

**STORNOWAY PORT AUTHORITY**  
**REPORT OF THE BOARD AND**  
**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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

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for the Year Ended 31 December 2014**

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**STORNOWAY PORT AUTHORITY**

**AUTHORITY INFORMATION  
for the Year Ended 31 December 2014**

**BOARD MEMBERS:**

**Appointed**

Captain R J M Frater – Vice Chairman to 5/11/14,  
Interim Chairman from 6/11/14  
Chairman from 17/11/14

Dr N R Galbraith

Mr A Macdonald – Appointed 1/5/14

Mr D J Macdonald – Appointed 1/5/14

Resigned 4/11/14

Ms A J Maciver – Chief Executive to 9/1/15

Mr M Macleod – Term of appointment ended

30/4/14

Mr A Morrison

Mr M A Murray – Vice Chairman from 17/11/14

Captain A M Smith – Resigned 28/10/14

Mr D Wood – Resigned 9/6/14

**Co-opted**

Mr I Burgess – from 6/8/14 to 30/4/15

Mr D J Macdonald – from 31/10/13 to 30/4/14

Captain J Smith – from 6/8/14 to 30/4/15

**INTERIM CHIEF EXECUTIVE:** J J MacLennan – from 15/1/15

**CHIEF EXECUTIVE:** Ms A J Maciver – to 9/1/15

**ADDRESS:**

Amity House  
Esplanade Quay  
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

## STORNOWAY PORT AUTHORITY

### CHAIRMAN'S REPORT for the Year Ended 31 December 2014

The main focus during the year was on the upgrading of No 3 Pier to accommodate the new Caledonian MacBrayne ferry. The contract was awarded to BAM Nuttall on 28th February, with the local firm Breedon Hebrides as the main subcontractor. This project is now nearing completion and we look forward to an improved ferry link in the years ahead. The new ferry "LOCH SEAFORTH" was launched on 21 March 2014 and the Chairman and Vice-Chairman represented Stornoway Port Authority at the launch.

The new 80 berth Marina was officially opened 9th August by former Chief Executive Mr John J MacLennan, and we were fortunate to have the world champion pipe band from Simon Fraser University in Vancouver to play at the opening. It is fair to say that the marina has been a resounding success, being fully booked until late in the year. The new railings which were installed in conjunction with the marina works have been well received by the users and the general public.

Marketing to the Cruise industry continues to prove successful and this year has again been a record year for Cruise ship calls and our marketing staff are to be congratulated for their efforts. This has been of great benefit not only to the port but also to the wider community.

This year also saw the removal of the "MONACO" from the inner harbour, where she had lain for more than a decade.

A sub-committee, chaired by Board member Dr Neil Galbraith, has been formed to put together a programme of events throughout 2015 to celebrate the 150th Anniversary of the port. This will include hosting the Annual Conference of the British Ports Association in late September. In partnership with Comhairle nan Eilean Siar it is anticipated that the newly refurbished Lews Castle will be used as one of the Conference venues.

It was decided last year that the Pilot Vessel "PORTRONA" was reaching the end of her useful life and that a suitable vessel should be sought as a replacement. The vessel "PATHFINDER", a former Police launch, was identified as being suitable for conversion to Pilotage and after inspection by qualified surveyors was purchased and delivered to Stornoway. Prior to conversion work being undertaken the then Chief Executive in consultation with the then Chairman authorised the "PATHFINDER" to be taken to Lochmaddy for the opening of the Lochmaddy Marina and completed the round voyage successfully. The following morning, 3 September 2014, the vessel was found to be sunk in the inner harbour and only the mooring ropes attached to the pontoon prevented the vessel from sinking to the bottom. The vessel was lifted out of the water to the hard standing for examination, where it was found that all vessels equipment and the engine had suffered water damage. The cause of water ingress is subject to an ongoing investigation and a claim has been raised with the insurers.

Plans to provide a new Iceplant are being progressed.

On 30 April Mr M Macleod's term of appointment ended and Mr A Macdonald was appointed. Captain R Frater was re-appointed and Mr D J Macdonald, who had previously been co-opted, was appointed.

Mr D Wood resigned from the Board on 9th June 2014 and Captain A Smith resigned as Chairman and Board member on 28th October 2014. Mr D J Macdonald resigned on 4th November 2014. Following Captain A Smith's resignation as Chairman, Captain R Frater, as Vice Chairman, was appointed Interim Chairman and Mr M Murray was appointed Interim Vice Chairman.

Captain Frater and Mr Murray were confirmed as Chairman and Vice Chairman respectively on 17th November 2014. Captain John Smith and Mr I Burgess were co-opted to the Board as from 6th August 2014 for a period of nine months.

3 Port Operatives and a Berthing Master/ Pilot left during the course of the year and 5 Port Operatives were recruited. Administrative Staff increased by one with the appointment of an Executive Administration Assistant.

Discussions and negotiations are ongoing with a view to harmonising the hours and duties of all Port Operatives.

I would like to pay tribute to the hard work of staff, officers and Board members during what has been a very testing year for all concerned.

***Robert Frater***

Robert Frater - Chairman  
4 June 2015

## STORNOWAY PORT AUTHORITY

### REPORT OF THE BOARD for the Year Ended 31 December 2014

The Board Members present their report with the financial statements of the Authority for the year ended 31 December 2014.

#### **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 Board present their report with the financial statements of the Port Authority for the year ended 31 December 2014.

#### **Modern Trust Ports for Scotland : Guidance for Good Governance**

Following an unprecedented number of resignations at both Board and staff levels and the sinking of the Pathfinder on 3 September 2014 the Authority came under intense scrutiny by its stakeholders and the media in relation to its full compliance with the Guidance for Good Governance. One of the criticisms focussed on the Authority's failing to call an Annual Stakeholders' meeting as recommended. The Board recognises the failure to call such meetings and consequently the Authority undertakes to hold an Annual Stakeholder Meeting the first of which will be called as soon as practicable following the appointment of a new Chief Executive.

#### **Constitution of the Authority**

In accordance with The Stornoway Harbour Revision (Constitution) Order 2008, the Board of Stornoway Port Authority shall consist of nine Members appointed by the Authority and the Chief Executive of the Authority.

#### **Board Membership**

A detailed list of Appointed and Co-opted Members of the Authority is presented on page 1 of the Financial Statement under the heading Authority Information.

At a Special Meeting of the Authority held on 24th October 2014 the Board found that the Chairman, Captain Angus M Smith had been in breach of procedural guidelines. At a further Meeting of the Authority held on 28th October 2014 the Chairman tendered his resignation which was accepted by the Board.

Separately, two other Board members resigned in 2014, being Mr. David Wood on 9th June 2014 and Mr. Donald J. Macdonald on 4th November 2014.

On 9 January 2015 the Chief Executive relinquished her post by mutual consent.

The Authority is actively taking appropriate steps to recruit additional Board Members.

#### **Meetings Of The Authority**

There were 7 Ordinary Board Meetings, 5 Special Board Meetings and 16 Working Group meetings held in 2014 and 20 press / news statements, 252 tweets and four radio and TV interviews were published/broadcast in the year.

#### **Review of Business**

The results for the year and financial position of the Authority are shown in the annexed financial statements.

In 2014 the Port Authority was engaged in two major infrastructure projects, namely the installation of a new 80 berth Marina Facility in the Inner Harbour and the upgrading of Number 3 Pier in anticipation of the introduction of the new ferry Loch Seaforth coming on the Stornoway - Ullapool route.

#### **Marina**

The Marina facility came on stream in August 2014 and has exceeded expectations in terms of uptake of berths and usage. The provision of such facilities provides very significant business opportunities to local shops, hotels, chandlery, shipping agents, engineers and other tourist oriented outlets. The new pontoons are capable of accommodating much larger vessels calling at Stornoway.

#### **Number 3 Pier Upgrade.**

The major infrastructure contract to upgrade the Number 3 Pier and extend the marshalling area was awarded on 28 February 2014, signed on 1 April 2014 with work commencing on 2 April 2014. The planned completion date of 27 October 2014 was not achieved due to a variety of challenges causing delays all of which were eventually overcome and in the event the contract was not substantially completed until 12th February 2015. In financial terms this has been the biggest contract ever undertaken by the Authority.

## STORNOWAY PORT AUTHORITY

### REPORT OF THE BOARD for the Year Ended 31 December 2014

#### Cruise Liners

The Authority continued its programme of marketing to the Cruise and Leisure Sailing Industries with attendance at various trade events at home and abroad. A record 46 cruise liners is scheduled to call at Stornoway in 2015 and already 36 have booked for 2016 including the prestigious Queen Elizabeth.

#### Proposed Super Yacht Dock

Having reviewed all of the circumstances including operational needs of the harbour and financial viability of the project whereby HIE was unable to grant aid it, the Board decided on 16th April 2015 not to proceed with this project at the present time.

#### Vessel Movements & Some Statistics

In 2014 there were 1208 vessel movements and 969 Ferry movements in the port.  
Passengers - 226,040. Cars- 70,394. Coaches- 397. Commercial Vehicles - 12,169.

The Port provides the main entry/exit point for almost all commodities imported to or exported from the Island of Lewis, which is the largest Island in the Hebrides (and UK) with a population of around 20,000, being approximately 68% of the Outer Hebrides total population.

The Board pay tribute to its entire staff for their dedication and commitment in ensuring the safe conduct of these significant volumes of passengers and traffic through the port.

The balances retained by the Board are to be used to reinvest in the maintenance and continuing development of Harbour Facilities and Infrastructure. In 2014 these balances were committed to the inner harbour redevelopment and the lifeline ferry infrastructure projects.

#### Corporate Social Responsibility

The Board of Stornoway Port Authority takes its commitment to the island community seriously. In 2014 the ways in which this commitment this was demonstrated included:-

Ongoing support of RNLI

Ongoing support of Sail Hebrides (Hebridean Harbours Group)

Continuing beach cleaning operations in conjunction with the Stornoway Trust

Participation in Community Safety Partnership

Participation in Area Tourism Partnership

Participation in Stornoway Regeneration Group

Participation in Community Planning Partnership

Ongoing provision of temporary ice facilities for use by all stakeholders, following closure of the Stornoway Fishermen's Co-operative Iceplant.

Provision of information packs to marine visitors

Ongoing support of Stornoway Cruise Ambassadors

Support via corporate membership of traditional boat charities

Ongoing Support of Sail Stornoway Hebridean Maritime Festival

Support of the Stornoway Trust's Castle Grounds regeneration project

#### Harbour Redevelopment Reserve Fund

The Board anticipates significant future capital expenditure will be required not only to maintain but also to improve and provide vital infrastructure to meet the needs of harbour users and the wider community. The entire capital (£2.2M) of the Harbour Redevelopment Reserve Fund set up in 2002 has been invested in only two major infrastructure projects undertaken in 2014, namely Inner Harbour Regeneration & Marina and the Upgrade of Number 3 Pier.

In 2014 the Authority arranged a loan of £2M from the Royal Bank and the sum of £1.4M was drawn down and brought to account on 14 December 2014.

Having previously been the responsibility of the passenger ferry operator, in 2014 the Authority took on the responsibility of ensuring that passengers safely embarked and disembarked onto and from ferries using the port. To this end a very sophisticated lift building and Passenger Access System very similar to those used at large airports was installed as part of the upgraded facilities to accommodate the new ferry Loch Seaforth. The capital cost of the Passenger Access System was £1.75M. The increased overheads in operating, maintaining, insuring and eventually replacing this equipment alone will place a significant financial burden on the Authority.

## STORNOWAY PORT AUTHORITY

### REPORT OF THE BOARD for the Year Ended 31 December 2014

#### Future Developments

The authority has published its ten-year Strategic Plan, a copy of which can be viewed or obtained at the Harbour Office.

#### Key Tasks 2015

Following the resignation of the Harbour Master, intimated on 1 December 2014 and effective from 28 February 2015 and the relinquishing of her post by mutual consent of the Chief Executive on 9 January 2015, thereafter the Authority advertised for and recruited a new Harbour Master, Mr A. J. Morrison, who took up his post on 11 May 2015 and a new Chief Executive, Mr A. D. Macleod, who will take up his post towards the end of July 2015. Captain Roderick Jardine served as Interim Harbourmaster as from 9th January 2015 to 22nd May 2015 and Mr John J. Maclellan was appointed as Interim Chief Executive as from 15th January 2015.

The recruitment of additional Board Members is also of paramount importance to ensure the proper discharge of the Authority's remit as a Statutory Harbour Authority.

The finalisation of the Number 3 Pier Upgrading Contract is also of high priority to the Authority in 2015.

The Authority continues to prioritise the rebuilding of No. 1 Pier and linkspan as essential to the ongoing development of the Port in order to meet the requirements of existing and future customers and to serve the lifeline needs of the island community. The Authority deems the provision of a second linkspan as essential not only to meet existing demand, but also to serve as back up in the event of one linkspan being withdrawn from service for any reason. As the new lifeline service vessel is unable to use the existing No 1 linkspan this is now a matter of urgency in the Authority's view.

Other Key Tasks in 2015 include:

- Installation of new Ice Plant
- Removal of laid up vessels
- Agree Complimentary Shore Services at new Marina
- Terms for Authority to manage Arnish Pier for current Leaseholder.
- Energy saving measure at ferry terminal
- Possible installation of solar panels on fish mart
- Replacement of aging forklift, perhaps with a tele handler.
- Look into more efficient ways to sweep and grit the piers
- Laundry facilities
- Long term plan for Pier 1 upgrade / replacement linkspan
- Ongoing promotion of a Harbour Revision Order to introduce potential constitutional changes and possible extension to the Harbour Limits.

#### Strategic Objectives

The Stornoway Port Authority's Strategic Objectives are:

1. To maintain existing harbour facilities, piers, building, plant and equipment including 850 ton capacity slipway in a safe and serviceable order.
2. To invest in new port facilities where a need is identified.
3. To diversify activities with regard to sources of income, especially where this supports and strengthens the Authority's core harbour activity.
4. To keep existing customers and attract new business.
5. To maximise quality and value for money in all harbour services through continually endeavouring to make its operations cost effective, efficient and streamlined whilst maintaining high standards.

#### Specific Policies

The Authority will support the commercial, fishing and recreational activities in Stornoway Harbour through the provision of the appropriate services and good value. The policy of the Authority and its management is to:

1. Manage the assets of the Authority safely, economically and efficiently.
2. Maintain all its operational equipment including pilot boat to the highest industry standards.
3. Pursue modern cost-effective methods including periodic dredging and surveying.
4. Train all staff to the highest professional standards with emphasis on their own safety and the safety of others.

## STORNOWAY PORT AUTHORITY

### REPORT OF THE BOARD for the Year Ended 31 December 2014

#### Safety and Environmental Protection Policy

The Authority will discharge its general and specific duties in respect of:

1. the regulation of traffic.
2. the safety of navigation within harbour limits.
3. the maintenance of all navigation lights and marks and the review of requirements at regular intervals in consultation with users and Northern Lighthouse Board.
4. the conservancy of the harbour.
5. the protection of the environment within the harbour and its surrounds in consultation with Stornoway Trust, Scottish Natural Heritage, Scottish Environmental Protection Agency and Comhairle nan Eilean Siar.
6. ensuring the safety at work of its employees and other persons who may be affected by its activities.
7. the provision of a pilotage service with properly trained Pilots and pilot boat crew and
8. the provision of adequate resources to enable its employees to carry out their responsibilities in operating a safe harbour.

#### STATEMENT OF BOARD RESPONSIBILITIES

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

Legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Board 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 surplus or deficit of the Authority for that period. In preparing these financial statements, the Board 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company'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 Harbours Act 1964. 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Authority website.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Board are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company'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 Annual General Meeting.

#### ON BEHALF OF THE BOARD:

*Robert Frater*

.....  
Captain R J M Frater – Chairman

4 June 2015

## **REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF STORNOWAY PORT AUTHORITY**

We have audited the financial statements of Stornoway Port Authority for the year ended 31 December 2014 on pages nine to twenty. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the Board of Stornoway Port Authority. Our audit work has been undertaken so that we might state to the Board 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 Board Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Board and auditors**

As explained more fully in the Statement of Board Responsibilities set out on page seven, the Board 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Report and the Report of the Board to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements Section 42 of the Harbours Act 1964.

In our opinion 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF  
STORNOWAY PORT AUTHORITY**

**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 Board' 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 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.

***John E Moffat***

.....  
John E Moffat BA FCA (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

4 June 2015

**STORNOWAY PORT AUTHORITY**

**INCOME AND EXPENDITURE ACCOUNT  
for the Year Ended 31 December 2014**

	Notes	31.12.14		31.12.13	
		£	£	£	£
<b>TURNOVER</b>			<b>2,381,724</b>		1,977,803
Cost of sales			<u><b>1,073,679</b></u>		<u>946,292</u>
<b>GROSS SURPLUS</b>			<b>1,308,045</b>		1,031,511
Administrative expenses			<u><b>523,181</b></u>		<u>776,598</u>
			<b>784,864</b>		254,913
Other operating income			<u><b>181,249</b></u>		<u>159,716</u>
<b>OPERATING SURPLUS</b>	3		<b>966,113</b>		414,629
Income from fixed asset investments			<b>36,327</b>	53,479	
Interest receivable and similar income	4		<u><b>5,217</b></u>	<u>5,388</u>	
			<u><b>41,544</b></u>		<u>58,867</u>
			<b>1,007,657</b>		473,496
Interest payable and similar charges	5		<b>165,066</b>	52,512	
Other finance costs	17		<u><b>8,000</b></u>	<u>20,000</u>	
			<u><b>173,066</b></u>		<u>72,512</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			<b>834,591</b>		400,984
Tax on surplus on ordinary activities	6		<u><b>154,929</b></u>		<u>101,857</u>
<b>SURPLUS FOR THE FINANCIAL YEAR</b>			<u><u><b>679,662</b></u></u>		<u><u>299,127</u></u>

**STORNOWAY PORT AUTHORITY**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for the Year Ended 31 December 2014**

	<b>31.12.14</b>	31.12.13
	£	£
<b>SURPLUS FOR THE FINANCIAL YEAR</b>	<b>679,662</b>	299,127
Actuarial gains on pension scheme	<b>55,000</b>	278,000
Movement on deferred tax relating to pension asset/(liability)	<b>210</b>	(96,743)
	<hr/>	<hr/>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b><u>734,872</u></b>	<b><u>480,384</u></b>

**STORNOWAY PORT AUTHORITY**

**BALANCE SHEET  
31 December 2014**

	Notes	31.12.14		31.12.13	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	7		<b>11,929,232</b>		2,491,187
Investments	8		-		2,190,777
Investment property	9		<b><u>1,555,100</u></b>		<u>1,555,100</u>
			<b>13,484,332</b>		6,237,064
<b>CURRENT ASSETS</b>					
Debtors	10	<b>1,111,344</b>		767,391	
Cash at bank and in hand		<b><u>3,223,651</u></b>		<u>894,816</u>	
		<b>4,334,995</b>		1,662,207	
<b>CREDITORS</b>					
Amounts falling due within one year	11	<b><u>1,490,913</u></b>		<u>1,117,730</u>	
<b>NET CURRENT ASSETS</b>			<b><u>2,844,082</u></b>		<u>544,477</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>16,328,414</b>		6,781,541
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		<b>(1,402,723)</b>		-
<b>PROVISIONS FOR LIABILITIES</b>	14		<b>(82,573)</b>		(56,146)
<b>ACCRUALS AND DEFERRED INCOME</b>	15		<b>(8,164,414)</b>		(782,353)
<b>PENSION LIABILITY</b>	17		<b><u>(1,119,430)</u></b>		<u>(1,118,640)</u>
<b>NET ASSETS</b>			<b><u><u>5,559,274</u></u></b>		<u><u>4,824,402</u></u>
<b>RESERVES</b>					
Revaluation reserve	16		<b>1,095,763</b>		1,095,763
Harbour Redevelopment Reserve	16		<b>2,200,000</b>		2,200,000
Income and expenditure account	16		<b><u>2,263,511</u></b>		<u>1,528,639</u>
			<b><u><u>5,559,274</u></u></b>		<u><u>4,824,402</u></u>

**STORNOWAY PORT AUTHORITY**

**BALANCE SHEET - continued  
31 December 2014**

The financial statements were approved by the Board of Board on 4 June 2015 and were signed on its behalf by:

***Robert Frater***

.....  
Captain R J M Frater - Chairman

***M A Murray***

.....  
M A Murray – Vice Chairman

NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 December 2014

1. ACCOUNTING POLICIES

**Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

**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
Plant & Equipment	- at varying rates on cost
Office equipment	- 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 Market Value.

Any revaluation surpluses arising on the revaluation of the investment property portfolio will be reflected in the Statement of Total Recognised Gains and Losses and within the Revaluation Reserve.

Deferred tax will be provided in full only if a property is subject to a binding agreement for sale.

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

**Deferred tax**

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

Deferred tax is only provided for on revaluation surpluses arising, where a property is the subject of a binding agreement for sale.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the income and expenditure account 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 evaluation 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 written off in the profit and loss account or statement of total recognised gains and losses as appropriate.

**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.

**STORNOWAY PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 December 2014**

**2. STAFF COSTS**

	<b>31.12.14</b>	31.12.13
	£	£
Wages and salaries	<b>677,802</b>	622,911
Social security costs	<b>52,398</b>	48,456
Other pension costs	<b><u>129,000</u></b>	<u>110,000</u>
	<b><u>859,200</u></b>	<u>781,367</u>

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

	<b>31.12.14</b>	31.12.13
Operations	<b>21</b>	22
Administration	<b><u>6</u></b>	<u>5</u>
	<b><u>27</u></b>	<u>27</u>

**3. OPERATING SURPLUS**

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

	<b>31.12.14</b>	31.12.13
	£	£
Depreciation - owned assets	<b>233,685</b>	164,958
Profit on disposal of fixed assets	<b>(289,520)</b>	(32,874)
Auditors' remuneration	<b><u>10,750</u></b>	<u>8,400</u>
Board' remuneration and other benefits etc	<b><u>-</u></b>	<u>-</u>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>31.12.14</b>	31.12.13
	£	£
Deposit Account Interest	<b><u>5,217</u></b>	<u>5,388</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

Interest payable and similar charges includes the following:

	<b>31.12.14</b>	31.12.13
	£	£
Bank loan interest	<b>1,737</b>	-
Loan Interest	<b><u>163,329</u></b>	<u>52,512</u>
	<b><u>165,066</u></b>	<u>52,512</u>

**STORNOWAY PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 December 2014**

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the surplus on ordinary activities for the year was as follows:

	<b>31.12.14</b>	31.12.13
	£	£
Current tax:		
UK corporation tax	<b>128,502</b>	53,326
Under provision of corporation tax in prior year	<u>-</u>	<u>11,346</u>
Total current tax	<b>128,502</b>	64,672
Deferred tax	<u>26,427</u>	<u>37,185</u>
Tax on surplus on ordinary activities	<u><b>154,929</b></u>	<u>101,857</u>

**7. TANGIBLE FIXED ASSETS**

	Land, Buildings and Works £	Plant and equipment £	Office equipment £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 January 2014	2,866,438	1,327,265	44,755	44,320	4,282,778
Additions	9,412,445	245,301	3,215	10,769	9,671,730
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,685)</u>	<u>(9,685)</u>
At 31 December 2014	<u>12,278,883</u>	<u>1,572,566</u>	<u>47,970</u>	<u>45,404</u>	<u>13,944,823</u>
<b>DEPRECIATION</b>					
At 1 January 2014	1,238,534	483,471	31,336	38,250	1,791,591
Charge for year	107,480	113,833	6,171	6,201	233,685
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,685)</u>	<u>(9,685)</u>
At 31 December 2014	<u>1,346,014</u>	<u>597,304</u>	<u>37,507</u>	<u>34,766</u>	<u>2,015,591</u>
<b>NET BOOK VALUE</b>					
At 31 December 2014	<u><b>10,932,869</b></u>	<u><b>975,262</b></u>	<u><b>10,463</b></u>	<u><b>10,638</b></u>	<u><b>11,929,232</b></u>
At 31 December 2013	<u>1,627,904</u>	<u>843,794</u>	<u>13,419</u>	<u>6,070</u>	<u>2,491,187</u>

Included in cost of land and buildings is freehold land of £462,620 (2013 - £462,620) which is not depreciated.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2014**

**8. FIXED ASSET INVESTMENTS**

	<b>Listed investments £</b>
<b>COST</b>	
At 1 January 2014	2,190,777
Disposals	<u>(2,190,777)</u>
At 31 December 2014	<u>-</u>
<b>NET BOOK VALUE</b>	
At 31 December 2014	<u>-</u>
At 31 December 2013	<u>2,190,777</u>

**9. INVESTMENT PROPERTY**

	<b>Total £</b>
<b>COST OR VALUATION</b>	
At 1 January 2014 and 31 December 2014	<u>1,555,100</u>
<b>NET BOOK VALUE</b>	
At 31 December 2014	<u>1,555,100</u>
At 31 December 2013	<u>1,555,100</u>

Included in cost or valuation of investment property is freehold land of £1,344,600 (2013 - £1,344,600) which is not depreciated.

Cost or valuation at 31 December 2014 is represented by:

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

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

	<b>31.12.14</b>	31.12.13
	<b>£</b>	<b>£</b>
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.

**STORNOWAY PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2014**

10.	<b>DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>31.12.14</b>	31.12.13
		£	£
	Trade debtors	<b>398,597</b>	247,069
	Other debtors	<u>712,747</u>	<u>520,322</u>
		<u><b>1,111,344</b></u>	<u>767,391</u>
11.	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>31.12.14</b>	31.12.13
		£	£
	Bank loans and overdrafts	<b>1,438</b>	-
	Hire Purchase contracts	<b>3,590</b>	-
	Trade creditors	<b>62,065</b>	344,529
	Taxation and social security	<b>143,290</b>	70,931
	Other creditors	<u>1,280,530</u>	<u>702,270</u>
		<u><b>1,490,913</b></u>	<u>1,117,730</u>
12.	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>31.12.14</b>	31.12.13
		£	£
	Bank loans	<b>1,400,000</b>	-
	Hire purchase contracts	<u>2,723</u>	<u>-</u>
		<u><b>1,402,723</b></u>	<u>-</u>
	Amounts falling due in more than five years:		
	Repayable by instalments		
	Bank loans more 5 yr by instal	<u><b>689,412</b></u>	<u>-</u>
13.	<b>SECURED DEBTS</b>		
	The following secured debts are included within creditors:		
		<b>31.12.14</b>	31.12.13
		£	£
	Bank loans	<u><b>1,401,438</b></u>	<u>-</u>
	The bank loan from Royal Bank of Scotland is secured by way of Standard security over all of the heritable and leasehold property of Stornoway Port Authority.		
14.	<b>PROVISIONS FOR LIABILITIES</b>	<b>31.12.14</b>	31.12.13
		£	£
	Deferred tax		
	Accelerated capital allowances	<u><b>82,573</b></u>	<u>56,146</u>

**STORNOWAY PORT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 December 2014**

**14. PROVISIONS FOR LIABILITIES - continued**

	<b>Deferred tax £</b>
Balance at 1 January 2014	<b>56,146</b>
Charge to Income and Expenditure Account during year	<b><u>26,427</u></b>
Balance at 31 December 2014	<b><u>82,573</u></b>

**15. ACCRUALS AND DEFERRED INCOME**

	<b>31.12.14 £</b>	<b>31.12.13 £</b>
Deferred government grants	<b><u>8,164,414</u></b>	<b><u>782,353</u></b>

**16. RESERVES**

	<b>Income and expenditure account £</b>	<b>Revaluation reserve £</b>	<b>Harbour Redevelopment Reserve £</b>	<b>Totals £</b>
At 1 January 2014	<b>1,528,639</b>	<b>1,095,763</b>	<b>2,200,000</b>	<b>4,824,402</b>
Surplus for the year	<b>679,662</b>			<b>679,662</b>
Actuarial Gain/(Loss) on pension scheme	<b><u>55,210</u></b>	<b>-</b>	<b>-</b>	<b><u>55,210</u></b>
At 31 December 2014	<b><u>2,263,511</u></b>	<b><u>1,095,763</u></b>	<b><u>2,200,000</u></b>	<b><u>5,559,274</u></b>
Profit and loss account excluding pension liability	<b>3,382,941</b>			
Pension deficit	<b><u>(1,119,430)</u></b>			
Income and expenditure account	<b><u>2,263,511</u></b>			

**17. PENSION COMMITMENTS**

Staff of the Stornoway Port Authority are members of the Highland Council Pension Scheme - which is a defined benefit scheme.

**Value of scheme assets and liabilities**

	<b>31.12.14 £</b>	<b>31.12.13 £</b>
Market value of assets	<b>3,659,000</b>	<b>3,668,000</b>
Present value of scheme liabilities	<b><u>(5,076,000)</u></b>	<b><u>(5,084,000)</u></b>
Deficit in scheme	<b><u>(1,417,000)</u></b>	<b><u>(1,416,000)</u></b>
Related deferred tax liability	<b><u>297,570</u></b>	<b><u>297,360</u></b>
Net pension liability	<b><u>(1,119,430)</u></b>	<b><u>(1,118,640)</u></b>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2014**

17. **PENSION COMMITMENTS - continued****Movement in deficit during the year**

	<b>31.12.14</b>	31.12.13
	£	£
Deficit in scheme at start of year	<b>(1,416,000)</b>	(1,638,000)
Current service cost	<b>(129,000)</b>	(110,000)
Contributions	<b>81,000</b>	74,000
Other finance income	<b>(8,000)</b>	(20,000)
Actuarial gain	<b><u>55,000</u></b>	<u>278,000</u>
Deficit in scheme at end of year	<b><u>(1,417,000)</u></b>	<u>(1,416,000)</u>

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 actuarial valuation was at 31 March 2014.

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 2014 is 97% (compared with 96% as at 31 March 2011).
- The cost of ongoing benefits was assessed as 24.6% of pensionable pay. The average employee contribution was assessed as 5.8% of pensionable pay leaving a balance of 18.8% to be met by employers.
- Assuming the funding level is targeted to reach 100% over the next 20 years then this requires an extra contribution of 1.4% of pensionable pay from employers. The results in a total contribution from employers of 20.2% of pensionable pay, which equates to 348% of employee contributions.
- In assessing the required level of contributions allowance for future improvements in mortality.
- The financial position of the fund deteriorated in the period after the valuation date principally as a result of declining equity markets. Accordingly, certified employer contribution rates higher than disclosed by the valuation.
- Further sums should also be paid to the Fund to meet the costs of any 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 18.5%, 19.0% and 19.5% of employee's pensionable pay in the years to 31 March 2016, 2017 and 2018 respectively.

The Authority has also commissioned an FRS17 valuation on its share of the scheme, for the year:

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 December 2014**

**18. RELATED PARTY DISCLOSURES**

The following Board members had transactions with the Authority during the year, or period of service in the year.

All transactions are based on published terms and conditions.

<b>Board Member</b>	<b>Service Provided</b>	<b>Opening Balance Due To The Authority</b>	<b>Invoices Issued During The Year</b>	<b>Closing Balance Due To The Authority</b>
Capt. J Smith	Harbour Dues	-	1,656	-
Capt. A Smith	Harbour Due	-	990	-

Comhairle nan Eilean supplies statutory and non-statutory services to the authority and uses the services of the authority. Stornoway Trust rents land to the Authority.

All of these services are provided in line with the standard published terms and conditions.

**19. PILOTAGE**

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

	<b>31.12.14</b>	<b>31.12.13</b>
	<b>£</b>	<b>£</b>
Revenue from pilotage services	<b>26,671</b>	14,870
Pilot boat expenses	<b>618</b>	10,468