



STORNOWAY
PORT AUTHORITY

Loch Siophort

Annual Report 2017



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2017 YEAR IN REVIEW

TOTAL NUMBER OF FERRY PASSENGERS **276,088**

A **5%** INCREASE



6760

MORE CARS TRAVELLING ON THE ULLAPOOL TO STORNOWAY FERRY IN 2017



ZERO LOST TIME INCIDENTS IN 2017

TOTAL VESSEL MOVEMENTS GREW **9%** FROM **833** IN 2016

VESSEL TONNAGE REACHED **1,181,065**

PORT MARINE SAFETY CODE - SIGNIFICANT DEVELOPMENT OF POLICIES AND PLANS



TOTAL LENGTH OF QUAYSIDE IS **1,194 METRES**

9% INCREASE IN VISITING YACHTS



NUMBER OF CRUISE SHIP PASSENGERS **9323**

45 CRUISE SHIPS VISIT

AVERAGE TONNAGE OF CRUISE SHIP **8691**

BUSINESS CASE DEVELOPMENT

TURNOVER OF **£3.4 MILLION**

COMMERCIAL VEHICLES **12,679**

DECREASE IN CRUISE SHIP PASSENGERS FROM 2016



CHAIRMAN'S STATEMENT



This is my third annual report statement as Chairman of the Board of Stornoway Port Authority and I am delighted to be able to report another very steady year of activity for the Port in what is in general a very sluggish economic environment. Most aspects of the business have seen improvement with total vessel movements growing by 9% from 833 in 2016. Ferry passengers have seen a 5% increase to 276,088 and cars have risen by 8% to 92,999.

In marked contrast cruise ship visits have seen a decrease of 30% with cruise ship passengers down from 23,622 in 2016 to 9,323 in 2017. This is in large part due to the fact that the cruise market now expects vessels to be able to come alongside in ports which are visited and are less and less prepared to go to anchor and have passengers transfer by tender.

This issue and many others have been examined as the Port Masterplan has been developed and finalised. The strategic focus of the Masterplan is for the development of a Deep Water Port between the mouth of the Creed river and Arnish, a multifunctional development at Goat Island/Newton Basin and Leisure and Amenity Developments in the area around Cromwell Street Quay.

2017 has seen a number of changes to the Board membership and I would like to thank my fellow non-executive members of the Board and particularly Capt. Bert Frater who left the Board after many faithful and fruitful years of service. I would congratulate Mrs Margaret Ann Macleod who joined the Board as a full member after serving for a year in a co-opted role in which her Development and Marketing background has been much appreciated. In the history of the Port there have only been six previous female Commissioners/Board members and it is heartening to see that she is prepared to transition to full Board membership.

Over the past year the Board has been ensuring that appropriate processes and procedures are in place, assessing the principal risks to the Port Authority, developing the projects identified in the Port Masterplan and ensuring that there is appropriate stakeholder and public engagement. I would take this opportunity to thank the Chief Executive, Alex Macleod and all the staff for their ongoing hard work and continuing commitment.

The Board has also been pleased in the past year to be able to disburse funds set aside through the Community Assistance Fund which is primarily for projects relating to young people and predominantly with a maritime interest.

The Board is very mindful of the desperate need for the port expansion plans to be brought to fruition and took the strategic decision to "cast its bread upon the waters" and invest in the marine borehole work which is an essential pre-cursor to the design of the harbour infrastructure facilities. This together with concrete deck repairs and anodes for Pier No1 have reduced the profits for the year but shows our commitment and should pay dividends as we look to fund our ambitions. I would like to express the Board's appreciation to all of our stakeholders for their continued support and understanding as we work together for the good of the Port and the wider island community.

TRUST PORTS

Trust Ports are independent statutory bodies, each governed by its own, unique, local legislation and controlled by an independent board who manage the assets of the trust for the benefit of stakeholders. Their common feature is their unique status as trusts. There are no shareholders or owners, neither are they treated as part of the public sector. This is in stark contrast to a private port which is privately owned by shareholders and a local authority port which is owned by the Local Authority. Trust Ports are, however, expected to be run along similar lines to that of a private company.

Trust Port guidance is produced by Transport Scotland in the document "Modern Trust Ports for Scotland Guidance for Good Governance". This document is reviewed every three years and the port communicates regularly with Transport Scotland about content and potential future change. Transport Scotland occasionally attend Board meetings to review meeting procedures and to update Board members on Transport Scotland guidance.

Much depends on the integrity of individual board members and, like a private company where the board is accountable to its shareholders, trust boards are essentially accountable to the local community.



Demonstrate honesty, integrity and objectivity in decision making

Drive the future of an organisation responsible for the most significant gateway in the Hebrides.

BOARD MEMBER SUMMARY

Non-executive board members are appointed for a period of three years following a selection process involving advertisement and an interview, which is undertaken by an appointing panel consisting of the Chairman and two independent advisors. In addition, the board has the facility to appoint two co-opted members with applicable specialist knowledge for a maximum of one year. The breadth of skills across the current board is continually under review, and a skills matrix is used to determine the professional skills to be included within any advertisement for non-executive board members. The role of a Trust Port board member role is defined by "Guidance for Good Governance".

Our current board contains a balance of specialist skills, the skills being recommended by the Modern Trust Ports for Scotland "Guidance for Good Governance", including but not limited to the following, local government, finance, fishing & fish processing, marine leisure industry, shipping, management, commercial and a wide variety of other applicable skills. The "Guidance for Good Governance" makes particular reference to the requirement to have, as a priority, adequate financial and commercial expertise on the board.

"It is the duty of the Board, at all times, to strike a balance that fully respects the interests of all stakeholders" Modern Trust Ports for Scotland Guidance for Good Governance.

THE BOARD



MR MURDO MURRAY - CHAIRMAN

Following a time at contractors Howard Doris in Kishorn and R J McLeod in Applecross, South Rona and Barvas, Murdo Murray spent most of his career with Comhairle nan Eilean Siar as an Assistant Engineer, Senior Engineer, Deputy Director and for 11 years as Director of Technical Services. Since 2005 he has been an independent Engineering Consultant with a special interest in Renewable Energy. He is an elder of the Free Church in Stornoway and has served on national church committees including the Personnel Committee, the Finance Committee and is currently on the Board of Ministry of the Free Church of Scotland.

In the Western Isles Branch of the Gideons he has just completed three years as Branch Chairman.



MR IAN BURGESS - VICE CHAIR

Ian Burgess started his career in 1973 as a navigating cadet in the Merchant Navy, serving on tankers until 1984. He joined HM Coastguard in 1984, starting in the coordination centre in Stornoway and retired as the Divisional Commander for North & West Scotland in 2015. He became a non-executive Director with NHS Western Isles in 2013 and has been on the Board of Stornoway Port Authority since September 2014. Ian's work experience has given him access to the coastal communities within the Western Isles, working with volunteer teams and engaging with community stakeholders. He is a member of Stornoway Golf Club and the Public & Commercial Services Union (PCS).



MR ALEX MACLEOD – CHIEF EXECUTIVE

Brought up in the village of Knock, Mr MacLeod's family has had a long connection with the Port. His great-grandfather owned and skippered the sailing vessel Muirneag, one of the most famous fishing vessels of its time. Following a period of time working in Glasgow with the civil engineering company Lilley Construction, Mr MacLeod worked with Fletcher Construction in Auckland, New Zealand, which included working on the America's Cup viaduct basin facilities. Following his return from New Zealand he has worked for a long established civil engineering company during which time he worked on a number of projects around Stornoway harbour. He commenced employment with the Authority as Chief Executive in July 2015.



MR JOHN NICOLSON

John, a native of Point, has had a long career in the maritime industry and is particularly well known around Stornoway harbour where he worked in the fishing and fish processing industry for over 35 years.

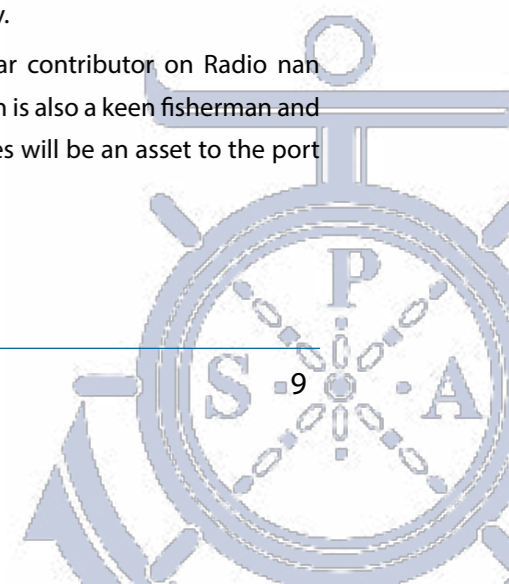
Following a career in the Merchant Navy where he served as a Master Mariner with Blue Star & Weston Shipping, John owned and operated the prawn trawlers Ivy Rose and Alpha. He was one of the founding members of the Stornoway Fisherman's Co-operative and served as both Chairman and General Manager. In 1985 John went to work for Ross Fish Ltd (now Young's Bluecrest) where he became the Buyer Export Manager. He worked in a number of roles with Young's including periods in Fort William and Northern Ireland, and finally as General Manager of Young's Goat Island factory until his retirement in 2012. John has also had leisure craft in Stornoway harbour for a number of years. He brings extensive maritime, fishing and business experience to the Board.



MR IAIN DON MACIVER

Iain Don MacIver was born and bred in Point, where he still lives in the family home with his wife and two sons. He was educated in Bayble School and latterly the Nicolson Institute. Mr MacIver went on to work for CalMac and is now CalMac's Port Manager at Stornoway. He has experience in administration, shipping and other forms of transport and information technology.

Mr MacIver is a native Gaelic speaker and a regular contributor on Radio nan Gaidheal, often on issues relating to football. Iain Don is also a keen fisherman and with his work and experience of the harbour facilities will be an asset to the port board.



THE BOARD



MR ALLAN MACDONALD

Allan Macdonald was born and bred in Stornoway, educated in Aberdeen where he gained a BSc (Hons) Geology and Petroleum Geology and at Heriot Watt to MSc level in Petroleum Engineering. He has worked in the oil and gas industry gaining experience in both drilling and production operations for multinational companies within the UK and abroad. Since 2006 he has worked as Managing Director for a local business in the retail sector.

He enjoys outdoor pursuits and is an active member and qualified coach with Stornoway Canoe Club. He was appointed to the Stornoway Port Authority as a member of public service which he feels is extremely important in a small community. He also recognises the importance of the Port to the people of the Western Isles.



MRS MARGARET ANN MACLEOD

Margaret Ann joined the Stornoway Port Authority in November 2016 and has a business background in textile manufacturing, international sales and rural economic development. Currently employed as the Brand Development Director for Harris Tweed Hebrides in Shawbost, the largest harris tweed mill on the island, Margaret Ann has previously worked at a senior level for a number of companies, including; Highlands and Islands Enterprise, Johnstons of Elgin, RGU and Arcadia plc.

Born and brought up in Carloway on the Isle of Lewis, Margaret Ann is a native Gaelic speaker, a working mother, and an active board member for a number of community organisations on the island, including her current role as Chair of HI-Scot Credit Union.



MR IAN MCCULLOCH

Ian McCulloch is recently retired from full time employment following a 35 year career in the oil & gas industry. During his career Ian has undertaken a wide variety of senior management roles including a broad mix of operations, commercial, engineering and decommissioning. He has skills developed across a wide range of assignments in the UK, Dubai, Houston, Singapore, Indonesia, and Algeria. Born and brought up in Morayshire, Ian now resides in Shawbost at the family home where his mother was brought up. Ian joined the Board in August 2016.



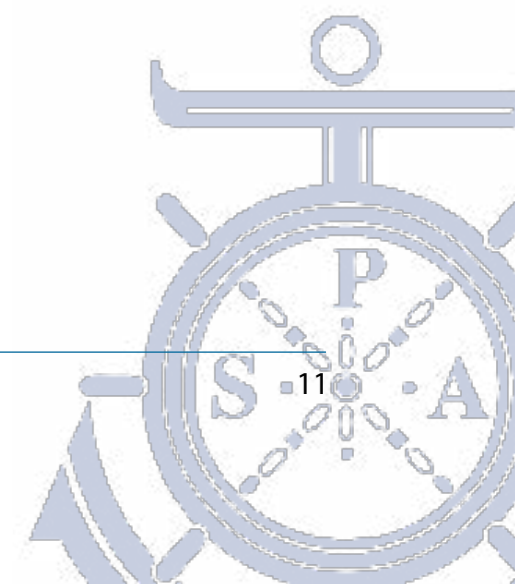
CAPT. ROBERT FRATER

Captain Robert Frater gained his education at The Nicolson Institute and Lews Castle College. Mr Frater served as a Cadet, Fourth Officer and Third Officer on the West African service with Elder Dempster Lines of Liverpool. He was transferred to Harrison Line of Liverpool (Caribbean Service) as a Third Mate and then to Denholm Line of Glasgow (Worldwide Service) as a Second Mate.

He sailed with Denholms for 21 years, the last 15 as Master. Mr Frater served as a Harbour Master with CNES for 10 years. He is a charter member of both the Nautical Institute and the UK Harbour Masters Association. He has been involved in various local voluntary organisations over an extensive period of time, including 12 years on the Board of Stornoway Trust. Captain Frater has been a Board member at SPA since 2004.

Following completion of the maximum number of terms allowable, Captain Robert Frater retired from the Board in April 2017.

NON-EXECUTIVE BOARD MEMBERS	JOINED THE BOARD	2017 MEETINGS ATTENDED
Mr Murdo Murray (Chairman)	May 2012	9 of 9
Mr Ian Burgess (Vice Chairman)	August 2014	9 of 9
Captain Robert Frater	August 2004	3 of 3
Mr Allan MacDonald	May 2014	7 of 9
Mr Iain Don MacIver	August 2015	4 of 9
Mr John Nicolson	November 2015	9 of 9
Mr Ian McCulloch	August 2016	9 of 9
Mrs Margaret Ann Macleod	November 2016	7 of 9
EXECUTIVE MEMBER	JOINED THE BOARD	2017 MEETINGS ATTENDED
Mr Alex Macleod	August 2015	9 of 9



PRINCIPAL RISKS

A particular function of the board is to review the principal risks to the Port Authority. The Port Authority has therefore identified significant risks which have been considered and these are included in the table below. This list is not exhaustive, but is a brief summary of what issues the board members must consider.

Some risks are easy to predict whilst others are beyond anyone's control. The Port Authority must identify and mitigate as many of the unpredictable risks as possible as well as all the predictable ones.

Risks	Description	Mitigating factors
Island economy	Where either an improving or deteriorating island economy can have a dramatic effect on the Port Authority	Continuous consultation with all levels of government Stakeholder consultation Market Assessment studies
Strategic direction	Ensuring that the Port Authority is reacting to an everchanging political and economic situation	Communication & consultation Economic studies Effective Board
Loss of community acceptance	Where the Port Authority is not reacting to/understanding of the needs or wants of the community	Community consultation Communication practices Website improvements
Financial	Ensuring that the Port understands both its current and future financial position	Management procedures Operational efficiency Internal & External Auditors
Environmental	Ensuring that the Port Authority minimises/limits the effects of environmental incidents	Continuous auditing Co-ordination and co-operation with other bodies 24/7 staffing
Equipment Failure	Ensuring that the Port maintains equipment to ensure safety of Port users, staff and the general public	Maintenance regime Plant records/inspections Staff training
Lack of development funds	Ensuring that the Port budgets appropriately and determine all available funding sources	Business planning and budgetary controls Financial awareness Prioritisation of projects
Capital projects	Ensure that the Port develops projects efficiently and to the requirements of the end users	Ensure best value is accepted Project management expertise Improved procedures
Governance	To ensure that the Board operates effectively	Board member training Board member appraisals Reference to Guidance for Good Governance
Staff effectiveness	Where the Port staff are neither trained or experienced for the tasks they undertake	Staff training Performance appraisal and performance management Management review
IT security problems	Where an IT problem could cause severe implications for the running of the Port	IT expertise employed IT Audits Modern equipment
Customers	Where the port may lose customers due to customer dissatisfaction	Customer consultation Service level review Communication
Health & safety	Where an incident could severely impact upon Port users, staff, public and/or equipment	Internal & External audits Risk assessment procedures Insurance risk assessment and communication
Marine safety	Where a marine incident could severely impact upon Port users, staff, public and navigation	Adhere to Port Marine Safety Code Constant review of safety management system Improve Marine Policies Navigational Risk Assessment

CHIEF EXECUTIVE'S STATEMENT



Ongoing change was the theme for 2017, where continuing operations and project development resulted in a busy and successful year. Although traffic was generally down on 2016, income still increased with similar underlying profitability within the business. Project development costs were significant during the year and produced some exceptional items within our Annual Accounts.

TRADING HEADLINES

The 2017 financial results show increased turnover but a much lower profit. Turnover of £3.4m was 3% higher than 2016, however, due to exceptional items profit was significantly lower. This significant decrease in profit resulted from some repair and maintenance contracts and also uncapitalised site investigation costs associated with the proposed Deep Water Port development.

The costs associated with the Goat Island/Newton Basin development were all capitalised during 2017, however, all costs associated with the Deep Water Port were allocated to the Profit & Loss Account. As this project is developed, it is expected that the 2018 costs will all be capitalised.

OPERATIONAL

During 2017 the Port spent considerable time and resources on the development of our Marine Safety Policies and Procedures, and this work will become more evident in 2018 as the Policies and Procedures are implemented. The 2017 work also involved liaison with key stakeholders in a number of areas, together with the completion of the Navigational Risks Assessments.

Various maintenance reviews were ongoing towards the end of 2017 including inspections of bollards, ladders, access, security and a number of other areas.

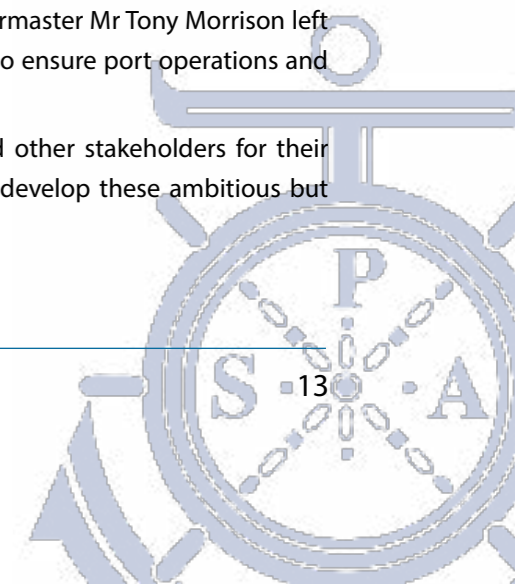
Although our overall cruise ship passenger numbers suffered a significant drop, we have to note that 2016 was an exceptional year that is unlikely to reoccur unless we build a Deep-Water Berth. Over the last few years we have seen a much higher percentage of smaller cruise ships using the Port as opposed to larger cruise ships.

MAJOR PROJECTS

With the completion of the Port Masterplan in early 2016, the Port continued to progress some of the major projects identified therein. Design contracts were awarded for all of the Goat Islands projects, a business case was developed for both Goat Island and the Deep Water Port, and the marine borehole works were undertaken in both Newton basin and Deep Water Port area.

There were also a number of changes within the business during 2017, Mrs Brenda Jones was employed to assist with the development of the major projects, and late in 2017 the Harbourmaster Mr Tony Morrison left the business. As the major projects develop, further change will be necessary to ensure port operations and administration develop to suit the future requirements of the Port.

We would like to thank our key partners, customers, staff, harbour users and other stakeholders for their support during 2017. This support will become even more important as we develop these ambitious but crucial major developments.



WHO WE ARE



Top left: Admin Assistant, Mina MacLennan. Top right: Developments Manager, Brenda Jones.
Below: The boys on board the pilot boat (l-r): Donald, John, Don, Kenny, Andy and Roy.



OUR VISION

To build a truly sustainable business that is the economic driver of the Outer Hebrides

OUR MISSION

To operate an efficient and well managed port to the highest standards of safety, security and environmental management, which will allow the Port to continue to grow and develop

OUR PEOPLE

Right: Don tying up the Loch Seaforth.

Below left: Donald and Murdo on board the pilot boat.

Below right: Alex presenting the Captain with Stornoway Port Authority plaque



BUSINESS AREAS



FINANCIAL HIGHLIGHTS

The underlying financial performance was strong during 2017 although with some exceptional, non-recurring expenditures which have been charged to the Profit and Loss Account. The Profit & Loss account included £400k of site investigation costs associated with the new Deep-Water Port development. As a Trust Port with no shareholders, all profits are re-invested into the future of the Port.

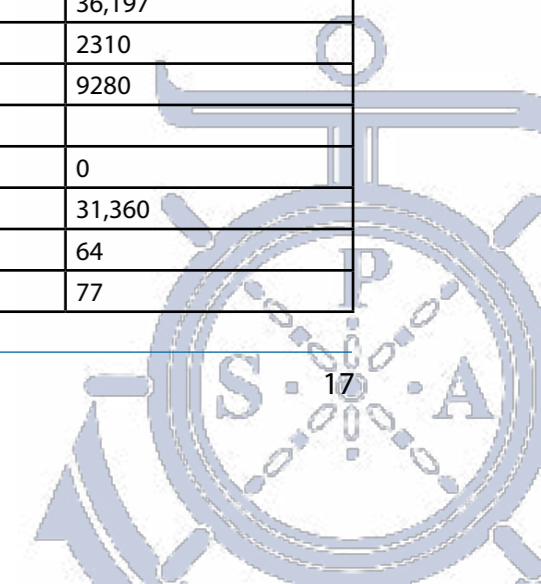
During 2017 the Port also undertook two repair and maintenance contracts (Esplanade Quay anodes and the concrete slab at Esplanade Quay) with a combined value of £250k.

The rewards and achievements, as a result of previous investments, are reflected in our 2017 annual financial results:

- £3.4million revenue, up 3% on 2016
- £0.2million net profit, down 75% on 2016
- 276,088 arriving or departing passengers, up 5% on 2016
- 45 cruise ship visits, down 30% on 2016
- Steady revenue from slipway and leisure craft
- Increased vessel movements, up 9% on 2016
- Marina visits up 9% on 2016

STATISTICS

	Full year 2015	Full year 2016	Full year 2017
Passengers	235,688	263,885	276,088
Cars	73,880	86,239	92,999
Coaches	370	406	438
Commercial Vehicles	11,953	12,461	12,679
Ferry Movements	925	976	981
Total vessel movements	768	833	908
Marina Yacht Visits	334	370	405
Cruise Ship Visits	43	64	45
Cruise Ship Passengers	14,472	23,622	9323
Coal	3,386	2,134	2364
Cement	800	795	1610
Oil	36,495	36,343	36,197
Gas	1,080	1,050	2310
Road salt	8,989	4,535	9280
Other statistics			
Lost Time Incident	0	0	0
Man-hours worked	29,334	30,788	31,360
Acts of Pilotage	39	47	64
Slippings	87	88	77



OPERATIONAL HIGHLIGHTS

FERRY OPERATIONS

Late in 2017 the Port Authority was granted funding by Transport Scotland to undertake alterations to the marshalling area at the ferry terminal. These alterations will improve parking arrangements as well as additional marshalling options available to Calmac Ferries Ltd.

A very consistent ferry operation was undertaken by Calmac ferries during 2017 and the Port Authority continues to work with them to ensure more efficient operations for both businesses.

CRUISE SHIP

The reduction in cruise ship calls affected passenger numbers, however, smaller vessels berthing alongside provide more income per passenger than larger vessels anchor. As stated in the 2016 Annual report, the 2016 cruise season was exceptional, and unlikely to be bettered until the Port develops suitable infrastructure.

AQUACULTURE

2017 saw another strong year for the Port Authority within this sector, with fish farm vessels being regular users of the Port facilities.

FISHING

Some alterations with the Ice Plant were undertaken in 2017, however, the planned upgrade works were delayed until 2018. Works undertaken during the year included toilet facilities for fishermen, replacement of the cold store compressor and completion of the timber fendering works commenced in 2016.

LEISURE

Marina visitors increased by 9% even with a quieter July and August in 2017. The Port Authority also installed two additional fingers at the north side of the marina, increasing the capacity marginally. Additional electricity pedestals installed during 2017 will also allow easier use by marina berth holders and visitors.

SLIPWAY

An ever increasing focus on operational efficiencies and health & safety will ensure that this site remains operational and efficient for many years to come.

PORT INFRASTRUCTURE

The Port Authority undertook a number of projects throughout 2017, with the largest two being the anode installation at the pier area adjoining Esplanade Quay and Pier No. 1 and concrete overslab works in the same area.

During the structural inspection undertaken in 2016, it became apparent that the linkspan, and structural steel piles in the area surrounding the Pier No. 1 linkspan would require the installation of anodes, which will extend the life of the steel structure in this area.

Again, during the structural assessments undertaken in 2016, the concrete pier deck immediately behind the Pier No. 1 linkspan, was considered unsuitable for heavy goods vehicles. A concrete over slab was constructed, extending its life and also ensuring that a significantly larger area of Pier No. 1 is now accessible by heavy vehicles. There remain areas of Pier No 1 and Esplanade Quay which are unsuitable for heavy goods vehicles however, it is hoped that these can be upgraded within the next few years



2017 STRATEGIC TARGETS

Some of the strategic targets for 2017 included the following:

1. Develop business case for Deep Water Port and Goat Island project

This work was a major focus during 2017, involving close liaison with potential funding bodies. Largely complete at the end of 2017, ongoing alterations will be required in 2018.

2. Develop designs for the various Goat island projects

Three design contracts have now been let for the various Goat Island project, Fraser Architecture from Uist are the appointed architects for the Goat Island processing facility, Arch Henderson are the designers appointed for the boatyard building, whilst locally based Wallace Stone are the appointed designers, for the dredging, reclamation and marina works.

3. Further consultation regarding potential development of Cromwell St Quay .

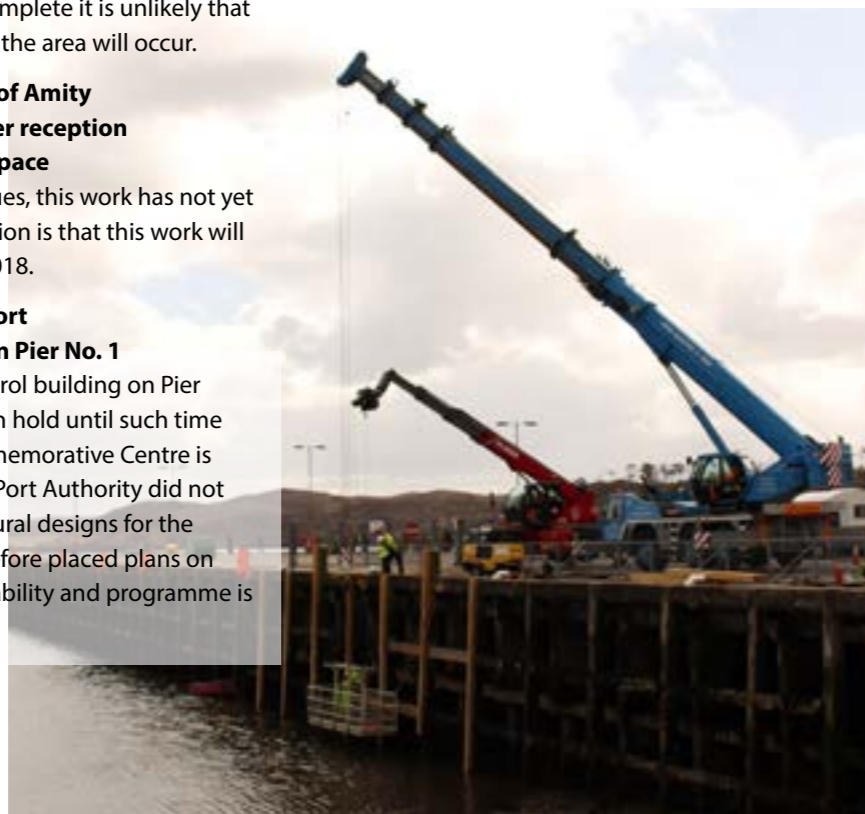
The Port Authority is working with consultants to develop our ideas for Cromwell St Quay 2017 saw advancement in the available options, and this will be developed further in 2018. Until the Goat Island marina is complete it is unlikely that further development of the area will occur.

4. Commence extension of Amity House office with larger reception and additional office space

Due to architectural issues, this work has not yet commenced. The intention is that this work will be completed during 2018.

5. Commence building Port Operations Building on Pier No. 1

The proposed Port Control building on Pier No.1 has been placed on hold until such time as the new Iolaire Commemorative Centre is developed further. The Port Authority did not want to affect architectural designs for the Iolaire Centre, and therefore placed plans on hold until the Centre viability and programme is determined.



6. Use Navigational Risk Assessments for further Port Marine Safety Code Development

This was probably, the most significant operational development in 2017. A large body of work was undertaken in 2017 with a complete review of all our Marine Safety policies and procedures. The work is ongoing and will be rolled out during 2018.

7. Additional Health & Safety training and development

More Health & Safety training was undertaken in 2017 with additional presence on site by our Health & Safety consultants. These improvements will be continuous.

8. Complete new Website

This work was not completed in 2017 but will be rolled out in 2018.

9. Install mobile Port Information system

This work was not completed in 2017 but will be rolled out in 2018.

10. Timber Fendering works

This work was completed in early 2018, although small repair works are ongoing at all times.

11. Installation of Anodes on Pier No. 1 steel piles

This work, required on the steel piles installed in 1971 was completed in 2017.

12. Environmental Management Plan development

The development of an environmental management plan was not completed in 2017 but will be rolled out in 2018.

13. Environmental Impact Assessment for Creed/Anish area

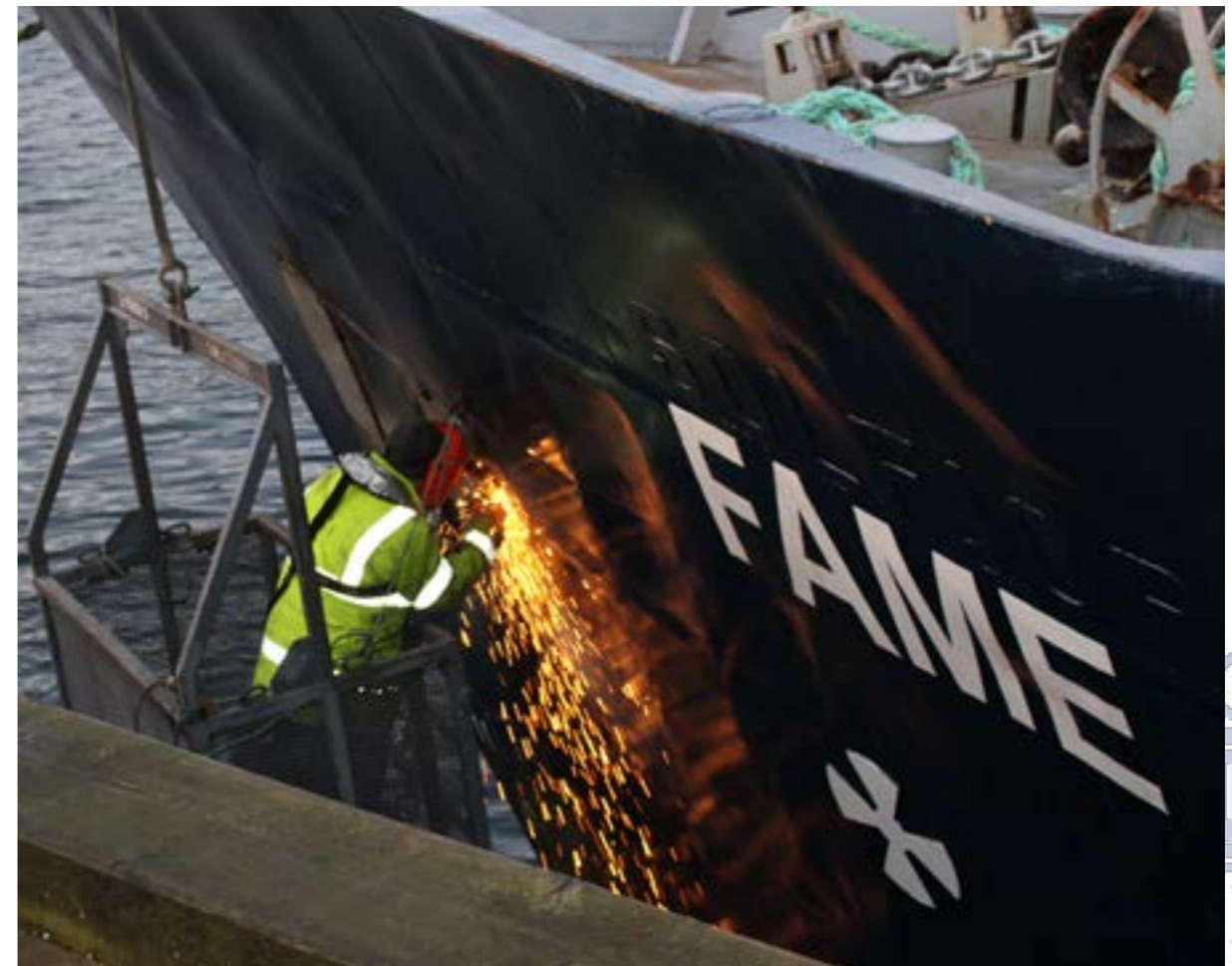
Largely complete by the end of 2017, the works are due to finish early 2018.

14. Environmental Impact Assessment of Newton basin

Largely complete by the end of 2017, the works are due to finish early 2018.

15. Develop traffic management solutions at Ferry marshalling/terminal

Designs were developed, consultation with Comhairle nan Eilean Slar and Calmac Ferries Ltd was undertaken, and funding was approved by Transport Scotland late in 2017. Works are due to be completed early 2018.



2018 STRATEGIC TARGETS

2018 will prove challenging for the Port in some business operations. Our main focus of 2018 will be the continuing development of policies and procedures and the progression of our planned major projects.

The Port Authority must therefore drive forward the projects which will allow the Port to take advantage of available business opportunities. Our focus for 2018 will include:

- **Goat Island/Newton Basin Projects:**
 - Complete Environmental Impact Assessment
 - Source required consents, including planning, Marine Licence and Harbour Revision Order.
 - Submit funding applications
 - Complete designs for all three projects
 - Commence dredging and reclamation works contract
- **Deep Water Port**
 - Complete Environmental Impact Assessment
 - Source required consents, including planning, Marine Licence and Harbour Revision Order.
 - Submit funding applications
 - Tender and award design contract
 - Commence dredging and reclamation works contract
- **Work with the Arnish Site tenants to develop the necessary consents for decommissioning work**
- **Complete redevelopment of ferry terminal marshalling and car parking arrangements**
- **Commence installation of CCTV and Access control works**
- **Port Marine Safety Code**
 - Roll out Safety Management System
 - Consult on General Directions
 - Commence investigations into changing Byelaws
 - Develop Marine Procedures
- **Staff and Organisational Development – Continue to develop internal procedures.**
- **Complete new Website**
- **Install mobile Port Information System**

PORT MARINE SAFETY CODE

An element of port legislation generally unknown to the wider public, the Port Marine Safety Code is an integral component of Health & Safety within a Port. It is essential, therefore, that the Stornoway Port Authority works to achieve compliance with the Port Marine Safety code.

The Code is primarily intended for the “duty holder” which will, for most organisations, mean those members of the organisation, both individually and collectively, who are ultimately responsible for marine safety. In the case of Stornoway Port Authority the Board, collectively, is the duty holder.

Following the completion of a large scale compliance audit in late 2015, the Port Authority commenced a review of its marine safety structure. The primary elements, and what will be used to structure any marine safety management system, are the Navigational Risk Assessments. The Port Authority undertook a review of the Navigational Risk Assessments in 2016 and used the document and recommendations to further develop marine safety within the Port.

Particular developments in 2017 included:

Navigational Risk Assessments – The Navigational Risks Assessments were completed in early 2017. The assessments will be subject to continual review as conditions determine

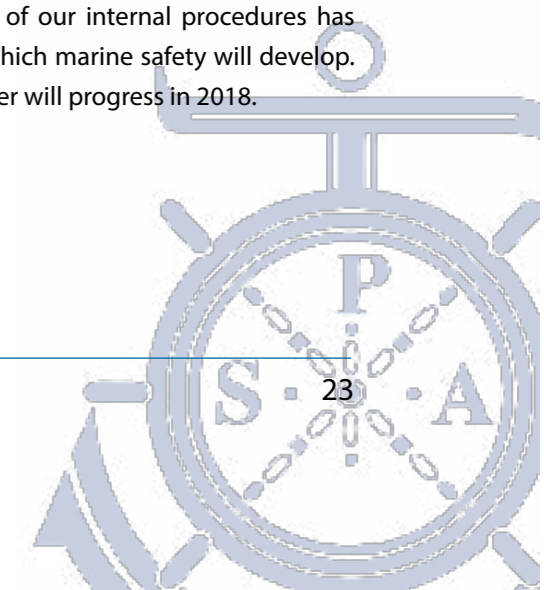
Pilotage Rules – These were updated in early 2016, however further development of Pilotage Procedures will be undertaken in 2018

Marine Safety Policies – Marine Safety Policies have been developed and were incorporated into the Marine Safety management System

Marine Safety Management System – The main focus of our investigations in 2017 was to develop an extensive and robust Safety Management System. Following completion of the SMS manual, the Port Authority is now working on the development of our marine safety procedures, which will be rolled out in 2018.

General Directions – Investigations into the development of General Directions also commenced in 2017, and consultation in regards to speed limits was undertaken. It is expected that the General Directions will go to consultation in early 2018.

Marine Safety Plan – This was also developed in 2017. The development of our internal procedures has ensured that the Port Authority has an efficient and proper mechanism in which marine safety will develop. This is an ongoing process which our new Harbourmaster/Operations Manager will progress in 2018.





Goat Island/Newton Basin

The Goat Island/Newton Basin projects combine the development of various business areas, and include the following elements:

- Dredging to create a marina and using the dredged material to create a large reclamation area
- Installation of pontoons, yacht lift and public slipway
- Construction of a covered boat maintenance facility, able to accommodate most of the local fishing fleet
- Potential for additional development, both leisure and commercial
- Construction of a new fish processing facility

The design of the various Goat Island/Newton Basin projects progressed well in 2017. Due to the location and the varying consenting regimes, late in 2017 it became apparent that the Port Authority would need assistance with the consenting process.

The 2017 works undertook to:

- Progress the design of the Fish Processing facility
- Tender, award and progress the design of the boatyard building
- Tender, award and progress the design of the Marina and reclamation area.
- Borehole investigation of the dredged area
- Liaison with planning department and other consenting bodies
- Award and development of the Environmental Impact Assessment

2018 will see the following:

- Completion of the design of all the separate projects
- Consultation and submission of the various consenting requirements
- Funding applications
- Construction of tender process
- Construction to start late in 2018

These projects will regenerate this area of the town, and will improve the initial impression visitors get when arriving by ferry.

Deep Water Port

Probably the most ambitious project ever to be developed by the Port Authority, this is a project of national significance and will be transformational for our local economy.

The creation of a Deep Water port will allow for many of the existing Port activities to be relocated while also facilitating significant economic growth in a number of new and existing sectors.

The main facilities at the deep water port would be:

- A ro-ro terminal to provide back-up to the existing linkspan on Pier No. 3, and also support a second ferry service focussing on freight.
- An extensive industrial base for the planned onshore wind projects that could then be used to support future development of offshore wind, wave and tidal energy around the Outer Hebrides as well as oil and gas developments in the Atlantic.
- A cruise berth capable of accommodating cruise ships over 350m long, together with a bus marshalling area for passengers and access into the Castle Grounds (via new footbridge over the River Creed)
- Space for relocating the oil terminal and storage tanks away from the town.

In 2017 the Port undertook the following works:

- Design Development – Developing the original ideas into workable solutions.
- Discussions with funding bodies
- Development of the business case
- Discussions with potential customers
- Borehole site investigation to determine the extent of rock and materials on the seabed, which is essential information for design development

2018 will see the following develop:

- Consultation for the various consenting regimes
- Marine Licence Application
- Application for Planning Permission in Principle
- Harbour Revision Order Application
- Tender and award of the design contract for the project
- Landside site investigation works
- Customer and commercial development
- Development and discussion with local bodies on available opportunities which will be presented by the project
- Work closely with the tenants of the Arnish yard
- Determine operating procedures for the new facility

The Port Authority is hoping that, by the end of 2018, the design will be largely developed, funding discussions will be well underway and the project will be fully consented.

ENVIRONMENT & SAFETY

During 2017 the Port Authority reviewed its environmental procedures and undertook an evaluation of Health & Safety management across the business. Developing the processes and procedures which will ensure the safety of our staff, visitors and the harbour environment are a priority for the Port and these will be developed further over the coming years. Additional investment has been made in staff training on both environmental and safety matters.

2018 Health & Safety improvements will include:

- Further risk assessment training – A lot of work was undertaken in 2017, however, further development work will be required in 2018.
- Evaluation of access to harbour working areas – Access to harbour areas is being investigated and additional control measures will be introduced in 2017
- Further IOSH training – Training programme that will include all staff on an IOSH course

2017 Environmental and Safety targets included:

- Environmental Impact Assessments for Deep Water Port – This was largely complete at the end of 2018
- Environmental Impact Assessment for Newton Basin – This was largely complete at the end of 2018
- Review and update of the Port Authority's Environmental Management Plan – Incomplete, but the work involved in the Environmental Impact Assessments will assist with this development in 2018
- Installation of "Seabins" to clean up Inner Harbour will be undertaken in 2018.



COMMUNITY ASSISTANCE FUND

The Port Authority set up a small funding mechanism to help the development of island community groups and invited funding applications with a submission date in June 2017.

To ensure the future generation is focused on the development of the harbour, youth organisations and marine-related groups are given primacy and must also be able to demonstrate that they have local priorities and be based in Lewis and Harris.

The following groups made successful applications to our Community Assistance Fund:

Stornoway Amenity Trust

The Amenity Trust were granted funding toward the fabrication of two benches for a new lolaire Memorial. This project was part of the lolaire Memorial at Carn Gardens which was done in partnership with pupils from the Nicolson Institute and the Stornoway Historical Society.

Stornoway Sailing Club

The Sailing Club were granted funding towards the provision of VHF radios for their volunteer instructors.

Urras Oighreachd Ghabhsainn

Urras Oighreachd Ghabhsainn were granted funding towards the provision of outdoor play equipment for a summer holiday club which is targeted towards wildlife and nature within their community.

Western Isles District Scout Council

The Scout Council were granted funding to replace the windows in the Scout and Guide Hall on Keith Street. The Scout Hall is used by a wide variety of youth groups, including Guides, Scouts, Brownies, Cubs, Rainbows, Beavers, Rangers, Explorers and the Stornoway Playgroup on a daily basis.

Falmadair

Falmadair, a local charity which maintains and runs traditional wooden boats, were granted funding to replace aging and insufficient safety equipment on their various vessels.



Board member Ian Burgess with the Stornoway Playgroup who use the Scout Hall every weekday

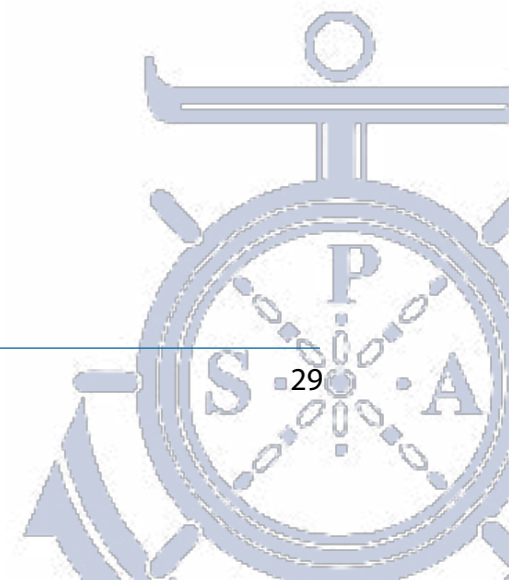
SCHOOL VISITS

During 2017 over 400 school children visited the Port and Arnish Lighthouse.



STORNOWAY PORT AUTHORITY
Report of the Board and
Audited Financial Statements for the Year Ended 31 December 2017

Mann Judd Gordon Ltd
Registered Auditors &
Chartered Accountants
26 Lewis Street
Stornoway
Isle of Lewis
HS1 2JF



**Authority Information
for the Year Ended 31 December 2017**

**Contents of the Financial Statements
for the Year Ended 31 December 2017**

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BOARD MEMBERS:

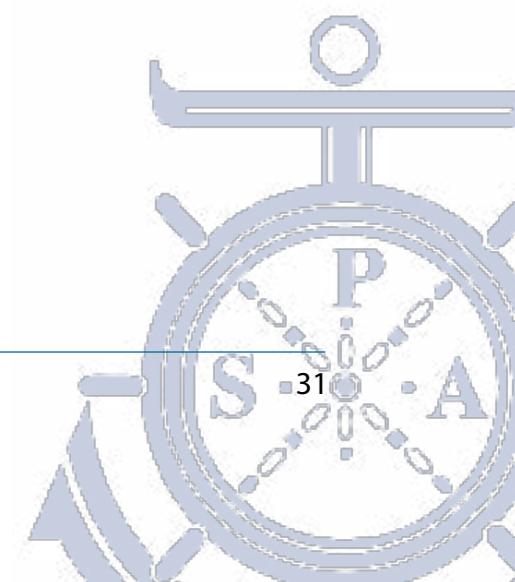
M A Murray
I Burgess
A Macdonald
I D Maciver
J M Nicolson
A D Macleod
Mrs M A Macleod
I McCulloch

ADDRESS:

Amity House
Stornoway
Isle of Lewis
HS1 2XS

INDEPENDENT AUDITORS:

Mann Judd Gordon Ltd
Registered Auditors &
Chartered Accountants
26 Lewis Street
Stornoway
Isle of Lewis
HS1 2JF



**Report of the Board
for the Year Ended 31 December 2017**

The board members present their report with the financial statements of the authority for the year ended 31 December 2017.

Operation, administration, ongoing maintenance and future development of Stornoway Harbour has been entrusted to the Board of Stornoway Port Authority, an independent statutory body formed under the terms of the Stornoway Harbour Order Confirmation Act of 1976, as modified most recently by The Stornoway Harbour Revision (Constitution) Order 2008.

PRINCIPAL ACTIVITY

The principal activity of the Authority in the year under review was that of the operation of the Harbour Undertaking and ancillary services.

REVIEW OF BUSINESS

The review of the business for the year can be found within the Chairman's Report.

BOARD MEMBERS

The board members shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

M A Murray
I Burgess
A Macdonald
I D Maciver
J M Nicolson
A D Macleod
I McCulloch

Other changes in board members holding office are as follows:

Captain R J M Frater - resigned 30 April 2017
Mrs M A Macleod - appointed 13 November 2017

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

The board members are responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 authority and of the profit or loss of the authority 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 authority will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the authority's transactions and disclose with reasonable accuracy at any time the financial position of the authority 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 authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for the maintenance and integrity of the corporate and financial information included on the authority's website.

**Report of the Board
for the Year Ended 31 December 2017**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the board members are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the authority's auditors are unaware, and each board member has taken all the steps that he or she ought to have taken as a board member in order to make himself or herself aware of any relevant audit information and to establish that the authority's auditors are aware of that information.

AUDITORS

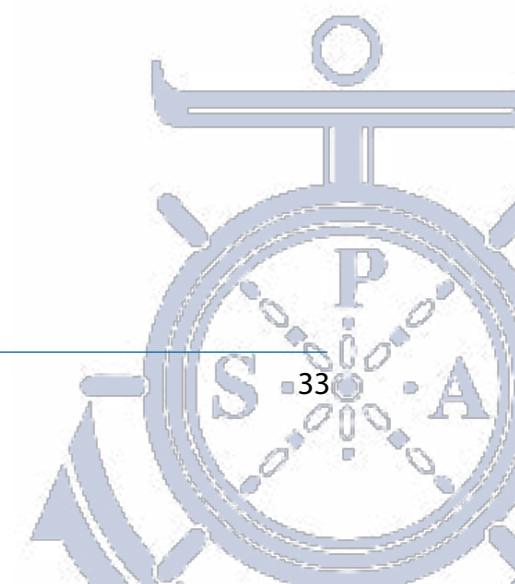
The auditors, Mann Judd Gordon Ltd, will be proposed for re-appointment at the forthcoming meeting of the Authority Audit Committee.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

.....
A D Macleod – Chief Executive

27 April 2018



**Report of the Independent Auditors to the Members of
Stornoway Port Authority**

Opinion

We have audited the financial statements of Stornoway Port Authority (the 'authority') for the year ended 31 December 2017 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the authority's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Harbours Act 1964 as amended. Our audit work has been undertaken so that we might state to the authority's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the authority's affairs as at 31 December 2017 and of its loss 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 the Harbours Act 1964 as amended.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the authority 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 the provisions available for small entities, in the circumstances set out in note eleven to the financial statements, 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board members are responsible for the other information. The other information comprises the information in the Report of the Board, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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, 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.

Opinion on other matters prescribed by the Companies Act 2006 and the Harbours Act 1964 as amended

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

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

**Report of the Independent Auditors to the Members of
Stornoway Port Authority**

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Harbours Act 1964 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; or
- the board members were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Board.

Responsibilities of board members

As explained more fully in the Statement of Board Members' Responsibilities, 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 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 authority'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 authority or to cease operations, or have no realistic alternative but to do so.

Our 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 a Report of the Auditors 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

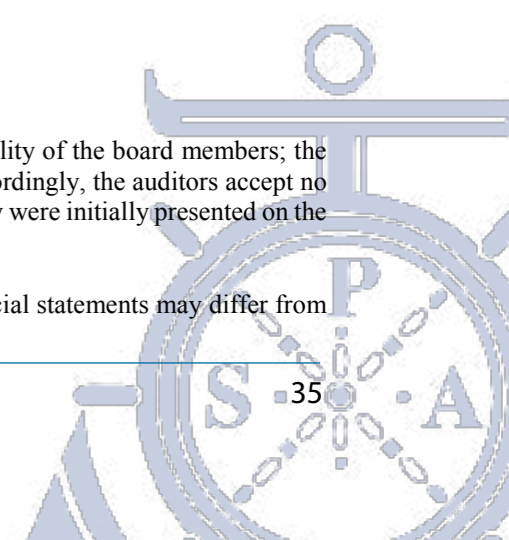
John E Moffat ACA (Senior Statutory Auditor)
for and on behalf of Mann Judd Gordon Ltd
Registered Auditors &
Chartered Accountants
26 Lewis Street
Stornoway
Isle of Lewis
HS1 2JF

9 May 2018

Note:

The maintenance and integrity of the Stornoway Port Authority website is the responsibility of the board members; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

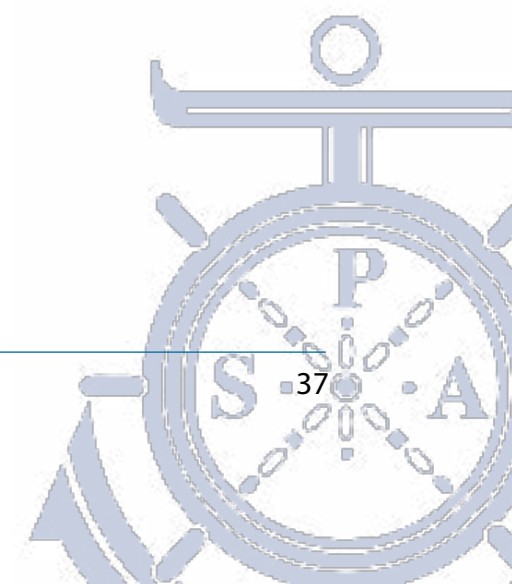


STORNOWAY PORT AUTHORITY

Profit and Loss Account

for the Year Ended 31 December 2017

	Notes	31.12.17 £	31.12.16 £
REVENUE		3,407,717	3,294,621
Cost of sales		<u>1,716,382</u>	<u>1,418,327</u>
GROSS PROFIT		1,691,335	1,876,294
Administrative expenses		<u>1,718,875</u>	<u>1,225,535</u>
		(27,540)	650,759
Other operating income		<u>233,305</u>	<u>197,495</u>
OPERATING PROFIT	3	205,765	848,254
Interest receivable and similar income		<u>3,431</u>	<u>10,207</u>
		209,196	858,461
Other finance costs	9	<u>51,000</u>	<u>46,000</u>
PROFIT BEFORE TAXATION		158,196	812,461
Tax on profit		<u>208,599</u>	<u>210,000</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(50,403)</u>	<u>602,461</u>



**Balance Sheet
31 December 2017**

	Notes	31.12.17		31.12.16	
		£	£	£	£
FIXED ASSETS					
Property, plant and equipment	4		10,216,822		11,186,733
Investment property	5		<u>1,555,100</u>		<u>1,555,100</u>
			11,771,922		12,741,833
CURRENT ASSETS					
Debtors	6	635,904		507,852	
Cash at bank and in hand		<u>3,976,493</u>		<u>3,214,350</u>	
		4,612,397		3,722,202	
CREDITORS					
Amounts falling due within one year	7	<u>1,026,667</u>		<u>590,119</u>	
NET CURRENT ASSETS		<u>3,585,730</u>		<u>3,132,083</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			15,357,652		15,873,916
PROVISIONS FOR LIABILITIES			(306,475)		(309,279)
ACCRUALS AND DEFERRED INCOME			(7,187,311)		(7,808,368)
PENSION LIABILITY	9		<u>(1,304,910)</u>		<u>(1,478,400)</u>
NET ASSETS			<u>6,558,956</u>		<u>6,277,869</u>
RESERVES					
Fair value reserve	8		876,610		876,610
Retained earnings			<u>5,682,346</u>		<u>5,401,259</u>
			<u>6,558,956</u>		<u>6,277,869</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board on 26 April 2018

.....
M A Murray - Chair

.....
I Burgess – Vice Chair

STORNOWAY PORT AUTHORITY

**Notes to the Financial Statements
for the Year Ended 31 December 2017**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The presentation currency of the accounts is Pound sterling (£).
The accounts are rounded to the nearest £1

Significant judgements and estimates

Fixed asset net book value and depreciation charges are the areas of the accounts which are affected by significant judgements and estimates. The members exercise judgement in determining both the useful economic life and the likely residual value of the authority's assets. This judgement affects the rates of and charge for depreciation as well as grant release in the accounts for the year. It also therefore affects the net book value of the assets in the balance sheet.

Turnover

Turnover comprises the total income receivable for the year, excluding value added tax, from dues on berthings, goods landed and utilisation of ancillary services.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Land, Buildings and Works	- at varying rates on cost
Improvements to property	- at varying rates on cost
Fixtures and fittings	- at varying rates on cost
Motor vehicles	- 25% on cost

Investment property

The Authority recognises its portfolio of rental properties as investment properties in the balance sheet, and includes them at Fair Value.

Any revaluation surpluses or deficits arising on the revaluation of the investment property portfolio will be reflected in the Profit and Loss account as they arise.

Deferred tax has been provided on the revaluation surplus.

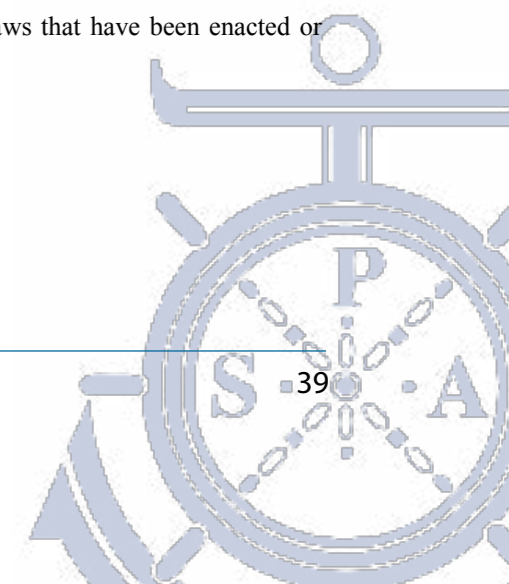
The Board will revisit the valuation of the investment property portfolio on a tri-annual basis.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.



**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

1. ACCOUNTING POLICIES - continued**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The authority operates a defined benefit pension scheme. A full actuarial valuation by a professionally qualified actuary is carried out every 3 years. The surplus/deficit in the scheme is recognised as an asset/liability on the balance sheet. Changes in the asset/liability are reflected in the profit and loss account or statement of Other Comprehensive Income as required.

Grants

Capital grants received in respect of fixed assets are credited to deferred income and amortised to the profit and loss account over the useful economic lives of the assets to which they relate.

2. EMPLOYEES AND BOARD MEMBERS

	31.12.17	31.12.16
	£	£
Wages and salaries	839,294	741,558
Social security costs	69,883	68,464
Other pension costs	<u>226,000</u>	<u>137,999</u>
	<u>1,135,177</u>	<u>948,021</u>

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

	31.12.17	31.12.16
Operations	18	18
Administration	4	4
Management	<u>4</u>	<u>4</u>
	<u>26</u>	<u>26</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.17	31.12.16
	£	£
Operating lease income	(189,457)	(202,110)
Depreciation - owned assets	1,134,604	1,125,113
Auditors' remuneration	7,500	10,000
Auditors' remuneration for non audit work	<u>6,460</u>	<u>7,475</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

4. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and Works £	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 January 2017	13,254,435	2,046,258	73,429	48,685	15,422,807
Additions	<u>164,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,693</u>
At 31 December 2017	<u>13,419,128</u>	<u>2,046,258</u>	<u>73,429</u>	<u>48,685</u>	<u>15,587,500</u>
DEPRECIATION					
At 1 January 2017	3,278,868	882,554	53,751	20,901	4,236,074
Charge for year	<u>966,702</u>	<u>163,133</u>	<u>4,185</u>	<u>584</u>	<u>1,134,604</u>
At 31 December 2017	<u>4,245,570</u>	<u>1,045,687</u>	<u>57,936</u>	<u>21,485</u>	<u>5,370,678</u>
NET BOOK VALUE					
At 31 December 2017	<u>9,173,558</u>	<u>1,000,571</u>	<u>15,493</u>	<u>27,200</u>	<u>10,216,822</u>
At 31 December 2016	<u>9,975,567</u>	<u>1,163,704</u>	<u>19,678</u>	<u>27,784</u>	<u>11,186,733</u>

Included in cost of land and buildings is freehold land of £462,620 (2016 - £462,620) which is not depreciated.

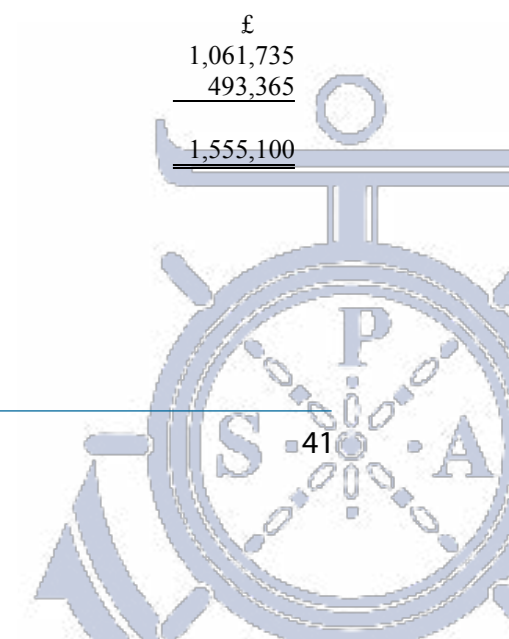
5. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2017 and 31 December 2017	<u>1,555,100</u>
NET BOOK VALUE	
At 31 December 2017	<u>1,555,100</u>
At 31 December 2016	<u>1,555,100</u>

Included in fair value of investment property is freehold land of £1,555,100 (2016 - £1,555,100) which is not depreciated.

Fair value at 31 December 2017 is represented by:

Valuation in 2012	£
Cost	1,061,735
	<u>493,365</u>
	<u>1,555,100</u>



STORNOWAY PORT AUTHORITY

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

5. INVESTMENT PROPERTY - continued

If the investment properties had not been revalued they would have been included at the following historical cost:

	31.12.17	31.12.16
	£	£
Cost	<u>493,365</u>	<u>493,365</u>
Aggregate depreciation	<u>(34,028)</u>	<u>(34,028)</u>

The investment properties were valued on an open market basis on 31 March 2012 by Graham + Sibbald Chartered Surveyors.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade debtors	455,087	318,884
Other debtors	<u>180,817</u>	<u>188,968</u>
	<u>635,904</u>	<u>507,852</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade creditors	81,151	145,050
Taxation and social security	224,490	231,664
Other creditors	<u>721,026</u>	<u>213,405</u>
	<u>1,026,667</u>	<u>590,119</u>

8. RESERVES

At 1 January 2017
and 31 December 2017

Fair value reserve £
<u>876,610</u>

STORNOWAY PORT AUTHORITY

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

9. EMPLOYEE BENEFIT OBLIGATIONS

The Authority participates in a multi employer defined benefit pension scheme, for qualifying employees providing benefits based upon pensionable pay.

The Authority contributes to the Highland Council Pension Fund. Contributions to the scheme are charged to the profit and loss account in the year in which they are payable. The contributions are assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest triennial actuarial valuation was at 31 March 2017.

The main conclusions arising from the valuation of the entire scheme are:

The funding level (ratio of assets to past service liabilities) as at 31 March 2017 is 101% (compared with 97% as at 31 March 2014). At the 2017 valuation, there was a surplus of assets relative to the assessed cost of members' benefits on the target funding basis of £13m.

The funding level has improved due to positive membership experience and better than anticipated investment returns. These have been partially offset by a reduction in future expected investment returns.

The whole fund Primary and Secondary contribution rates at this valuation are:

Primary rate (% of pay) :	17.8% from 1 April 2018 to 31 March 2021
Secondary rate (£):	£3.973m 2018/19
	£4.108m 2019/20
	£4.248m 2020/21

The primary rate also includes an allowance of 0.6% for the Fund's expenses. The average employee contribution was assessed as 6.0% of pensionable pay.

At the previous formal valuation at 31 March 2014, a different regulatory regime was in force. Therefore a contribution rate that is directly comparable to the above rates has not been provided.

The financial position of the fund improved in the period after the valuation date. As a result of this, the funding level is expected to improve slightly.

Further sums should also paid to the Fund to meet the costs of any non-ill health early retirements using methods and assumptions issued by the actuary from time to time.

The certified contribution rates represent the minimum level of contributions to be paid. For Stornoway Port Authority, the contributions payable will be 19.5% of employee's pensionable pay in the years to 31 March 2021.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.12.17	31.12.16
	£	£
Present value of funded obligations	(6,568,000)	(6,207,000)
Fair value of plan assets	<u>4,957,000</u>	<u>4,359,000</u>
	(1,611,000)	(1,848,000)
Present value of unfunded obligations	-	-
Deficit	(1,611,000)	(1,848,000)
Deferred tax asset	<u>306,090</u>	<u>369,600</u>
Net liability	<u>(1,304,910)</u>	<u>(1,478,400)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

9. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.17	31.12.16
	£	£
Current service cost	226,000	138,000
Net interest from net defined benefit asset/liability	51,000	46,000
Past service cost	-	-
	<u>277,000</u>	<u>184,000</u>
Actual return on plan assets	<u>117,000</u>	<u>141,000</u>

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

	Defined benefit pension plans	
	31.12.17	31.12.16
	£	£
Opening defined benefit obligation	6,207,000	4,923,000
Current service cost	226,000	138,000
Contributions by scheme participants	40,000	34,000
Interest cost	168,000	187,000
Benefits paid	(193,000)	(191,000)
Remeasurements:		
Actuarial (gains)/losses from changes in financial assumptions	120,000	1,182,000
Other experience	-	(66,000)
	<u>6,568,000</u>	<u>6,207,000</u>

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

	Defined benefit pension plans	
	31.12.17	31.12.16
	£	£
Opening fair value of scheme assets	4,359,000	3,738,000
Contributions by employer	119,000	101,000
Contributions by scheme participants	40,000	34,000
Expected return	117,000	141,000
Benefits paid	(193,000)	(191,000)
Return on plan assets (excluding interest income)	<u>515,000</u>	<u>536,000</u>
	<u>4,957,000</u>	<u>4,359,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

9. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.17	31.12.16
	£	£
Actuarial (gains)/losses from changes in financial assumptions	(120,000)	(1,182,000)
Other experience	-	66,000
Return on plan assets (excluding interest income)	<u>515,000</u>	<u>536,000</u>
	<u>395,000</u>	<u>(580,000)</u>

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

	Defined benefit pension plans	
	31.12.17	31.12.16
Equities	71%	69%
Bonds	15%	17%
Property	12%	12%
Cash	<u>2%</u>	<u>2%</u>
	<u>100%</u>	<u>100%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31.12.17	31.12.16
Discount rate	2.50%	2.70%
Future salary increases	4.40%	4.50%
Future pension increases	2.40%	2.50%

10. RELATED PARTY DISCLOSURES

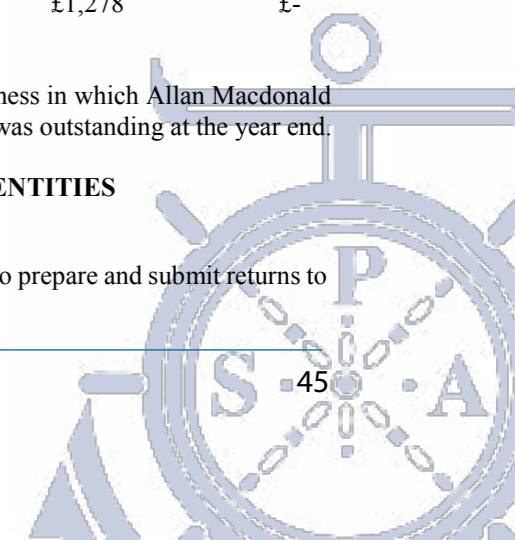
A number of the Board Members have vessels moored in the Authority's pontoons. All such supplies to Board Members are at the rates published in the Schedule of Rates and Dues.

<u>Board Member</u>	<u>Service</u>	<u>Opening balance</u>	<u>Invoices issued</u>	<u>Closing balance</u>
John Nicolson	Harbour Dues	£-	£1,278	£-

During the year the Authority purchased goods from Manor Filing Station, a business in which Allan Macdonald is a director and shareholder. The value of the purchases was £5 and no balance was outstanding at the year end.

11. APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

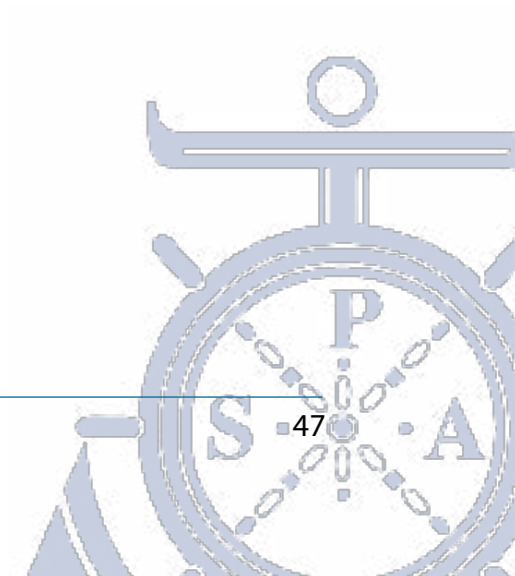


Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

12. PILOTAGE

The Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 require the separate disclosure of revenue and expenditure applicable to pilotage activities.

	31.12.17	31.12.16
	£	£
Revenue from pilotage services	39,375	31,859
Pilotage expenses	31,637	30,129



LOCH SEAFORTH

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