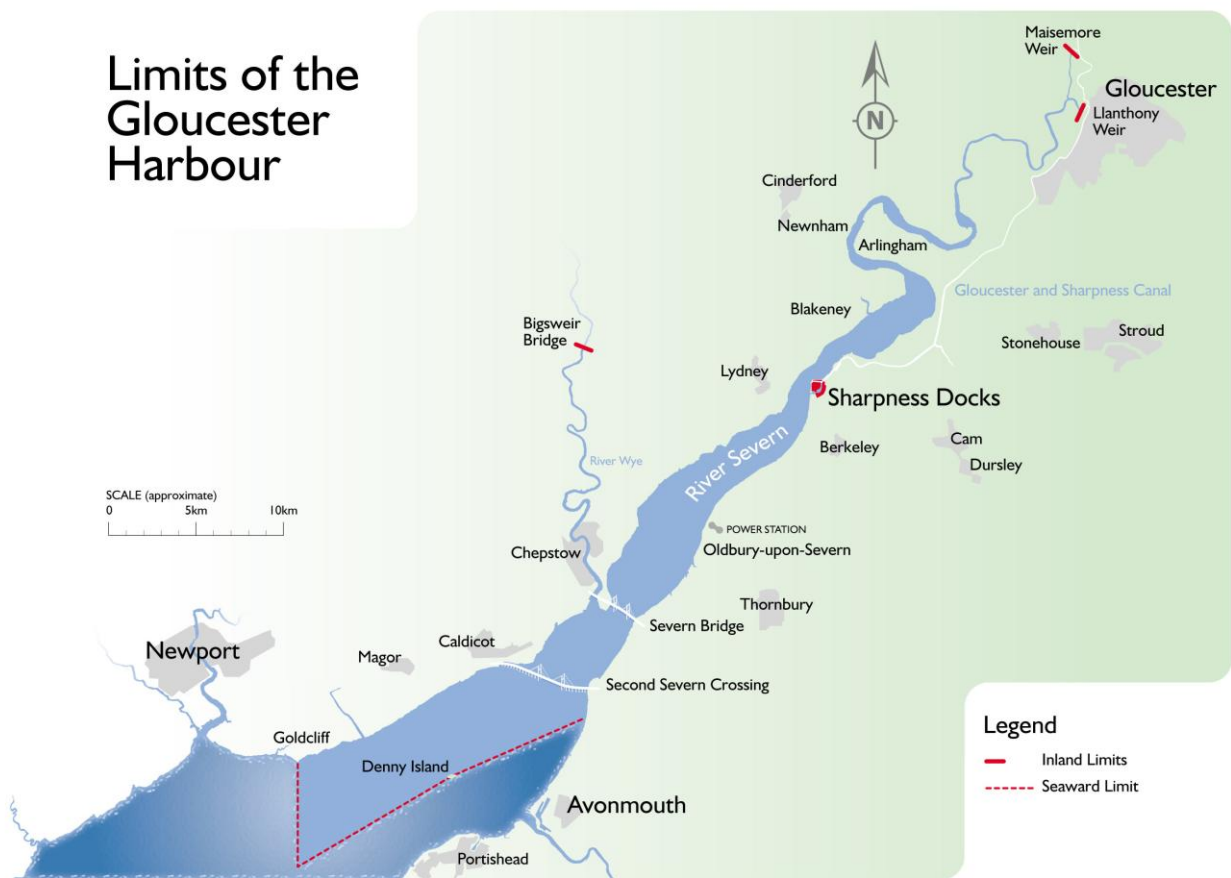
John Beevor
Chairman of GHT

The Gloucester Harbour Trustees present their annual report and audited financial statements for the year ended 31 March 2013

INTRODUCTION

GHT is the statutory harbour authority for the Gloucester Harbour. Its main duties and responsibilities are to provide a pilotage service, provide and maintain navigation aids and generally ensure the safety of navigation within the Gloucester Harbour. Its powers are derived from general legislation and local Acts and Orders and it is classed as a Trust Port.

The Gloucester Harbour covers a large area of the Severn from seawards of the Second Severn Crossing to the weirs at Llanthony and Maisemore near Gloucester. It also includes the River Wye downstream of Bigsweir Bridge.



Pilotage is compulsory for all vessels whose length overall is 30 metres or above and this service is provided by self-employed pilots licensed by GHT. There are between 400 and 500 commercial vessel movements in and out of Sharpness Dock each year. A sand dredger also operates in the Gloucester Harbour on a regular basis; leisure craft make up the remainder of the traffic. The docks and the dry dock at Sharpness are operated by private sector companies and GHT does not own or operate any docks, quays, marinas or loading/unloading facilities.

In this report we have taken note of the guidelines outlined by the Department for Transport in 'Modernising Trust Ports 2' and have incorporated as much information on target setting, benchmarking and identifying a stakeholder benefit as is reasonable given the size and scope of GHT's operations.

AIMS AND OBJECTIVES

Our primary responsibility and overriding concern is the safety of navigation within the Gloucester Harbour and to this end provide a pilotage service and aids to navigation.

We aim to run a safe, efficient, cost-effective and sustainable operation for the benefit of all harbour users and the wider community. In doing so, we have regard to the standards prescribed for trust ports and the requirements of the Port Marine Safety Code and endeavour to fulfil our statutory responsibilities whilst meeting the changing needs of all Harbour users.

We also aim to maximise the quality and value for money of GHT's services and maintain the conservancy dues and pilotage charges at a competitive level, whilst remaining financially viable. We aim to break-even each year and any surplus is reinvested for the benefit of the Harbour. In addition, we maintain a small contingency fund which has built up over the years through prudent management and is kept in reserve to deal with any unforeseen emergency.

We continue to modernise the navigation aids whenever the opportunity arises, especially where this reduces the costs of on-going maintenance and improves performance and reliability and/or has environmental benefits.

THE TRUSTEES

We are responsible for the overall strategy and performance of GHT and manage it in an open and transparent way and in accordance with the guidance issued by the Department for Transport.

Trustees are appointed for terms of three years under the Gloucester Harbour Revision (Constitution) Order 2002. Part of the Board retires each year and applications are invited in successive years from those with an interest or expertise in a variety of areas including maritime, community, environmental or maritime commercial matters. GHT's Principal Operational Officer is also a Trustee ex officio.

Trustees are not appointed as representatives of any organisation or interest and, apart from the Chairman, receive no remuneration other than occasional expenses incurred in carrying out their duties and functions.

The current Board is made up of the following Trustees:

John Beevor	Semi-retired commercial lawyer; Estonian honorary consul
Basil Booth	Farmer; former Gloucestershire County Councillor
Gordon Craig	Management consultant; Stroud District Councillor; experienced sailor
Derek Hughes	Experienced shipping broker and agent / ship manager
Mike Johnson	GHT's Harbour Master / Marine Officer – ex officio
Barry Leat	Retired metallurgist; member of Royal Yachting Association; experienced dinghy sailor and yachtsman
Carl Merry	Master Mariner and former shipmaster; currently authorised as a First Class Pilot within the Gloucester Harbour area.
Anthony Potts	Retired accountant with wide local authority and legal experience; experienced boater
Garry Strickland	General Manager of Sharpness Dock Ltd, the port operator at Sharpness

TRUSTEES' ATTENDANCE RECORD

Trustee	Possible Attendances	Actual Attendances
John Beevor	6	5
Basil Booth	6	5
Gordon Craig	6	4
Derek Hughes	6	4
Mike Johnson	6	6
Barry Leat	6	5
Carl Merry	6	6
Anthony Potts	6	6
Garry Strickland	6	6

OFFICERS

The day to day running of the Authority is carried out by a small staff based at Sharpness who report to the formal meetings of the Trustees which are held every two months. The full-time Marine Officer acts as GHT's Harbour Master and is responsible for maintaining the pilot watch radar system and supervising the maintenance of the other navigation aids including lights, buoys, beacons and daymarks. He is also responsible for environmental management issues. Financial and administrative support is provided by two experienced part-time members of staff.

Harbour Master/Marine Officer - Mike Johnson MNI

A former merchant marine officer with an engineering / technical background and considerable experience of ocean-going yachts as Yachtmaster.

Finance Officer - Katrina Douglas

A qualified accountant with a technical background and experience of working in the charity and voluntary sector.

Administrative Officer - Rosemary Elsey

A graduate with many years' experience working for GHT; provides administrative support to the Trustees and acts as Clerk.

PROFESSIONAL ADVISERS

In addition to our own in-house expertise, we obtain professional advice when appropriate in order to ensure that our decisions are best advised and that the activities of the Harbour Authority meet all the required standards.

To this end, we have recently taken expert legal advice on certain aspects of the potential liability for the PNPF deficit to help us make an informed decision on this issue.



Sharpness Dock seen from Lydney Dock at night

SAFETY

Safety is of paramount importance to us and, as Duty Holder, we operate in compliance with the Port Marine Safety Code. We, therefore, adopt practices and put in place controls to ensure that, wherever possible, the Harbour is operated safely and efficiently so as to safeguard the Harbour, its users and stakeholders and that these measures protect the environment of the Harbour. We are committed to undertaking these duties and responsibilities in a safe and efficient manner.

As required by the Maritime and Coastguard Agency, we formally certified our continuing compliance with the standards required by the Port Marine Safety Code on 20 January 2012. All procedures and policies continue to be reviewed at regular intervals and updated as appropriate. GHT's Designated Person reviews all safety documents on a regular basis and reports his findings to the Board. The latest edition of GHT's Safety Management Plan is published on GHT's website.

Advice to leisure boaters is also available on the website and, in particular, two documents entitled: 'Safety Guidance for Small Craft and Other Users of the Harbour' and 'Guidance Notes for Small Boat Passage of the River Severn' give useful information on passage planning and safe navigation in the potentially hazardous waters of the Harbour. We discovered during the year that a number of local cruising guides had published incorrect information for boaters navigating in the Harbour area and this will be corrected in future editions.

During the year we formalised our close working relationship with the Canal & River Trust when GHT's Harbour Master also became duty harbour master at Sharpness for CRT. He advises CRT on navigational issues at Sharpness and has regular meetings with CRT's local Waterways Manager.

TRAINING

GHT has a duty under the Port Marine Safety Code to ensure that its staff and contractors are properly qualified for the roles they fulfil and provides additional training as appropriate.

The Harbour Master has enrolled in a pilot study designed by the UK Harbour Masters Association and Port Skills and Safety to look at the activities undertaken by harbour masters and establish an evidence-based methodology to demonstrate that they possess the skills and knowledge to fulfil their statutory duties in a proper manner. This has proved a time-consuming but productive exercise which has given us the opportunity to review and improve some of our procedures.

In addition, the Harbour Master and staff from GHT's main contractors recently undertook courses in 'Working at Height' and 'Lifting, Slinging and Signalling'.

PILOTAGE

The Pilotage Directions are reviewed regularly and updated as necessary to reflect the changing nature of shipping coming to Sharpness and ensure that the measures in place remain appropriate to ensure their safe passage. The latest edition is available on GHT's website together with a list of the current dues and charges.



The pilotage service is provided by the self-employed pilots, authorised by GHT as the competent harbour authority, who make up the Gloucester Pilots Partnership LLP (GPP).

GPP organises pilotage on a day-to-day basis on behalf of GHT in consultation with the Harbour Master. GPP also provides relief harbour master services when GHT's Harbour Master is unavailable.

Traffic levels are carefully monitored to ensure that the appropriate number of pilots are authorised to ensure that these are managed safely. After a recent review, GPP's three current pilots came to the conclusion that an additional pilot should be appointed. This will allow them to provide extra manpower to cover the bunching of ships on particular tides, the possibility of accident or illness and, eventually, succession planning for the retirement of the older pilots. A trainee pilot was appointed at the start of the year but he decided before the end of his probationary period not to complete his training. It is hoped to recruit a new candidate in the near future.

Pilot exemption certificates have been issued to the two masters of a dredger working in the Gloucester Harbour and these are reviewed annually.

Cargoes during the year have been the usual mixture of cement, fertiliser, scrap metal, grain, minerals and animal feed.

The final ten redundant boilers from Berkeley Power Station were moved out through Sharpness in the spring. Again, the operation went very smoothly as the result of careful planning by all involved.



The boilers arriving at Sharpness before being loaded on to the Terra Marique



The Terra Marique with the final two boilers passing Berkeley Power Station on the way to Avonmouth

AIDS TO NAVIGATION

Each year Trinity House inspects the local aids to navigation and conducts an audit of availability together with a check on compliance. Everything was found to be in good order on both occasions this year and we were pleased that 100% availability was achieved once again.

The updated Pilot Watch Radar system, funded by the Highways Agency and installed during March and April 2012, is working well. A new recording system compatible with this radar equipment has now also been installed and provides a useful record of vessel tracks and passage timing.

GHT has a standard programme of routine maintenance to ensure that all aids are kept working properly. This is supplemented by a rolling programme of planned improvements which is regularly reviewed to ensure that the aids are effective, efficient and conform to current health and safety standards. No major projects were undertaken this year, but significant work on the Charston light and the repainting of the Shoots beacons are scheduled for May/June 2013.



The lights at Redcliffe and Narlwood were recently given a new coat of paint

THE ENVIRONMENT

The Severn Estuary and River Wye are protected by extensive national, European and international legislation which place environmental duties on public and private bodies. In particular, this requires GHT to have regard to the environmental impact of any proposed works or activities in the Harbour. However, whilst we recognise as part of our environmental responsibilities as a public body the importance of preserving and enhancing the natural habitat and its flora and fauna, we are conscious that GHT is primarily a navigation authority and we must, therefore, manage and maintain the delicate balance between conservation and the statutory right of navigation within the Gloucester Harbour for vessels of all types.

We maintain close links with the bodies responsible for the management of the River Wye (Marine) Special Area of Conservation (SAC), and the Severn Estuary SAC and continue to consult Natural England, Natural Resources Wales and the Environment Agency on matters of mutual interest in relation to the Severn Estuary and the River Wye.

Severn Barrage

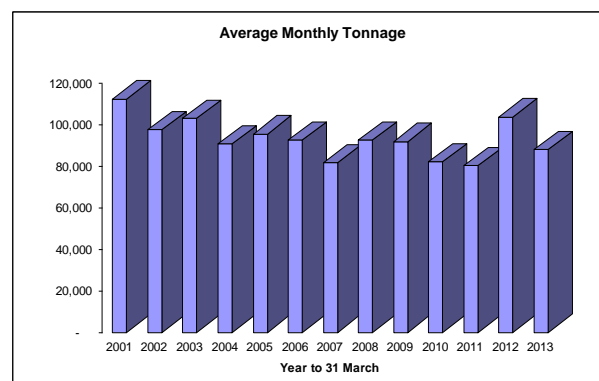
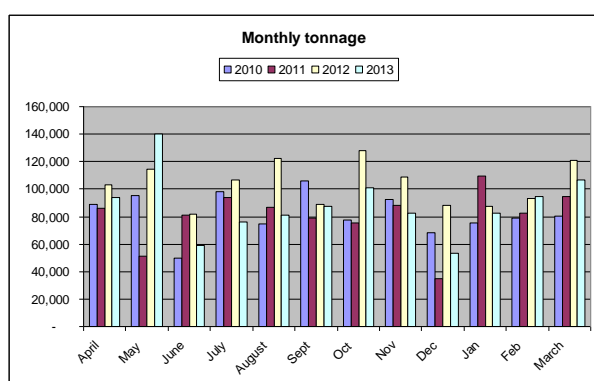
We have noted with concern the new proposals recently put forward by Hafren Power for the construction of a Severn Barrage. Although few technical details are yet available, and quite apart from the environmental impact on the Severn Estuary of a full barrage, it seems likely that tides heights in the impounded area upstream of the proposed barrage would be reduced by up to two metres, a level which would effectively close Sharpness to commercial shipping. However, other smaller schemes are being investigated as part of a 'Sustainable Severn' initiative which may offer the opportunity to generate significant quantities of power without the enormous costs and environmental disruption of a single barrage scheme. We keep a watching brief on all such initiatives in the Estuary.

FINANCE

GHT is a conservancy body and does not own any land or own/operate any docks or quays, so we are not in a position to generate income from cargo handling, leisure boat use, or other commercial activities. Most of the income is derived from the charges levied on ships coming to or going from the port of Sharpness. Our financial stability is, therefore, dependent on the level of traffic using the port, which is operated by a private sector company. In recent years, the total annual piloted tonnage of the ships using Sharpness has been in the region of 900,000 to 1,200,000 dwt.

We aim to break-even each year and in March 2012 we calculated that this could be achieved with an average monthly piloted dwt of 85,000 in the coming financial year. The previous year had been based on 75,000 pilotage dwt, but we considered that this was no longer sustainable because of increasing inflationary costs. However, we were reasonable confident that this higher target could be met and, therefore, felt able to keep the pilotage rate at the same level for the fourth year in succession.

In the event, trade has consistently been at or about the predicted monthly target and in the end achieved an average piloted tonnage of just over 88,000 dwt per month. This was less than the previous year's exceptional high level which had been boosted by extra trade because of high prices in the scrap metal market, but in line with expectations. The usual cargoes, including cement, fertiliser and grain, have continued to perform well this year.

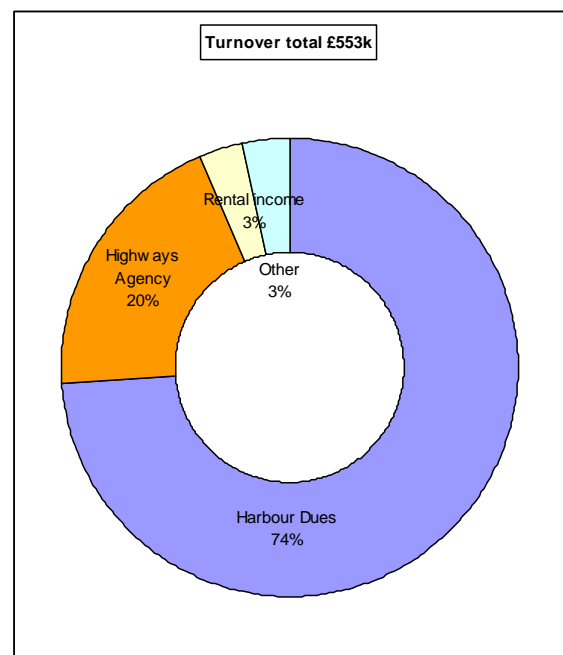
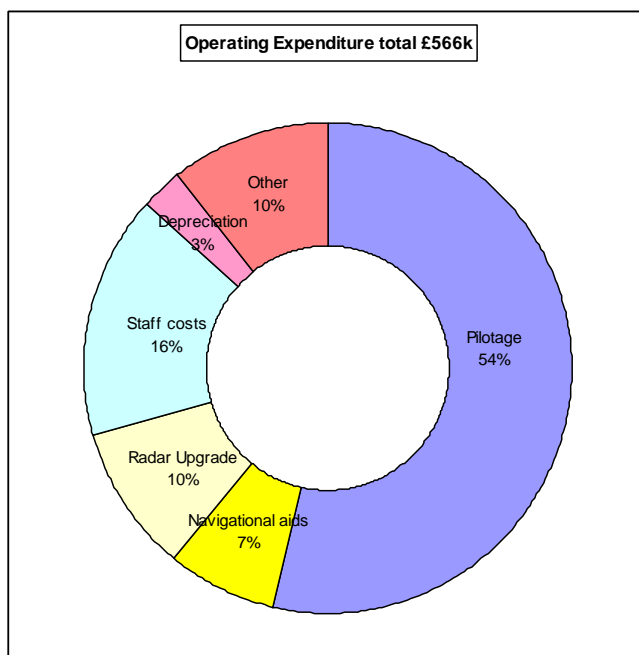
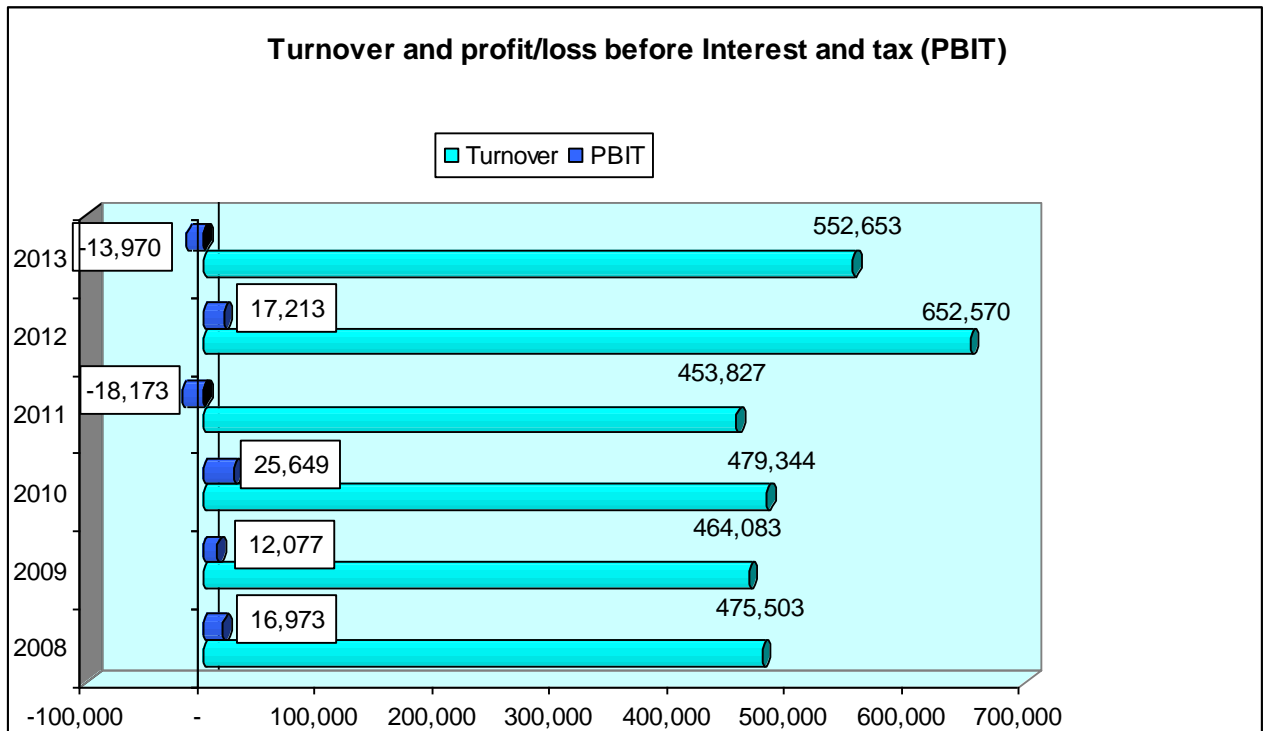


Most of the key performance indicators identified by the DfT for benchmarking are difficult to apply to GHT as it is solely a conservancy body responsible for pilotage and navigation and has no conventional port infrastructure to operate and maintain. We have, therefore, chosen to measure our performance using profitability, defined as deficit / surplus before interest and taxation divided by turnover, as our benchmark.

Using this formula, profitability for the year ended 31 March 2013 was -2.5%. This reduction from 2011/2012 is partly the result of the lower level of shipping in 2012/13 and partly the effect of increases in our running costs. We have now analysed our financial position carefully and have agreed to raise our pilotage rate by 2p per dwt to cover this shortfall from 1 April 2013.

% PROFITABILITY					
2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
3.6	2.6	5.4	-4	2.6	-2.5

We continue to maintain a reserve fund to be used for major modernisation projects and to deal with operational emergencies.



Pilots National Pension Fund (PNPF)

GHT authorises self-employed pilots who are members of the PNPF. The fund is severely in deficit and the Trustee of the PNPF has been looking at ways to make up the shortfall. Court proceedings were commenced in 2009 in order to determine which parties could be compelled to contribute to a recovery scheme required to make up the deficit.

Judgement was received in May 2010 which indicated that the PNPF Trustee was entitled to change the rules of the fund as it saw fit. A number of appeals were subsequently settled or withdrawn. The Trustee now intends to make authorities employing pilots and those merely authorising self-employed pilots equally responsible for making up the shortfall in the fund. The actuarial valuations for 2007 and 2010 have finally been completed and show a growing deficit in the fund. GHT has now been advised by the PNPF that its share of the deficit has been calculated as approximately £1.8m. Payments may be spread over an agreed period, but would attract significant interest charges.

We, as Trustees, have always vigorously repudiated any liability for the deficit in the pension fund. Our authorised pilots are self-employed and we have never employed pilots. In addition, the level of contribution attributed to GHT is unaffordable and can only be paid by increasing the dues to the point where it is uneconomic for ships to come to the port of Sharpness, thus endangering its very existence.

We have debated this issue at great length and have reluctantly come to the conclusion that the only way forward is for GHT, as a gesture of commercial common sense and without admitting any liability for the deficit, to offer affordable annual payments of £30,000 to the PNPF over a finite five-year period. The first tranche of this payment is for the period 1 January to 31 March 2013 and is therefore included in these accounts.

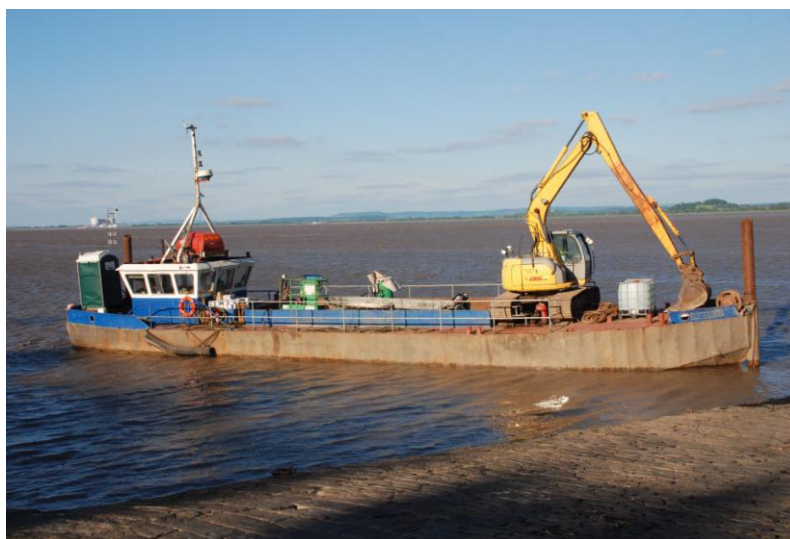
This short-term contribution will be funded by an additional 2p per dwt added to the pilotage rate, with the shortfall made up from reserve funds. It is considered that this level of contribution will not have a detrimental effect on the port, but is unsustainable in the long term.

STAKEHOLDER BENEFIT

The Department for Transport's guidance to trust ports, which, unlike a public company, have no shareholders, recommends that they identify their stakeholders and offer a 'benefit' as if they were shareholders.

We see the users of the Harbour as our stakeholders and believe that their interests are best served by continued investment in the improvement of the aids to navigation and other measures to ensure safety in the Harbour area. The long-term programme of maintaining and upgrading the aids to navigation for the benefit of Harbour users therefore continues with significant work undertaken each year to upgrade and modernise the older structures and ensure that all remain effective and efficient. The surpluses generated in recent years have ensured that this work can be funded from within GHT's resources.

The usual routine maintenance has been carried out during the year on our navigation aids, but a review of some of the older structures has shown that major work will need to be carried out in the next few years. Planning for this work has been carried out this year with a view to commencing work in 2014, using the surpluses built up in the reserves in recent years to fund the work.



The Riparian waiting between tides at Beachley whilst undertaking maintenance work on the Shoots Beacons

STAKEHOLDER ENGAGEMENT

As GHT is a purely conservancy body rather than a port operator, we have fewer opportunities for involving our stakeholders than more conventional harbour authorities. However, the Advisory Body continues to provide a forum for organisations with an interest in our work to exchange views and question us on any matters of concern.

Torrential rain in November led to the cancellation of the scheduled meeting with the Advisory Body and the heavy snow in January forced us to cancel our annual stakeholder lunch. However, we plan to hold a combined event in May when we hope our stakeholders representing commercial, environmental, leisure and community interests, will join us for a buffet lunch to meet and discuss issues of mutual interest and concern.

PERFORMANCE SUMMARY

Pilot Service Availability	The availability of pilots is carefully monitored and potential difficulties are discussed by the pilots with the port operator and GHT. There were no occasions when an off-duty pilot was not available to deal with additional shipping movements.
Navigational Aids Availability	Continued to be 100%
Time Loss Accidents	There were no time loss accidents or reportable incidents during the year.
Incidents	There was one incident when a ship collided with the south pier as it was entering Sharpness Dock. There was no damage to the ship, but the pier will need extensive repairs.
Environment	There were no reported incidents of pollution in the harbour area.
Finance	Profitability was -2.5 %.

THE YEAR AHEAD

We have been able to maintain our harbour dues at the same level of the past four years through careful management of our expenditure, but in the face of continually rising costs, we have concluded that GHT's current high standards can now only be maintained by increasing the dues. We have assumed that trade will remain at the current level in the coming financial year and have therefore agreed to raise the rate by 2p per dwt to 37p per dwt in the next financial year. The contribution to the PNPF will add a further 2p to the rate, making the harbour dues to be charged from 1 April 2013 39p per dwt. As always, this figure will be kept under careful review to ensure that GHT remains financially sound.

Work planned for the early part of the 2013/14 financial year includes the following:

- Refurbishment of the Charston light, dating from 1886 and the only stone structure remaining in GHT's jurisdiction
- Painting of the Shoots Beacons associated with the Second Severn Crossing and owned by the Highways Agency

TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Statute requires the Trustees to prepare financial statements for each financial year. Under the Harbours Act 1964, the Trustees are required to prepare the financial statements in accordance with the provisions of the Companies Act 2006. The financial statements are prepared in accordance United Kingdom Generally Accepted Accounting Practice (UK GAAP) and to give a true and fair view of the state of affairs of the company and of the profit or loss of the authority for that period. In preparing those financial statements, the Trustees are required to:

- 1) select suitable accounting policies and then apply them consistently
- 2) make judgements and estimates that are reasonable and prudent
- 3) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 4) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the trust and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE TO AUDITORS

In the case of each of the persons who are trustees at the time when the Trustees' report is approved:

- a) so far as the trustee is aware, there is no relevant audit information (information needed by the authority's auditors in connection with preparing their report) of which the auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the Trustees' auditors are aware of that information.

This report was approved by the Trustees on 12 July 2013 and signed on their behalf by the Chairman.

Signed

REPORT OF THE AUDITORS TO THE TRUSTEES OF THE GLOUCESTER HARBOUR TRUSTEES FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of Gloucester Harbour Trustees for the year ended 31 March 2013 on pages 19 to 30. The financial reporting framework that has been applied to their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the trust's trustees, as a body, in accordance with the requirements of the appropriate elements of Statutory Harbour Undertakings Regulations 1983, Companies Act 2006, Section 42 of Harbours Act 1964 as amended by the Transport Act 1981 and as amended by the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988. Our audit work has been undertaken so that we might state to the trustees 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 trust and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

As explained more fully in the Trustees' Responsibility Statement set out on page 18, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the trust's affairs as at 31 March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the appropriate elements of Statutory Harbour Undertakings Regulations 1983, Companies Act 2006, Section 42 of Harbours Act 1964 as amended by the Transport Act 1981 and as amended by the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Mr S J Humphries (Senior Statutory Auditor)
For and on behalf of Griffiths Marshall

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Chartered Accountants
Statutory Auditor

Beaumont House
172 Southgate Street
Gloucester
GL1 2EZ

GLOUCESTER HARBOUR TRUSTEES

Income and expenditure account for the year ended 31 March 2013

	Notes	2013	2012
		£	£
Income	2	552,653	652,570
Expenditure	3	549,337	614,696
Operating surplus before Depreciation and interest		3,316	37,874
Provision for depreciation	8	(17,286)	(22,161)
Profit on disposal of fixed assets			1,500
Deficit/surplus before interest and taxation		(13,970)	17,213
Income from investments	11	9,041	8,627
Loss/profit on disposal of Investments	11	647	(4,826)
Net deficit/surplus before taxation	4	(4,282)	21,014
UK corporation tax	5	(945)	(3,427)
Deferred taxation	6	2,047	(1,106)
Net deficit/surplus for the year	12	(3,180)	16,481
		=====	=====

GLOUCESTER HARBOUR TRUSTEES

Balance Sheet as at 31 March 2013

	Notes	2013	2012
		£	£
Fixed assets			
Tangible assets	8	111,810	129,096
		<hr/>	<hr/>
		111,810	129,096
		<hr/>	<hr/>
Current assets			
Debtors: due within one year	9	61,605	72,146
Bank balances		91,122	149,812
Cash		122	39
Other Investments	11	346,285	339,401
		<hr/>	<hr/>
		499,134	561,398
Current liabilities			
Creditors: amounts falling due within one year	10	77,585	150,688
		<hr/>	<hr/>
Net current assets		421,549	410,710
		<hr/>	<hr/>
Total assets less current liabilities		533,359	539,806
Long Term Liabilities			
Creditors: amounts falling due after more than one year	10	18,674	19,894
		<hr/>	<hr/>
Total Assets less Total Liabilities		514,685	519,912
Provisions for liabilities and charges	6	(4,120)	(6,167)
		<hr/>	<hr/>
Net assets		510,565	513,745
		=====	=====
Capital and reserves			
Income and expenditure reserve	12	510,565	513,745
		=====	=====

Signed on behalf of the Trustees

J Beavor (Chairman)

K Douglas (Finance Officer)

Dated: 12 July 2013

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

I Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

The financial statements have been prepared on the historical cost basis of accounting.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less depreciation.

Depreciation is calculated on a straight line basis so that tangible fixed assets are written off over their estimated useful lives on a straight line basis at the following rates:

Motor vehicles	20%
Office equipment and furniture	20%
Trade and marine equipment	20%
Building	4%

Turnover

Turnover, which excludes value added tax, represents predominately the value of harbour dues and conservancy fees due for the year.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

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

Other Investments

Investments are valued at historical cost less any provision made for permanent diminution in value.

Pensions

The authority operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the income and expenditure account in the year in which they are payable.

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

2 Income

	2013	2012
	£	£
Harbour Dues (Pilotage & Conservancy)*	399,801	471,705
Pilotage Exemption Certificate income	877	877
Conservancy Dues income	6,952	5,546
Highways Agency – contribution to ship protection measures	54,477	58,891
Highways Agency – contribution to radar upgrade	54,180	83,495
Magnox Sites - contribution to repairs, maintenance and lighting	11,650	12,008
Bank interest received	410	160
Other interest received	-	26
Licensing fees received	203	260
Navigation House rental & service charges income	18,070	17,502
Other income	6,033	2,100
Total Income	552,653	652,570
	=====	=====

* Includes charge for use of pilot boat

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

3 Expenditure

	2013	2012
	£	£
Conservancy and Administration		
Navigational aids: renewals, repairs and maintenance	18,541	40,768
Beacon and radar costs on behalf of Highways Agency	7,857	10,213
Radar upgrade on behalf of Highways Agency	54,180	83,495
Lighting supplies	1,471	1,311
Workshop accommodation costs	6,955	6,960
Vehicle costs	1,527	1,292
Boat costs	226	900
Lights maintenance contract	8,750	8,750
Navigation House costs	14,343	13,099
Office Costs	12,209	14,109
Salary Costs	90,556	86,024
Trustee and staff expenses	11,837	11,335
Audit fee	3,305	3,185
Subscriptions and licences	1,285	1,496
River surveys	3,720	3,543
Professional advice and expenses	6,849	210
Oil spill measures	-	415
Investment administration charges	2,803	2674
	<u>246,414</u>	<u>289,779</u>
	=====	=====
	2013	2012
	£	£
Pilotage		
Pilotage contract	254,723	279,481
Boarding and landing fees	28,539	34,019
Pilots' lodge facilities	8,574	8,196
Training	3,000	3,002
Other pilotage costs	587	219
PNPF	7,500	
	<u>302,923</u>	<u>324,917</u>
	=====	=====
Total Expenditure	549,337	614,696
	=====	=====

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

	2013	2012
4 Deficit before Taxation	(4,282)	21,014
Deficit before taxation is stated after charging/(crediting)		
Depreciation charge for the year:-		
Tangible owned fixed assets	17,286	22,161
Profit on disposal of vehicle/boat	-	(1,500)
Adjustment on disposal of investments	647	4,826
Auditor's remuneration	3,305	3,185
5 Taxation	2013	2012
Domestic current year tax:-		
UK Corporation Tax at 20% (2012: 20%)	940	3,805
Adjustment for prior year	5	(378)
	<hr/>	<hr/>
Current tax charge	945	3,427
	=====	=====
Factors affecting the tax charge for the year:-		
Profit on ordinary activities before tax	(4,282)	21,014
	=====	=====
Deficit on ordinary activities before tax multiplied by standard rate of tax - 20% (2012 20%)	(856)	4,203
	<hr/>	<hr/>
Effect of :-		
Depreciation	3,457	4,432
Capital allowances	(742)	(4,218)
Other tax adjustments	(914)	(990)
	<hr/>	<hr/>
	1,801	(776)
	<hr/>	<hr/>
Current tax charge	945	3,427
	=====	=====

**Notes to the accounts
for the year ended 31 March 2013**

6 Deferred Taxation

The deferred taxation asset/(liability) can be analysed as follows:-

	2013	2012
	£	£
Accelerated Capital Allowances	(4,120)	(6,167)
	-----	-----
Deferred taxation liability	(4,120)	(6,167)
	=====	=====
		£
Balance at 1 April 2012		(6,167)
Movement in the year		2,047

Balance at 31 March 2013		4,120
		=====

7 Employees

	2013	2012
The average weekly number of persons employed during the year was	2	2
	==	==
Staff costs (for the above persons):-		
Wages and salaries	73,798	69,246
Pension contributions	10,656	10,148
Social security costs	7,084	6,630

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

8 Fixed Assets

	Motor Vehicles	Office Equipment	Furniture	Marine Equipment	Property	Total
	£	£	£	£	£	£
Cost						
At 1 April 2012	20,060	35,691	5,800	55,141	157,646	274,338
Additions						
Disposals						
	_____	_____	_____	_____	_____	_____
At 31 March 2013	20,060	35,691	5,800	55,141	157,646	274,338
	_____	_____	_____	_____	_____	_____
Depreciation						
At 1 April 2012	4,012	34,364	5,043	38,316	63,507	145,242
Charge for year	4,012	827	378	5,763	6,306	17,286
Disposals						
	_____	_____	_____	_____	_____	_____
At 31 March 2013	8,024	35,191	5,421	44,079	69,813	162,528
	_____	_____	_____	_____	_____	_____
Net book value						
At 31 March 2013	12,036	500	379	11,062	87,833	111,810
	=====	=====	=====	=====	=====	=====
At 31 March 2012	16,048	1,327	757	16,825	94,139	129,096
	=====	=====	=====	=====	=====	=====

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

9 Debtors	2013	2012
	£	£
Amounts falling due within one year		
Pilotage fees	40,747	48,912
Highways Agency	17,620	18,510
Magnox Sites	2,404	4,168
Other debtors	834	556
	<hr/>	<hr/>
	61,605	72,146
	=====	=====
 10 Creditors	 2013	 2012
	£	£
Short Term : Amounts falling due within one year:-		
Other creditors	49,102	119,330
Corporation Tax	864	3,805
Highways Agency	20,000	20,000
H M Revenue and Customs (VAT & PAYE)	5,862	5,826
Deferred income credit	1,757	1,727
	<hr/>	<hr/>
	77,585	150,688
	=====	=====
 Long Term: Amounts falling due in more than one year:-		
Deferred income credit - Magnox *	17,974	18,494
- British Waterways (CRT) **	700	1,400
	<hr/>	<hr/>
	18,674	19,894
	=====	=====

The deferred income credits represent:

- * the amount remaining from BNFL Magnox Electric's one-off payment in 2005 to buy out its obligation for the maintenance of the Haywards Rock & Bull Rock Beacons
- ** a contribution from British Waterways (CRT) towards the tide gauge which is credited to income at the same rate as the asset is depreciated

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

11 Other Investments

	2013	2012
	£	£
Listed Investments	345,462	337,530
Cash	824	1,871
	<hr/>	<hr/>
	346,286	339,401
	=====	=====
The market value of other investments as at the balance sheet date:-		
Listed investments	452,675	404,068
Cash	824	1,871
	<hr/>	<hr/>
	453,499	405,939
	=====	=====
Acquisitions	19,934	37,079
Disposals	(12,002)	(36,155)
Movement in cash balance	(1,047)	203
	<hr/>	<hr/>
	6,885	1,127
	=====	=====
Income Received:-		
Dividends	6,933	6,209
Interest (net of tax)	2,108	2,418
Disposals adjustment	647	(4,826)
Administration charges	(2,803)	(2,674)
	<hr/>	<hr/>
	6,885	1,127
	=====	=====

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

12 Income and Expenditure Reserve

	£
Balance at 1 April 2012	513,745
Deficit for year	(3,180)
	<hr/>
Balance at 31 March 2013	510,565
	=====

13 Financial commitments

At 31 March 2013 the trust had annual commitments under a non-cancellable operating lease as follows:

	Land	
	2013	2012
	£	£
Expiry date:		
Within one year	-	-
Between two and five years	-	-
In over five years	1,560	1,560
	<hr/>	<hr/>
	1,560	1,560
	=====	=====

14 Pension Costs

There are no pension costs outstanding at the balance sheet date.

Defined contribution	2013	2012
	£	£
Contributions payable by the authority for the year	10,656	10,148

The authority pays 15% of the employees' annual salary into the pension scheme.

GLOUCESTER HARBOUR TRUSTEES

Notes to the accounts for the year ended 31 March 2013

15 Contingent Liabilities

The Pilots National Pension Fund (PNPF) is a defined benefit scheme, membership of which is at the discretion of individual pilots. The scheme has a significant deficit. During the year ended 31 March 2010, the Trustee of the PNPF sought guidance from the Courts on the extent of its powers to address the deficit. The eventual ruling allowed the Trustee to change the rules of the PNPF as it saw fit. The Trustee of the PNPF is now seeking to recover a proportion of the shortfall from harbour authorities whose self-employed pilots are members of the scheme, as well as from harbour authorities who are employers of pilots.

The full actuarial valuation of the PNPF at 31 March 2010 reported a deficit of £186.7m. The Trustees of the PNPF attributed a deficit share of 0.9667% (£1.8m) to GHT.

GHT has never employed pilots under contracts of employment and the self-employed pilots of Gloucester Pilots Partnership are, and have always been, responsible for making their own pension contributions. GHT has therefore strenuously resisted any suggestion that it has a liability for the PNPF's deficit but has offered to contribute a fixed sum towards it. A contribution of £7,500 has been accrued for the year ended 31 March 2013.

16 Related Party Transactions

£6,800 (2012-£1,700 from 1 January 2012) was paid to J Beevor for his duties as Chairman of the Trustees

(In 2011/12 a sum of £5,053 was paid to Edmund L B Dorman in his capacity as Chairman of the Trustees of Gloucester Harbour Trustees until 31 December 2011)

Michael Johnson, a trustee, is also an employee of the trust.