



STORNOWAY PORT AUTHORITY



Annual Report 2018



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2018 YEAR IN REVIEW

**TOTAL NUMBER OF FERRY
PASSENGERS 284,048**

A 3% INCREASE



1967

**MORE CARS
TRAVELLING ON
THE ULLAPOOL TO
STORNOWAY FERRY
IN 2018**



**ZERO LOST TIME
INCIDENTS IN 2018**

**TOTAL VESSEL
MOVEMENTS GREW
3% FROM 908 IN 2017**

VESSEL TONNAGE REACHED 1.2 MILLION

**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
INCREASED BY 15%**

10762

39 CRUISE SHIPS VISIT

AVERAGE
TONNAGE OF
CRUISE SHIP

10746

BUSINESS
CASE
DEVELOPMENT

**REVENUE OF
£3.6 MILLION**

COMMERCIAL
VEHICLES
12427

INCREASE IN CRUISE
SHIP PASSENGERS
FROM 2017



CHAIRMAN'S STATEMENT



As Chairman of the Stornoway Port Authority I am delighted to be able to report another very steady year of activity for the Port against a backdrop of uncertainty in the wider economic climate. Across the business there has been improvement with the total vessel movements growing by 3% from 908 in 2017. Ferry passengers have seen a 3% increase to 284,048 and cars have risen by 2% to 94,966.

Although the Port is still unable to give the larger cruise ships alongside berthing, there has, nonetheless, been a 15% increase in cruise ship passengers to 10,762.

With the Port Masterplan finalised the Authority's strategic focus has been on the continuing development of the Deep Water Port between the mouth of the Creed and Arnish and the Newton Basin Marina development. It has been most encouraging to see the funding package come together for the Marina development which put the Authority in the position of being able to award the civil engineering construction contract.

I would like to thank my fellow non-executive members of the Board and to note with appreciation Ian Don Maciver who left the Board in 2018. I would also note with sadness the passing of Dr Neil Galbraith, who was for many years such a stalwart member of the Board.

Over the past year the Board has been overseeing continuing organisational change as the Port moves towards a step change in operational capacity. The Board is also continually mindful of the need that appropriate processes and procedures are in place, that the principal risks to the Authority are assessed and 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 efforts and continuing commitment.

The end of 2018 saw the preparations for the lolaire Commemorations which marked 100 years since the tragic event on 1 January 1919 when the 'lolaire' struck rocks near the entrance to Stornoway harbour making it one of the worst maritime disasters in United Kingdom waters. The Port Authority commissioned and installed a poignant commemorative artwork on South Beach in time for the New Year events. Particular thanks are due to Lewis journalist Torquil Crichton and artist Malcolm Maclean who developed the concept of the visual tribute.

The Board is thankful for the healthy financial situation which pertains and which enables and encourages the Authority to progress with the major developments with the continued assistance of our partners.

Finally, I would take this opportunity to express the Board's appreciation to all our stakeholders for their continued support and understanding as we work together for the good of the Port and the wider 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.



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 from full time work in 2013. During his period HM Coastguard Ian, gained extensive experience of change and safety management within the marine environment. He became a non-executive Director with NHS Western Isles in 2013 and became Chairman of that organization in early 2019. Ian has been on the Board of Stornoway Port Authority since September 2014, becoming Vice Chairman in 2015. 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.



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 ALLAN MACDONALD

Allan Macdonald was born and bred in Stornoway, educated in Aberdeen where he gained BSc (Hons) Geology and Petroleum Geology and at Heriot Watt to MSc level in Petroleum Engineering.

He worked in the oil and gas industry for 9 years 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.

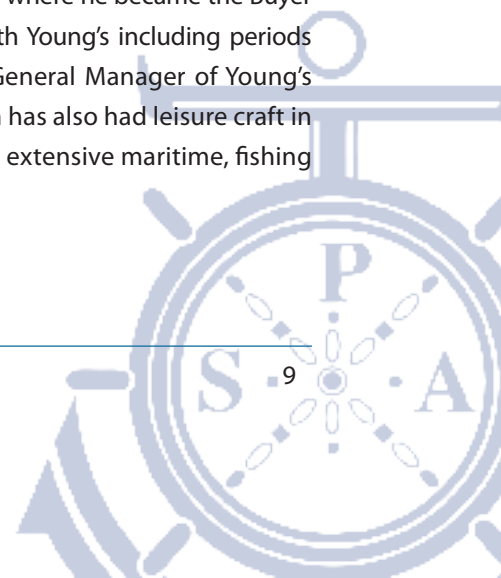
He enjoys outdoor pursuits and is an active member and qualified coach with Stornoway Canoe Club. He was appointed to the Stornoway Port Authority in May 2014



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.



THE BOARD



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 was employed in the oil and gas industry for almost 40 years. During his career Ian has undertaken a broad range of senior management roles including HSE, operations, commercial, engineering and decommissioning. His skills and experience have been developed across varied assignments in the UK, Dubai, Singapore, USA, Indonesia and Algeria. Ian, who joined the Board in August 2016 also serves as a Board Member for Lews Castle College/University of the Highlands and Islands. In addition he chairs the Shawbost Community Council and acts as an external advisor to the Outer Hebrides Energy Group. Ian was brought up in Morayshire and is now resident in Shawbost in the family home.

NON-EXECUTIVE BOARD MEMBERS	JOINED THE BOARD	2018 MEETINGS ATTENDED
Mr Murdo Murray (Chairman)	May 2012	8 of 8
Mr Ian Burgess (Vice Chairman)	August 2014	6 of 8
Mr Allan MacDonald	May 2014	6 of 8
Mr John Nicolson	November 2015	8 of 8
Mr Ian McCulloch	August 2016	8 of 8
Mrs Margaret Ann Macleod	November 2016	7 of 8
EXECUTIVE MEMBER	JOINED THE BOARD	2018 MEETINGS ATTENDED
Mr Alex Macleod	August 2015	8 of 8

CHIEF EXECUTIVE'S STATEMENT



More change was the theme for 2018, where continuing operations and project development resulted in a busy and successful year. Although traffic was generally steady, income and profit both still increased, showing the encouraging quality of the underlying business. Project development costs were significant during the year thus affecting the cash reserves of the Port Authority.

TRADING HEADLINES

The 2018 financial results show increased income and an increased profit. Income of £3.6m was 4.9% higher than 2017, and the 2018 profit was higher as there were not the same exceptional costs as were encountered in 2017. Profit was also affected by the £250k investment in the ferry marshalling changes, and the completion of the concrete slab works on Esplanade Quay.

The costs associated with the major developments at Goat Island/Newton Basin and Deep-Water Port were all capitalised during 2018.

OPERATIONAL

The Port Authority welcomed a new Harbourmaster/Operations Manager in July 2018. Scott Campbell, whose career in the Merchant Navy and latterly as Offshore Installation Manager of a North Sea vessel, provides the Port Authority with the necessary marine experience that the business needs. Scott's extensive experience will help the port with the development of our safety management systems together with a knowledge of marine industry requirements in our major project developments.

2018 saw the implementation of the marine safety management system, together with procedural developments in other operational areas. For the first time, General Directions were also approved by the Port Authority, these being implemented in late 2018.

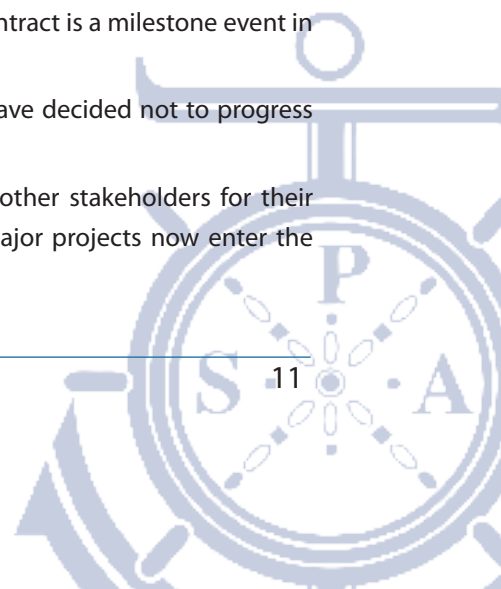
The Port Authority completed alteration works to the ferry marshalling area, repairs to the concrete slab at Esplanade Quay, and timber fendering repair works on most of the piers.

MAJOR PROJECTS

There has been significant progression of the two major projects within the Port Masterplan. The Goat Island/Newton Basin project was at the end of the year preparing to award the first construction contract for the development, the dredging and reclamation works to form the area for the new buildings and the marina. Deep Water Port also saw a milestone event in that the design contract was awarded to Wallace Stone, a Scottish based specialist marine civil engineering consultancy. This significant contract is a milestone event in the development of the Deep-Water Port.

Due to the presence of some exciting archaeological finds the Port Authority have decided not to progress with the extension to Amity House.

We would like to thank our key partners, customers, staff, harbour users and other stakeholders for their support during 2018, this support will become even more important as our major projects now enter the construction period.



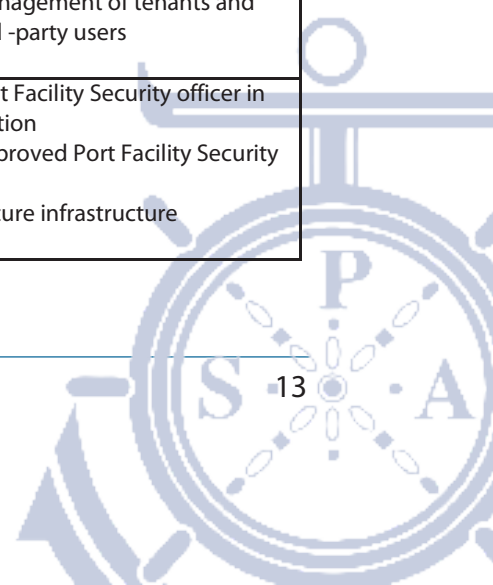
PRINCIPAL RISKS

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.

Risk Item	Description	Potential Impacts	Mitigating Factors
Island Economy	Large changes to the local economy	<ul style="list-style-type: none"> • The Port is unable to adapt to increased demand or potential new markets • Insufficient accommodation • Insufficient staff 	<ul style="list-style-type: none"> • Continuous consultation with all levels of government
Destination Management	Local destinations do not react to increased cruise traffic	<ul style="list-style-type: none"> • The Island is not ready for 60,000 cruise ship passengers, let alone 100,000 • Local tourist destinations "stand still" • Local tourist destinations do not work together and therefore miss the boat • Cruise traffic stops coming 	<ul style="list-style-type: none"> • Stakeholder consultation • Market Assessment studies • Funding for destinations
Strategic Direction	Ensuring that the Port is reacting to an everchanging political and economic situation	<ul style="list-style-type: none"> • The Port is not able to adapt to changing requirements • The Port is unable to meet the needs of our customers • Potential to miss out on opportunities 	<ul style="list-style-type: none"> • Communication and consultation with stakeholders • Economic studies • Effective board
Loss of Community Acceptance	The port is not understanding of the needs or wants of the community	<ul style="list-style-type: none"> • The local community do not work with the Port • The Port staff spend too much time reacting to Press/Public enquiries • The trust of the community is lost, thereby having an impact on all projects and operations 	<ul style="list-style-type: none"> • Community consultation • Increased communication with public • Website improvements • Willing to change
Financial	Ensuring that the Port understands both its current and future financial position	<ul style="list-style-type: none"> • The Port is unable to manage its finances correctly • Cashflow presents significant risks • Investment opportunities are lost 	<ul style="list-style-type: none"> • Management procedures • Operational efficiency • Internal & external auditors
Environmental	Ensure that the Port Authority minimizes and limits the effects of environmental incidents	<ul style="list-style-type: none"> • Pollution incident with long term effects • Danger to public and harbour users 	<ul style="list-style-type: none"> • Continuous auditing • Procedures • 24/7 staffing • Co-ordination with other bodies
Equipment Failure	Ensuring that the Port maintains equipment to ensure the safety of port users, staff and the general public	<ul style="list-style-type: none"> • Injury to staff and public • Downtime with associated impact upon operations • Financial cost 	<ul style="list-style-type: none"> • Maintenance regime • Plant records/inspections • Staff training
Lack of development Funds	Ensure that the Port budgets appropriately and determines all available funding sources	<ul style="list-style-type: none"> • Worthwhile projects do not progress • The incorrect projects progress 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Capital projects are not managed effectively or efficiently • The final product is not suitable 	<ul style="list-style-type: none"> • Ensure best value is recognised • Project Management expertise • Improved procedures • Operational involvement in decision making

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.

Risk Item	Description	Potential Impacts	Mitigating Factors
Governance	To ensure that the Board operates effectively	<ul style="list-style-type: none"> The Board is not fit for purpose and is unable to fulfil its functions Wrong decisions are made 	<ul style="list-style-type: none"> The Board have sufficient knowledge and information to make the correct decisions Board Member appraisals Skills matrix is maintained Guidance for good governance
Staff Effectiveness	Where the Port Staff are neither trained nor experienced for the tasks they undertake	<ul style="list-style-type: none"> Staff carry out tasks incorrectly Potential for equipment failure, injury to persons, and damage to vessels Cost and operational issues 	<ul style="list-style-type: none"> Staff training Performance appraisals and reviews Management reviews Good management
IT Security Problems	Where an IT problem could cause severe implications for the running of the port	<ul style="list-style-type: none"> Finance system unable to invoice, or view financial reports Unable to respond to communications resulting in lost business 	<ul style="list-style-type: none"> IT expertise employed by Port IT audits Modern equipment and controls
Customers	Where the port may lose customers due to customer dissatisfaction	<ul style="list-style-type: none"> Loss of business and income Reputational damage 	<ul style="list-style-type: none"> Customer consultation Service level review Communication with customers
Health & Safety	Where an incident could severely impact upon Port Users, Staff, Public and/or equipment	<ul style="list-style-type: none"> Fatality, injury to staff, public & users Damage to equipment Operational problems including delays, unable to accommodate vessels, etc 	<ul style="list-style-type: none"> Internal & external audits RAMS procedures Insurance risk assessment Communication Staff Training Signage
Marine Safety	Where a marine incident could severely impact upon Port Users, Staff, Public and Navigation.	<ul style="list-style-type: none"> Vessel collision due to lack of operational procedures Vessel problem within harbour limits causes further incidents Pilotage problems Injury, potentially fatal, to public, harbour users, staff, etc 	<ul style="list-style-type: none"> Adhere to Port Marine Safety Code Safety Management System Improved Marine Policies Navigational Risk Assessment
Commercial Interfaces	Where a tenant or commercial entity's work can have a severe effect upon the Port Authority	<ul style="list-style-type: none"> Contamination by third parties and tenants Oil & gas fuel pipeline issues Incident involving Goat Island tenants and slipway users 	<ul style="list-style-type: none"> Facility user's health, safety and environmental guidelines Management of tenants and third-party users
Port Security	Where a Terrorist incident either here or elsewhere can impact port operations	<ul style="list-style-type: none"> Terrorist incident on ferry, cruise ship, or other vessel Incident in other port or country wide has effect on security rating 	<ul style="list-style-type: none"> Port Facility Security officer in position Approved Port Facility Security Plan Secure infrastructure



OUR PEOPLE

DONALD REID – PORT OPERATIVE

How long have you been with the company?

I've been with Stornoway Port Authority for two and a half years now.

What was your dream job when you were growing up?

My dream job was to join the merchant navy and see the world but at the time when I left school there were very few jobs.

What inspired you to join the Port Authority?

I was inspired to join the Port Authority as I was keen to work outside and in a boating environment. My previous jobs were on an oil production platform and working in power stations.



What are the hardest challenges you have faced in your job?

The hardest challenges are generally completing jobs before the next job comes along.

What do you find most satisfying about your job?

Meeting different people each day especially during yachting season, and helping out wherever I can.

What are your pastimes and interests?

My pastimes and interests are restoring my old Ford Capri and heading off in my camper van whenever possible.

Where do you see yourself in 10 years' time?

Hopefully in ten years time I'll be retired and doing a bit more travelling, I quite fancy canal or river boat cruising.

ANDY MUIR – SLIPWAY MASTER

How long have you been with the company?

19 years come June.

What was your dream job when you were growing up?

My family had a farming background back in Perthshire so when I was young I was interested in arable farming.

What inspired you to join the Port Authority?

I was a welder with Lewis Offshore so when they closed down in 1999 I was looking for work. I did not want to travel for work because our first child was born so the slipway job came at

the right time.

What are the hardest challenges you have faced in your job?

Weather and people.

What are your pastimes and interests?

We have a croft so I spend a lot of time with that and common grazing's which is more trouble than it's worth..! I like to go to music concerts on the mainland whenever I can, I listen to music a lot.

Where do you see yourself in 10 years' time?

Alive and well hopefully.



SCOTT CAMPBELL – HARBOUR MASTER

How long have you been with the company?

9 Months.

What was your dream job when you were growing up?

Footballer.

What inspired you to join the Port Authority?

Having spent all my work life in the Merchant Navy and the Oil and Gas Industry the Port Authority is an exciting new challenge at a time of major change both for the Authority and the Island. I also have a young family so this job means I can spend more time with them.

What are the hardest challenges you have faced in your job?

Trying to keep everybody happy!

What do you find most satisfying about your job?

Everyday has different challenges and no day is the same. I also enjoy meeting different people from the community and visitors who come from around the world. I enjoy visiting ships and meeting the crew.

What are your pastimes and interests?

I enjoy spending time with my family and playing football and enjoy fishing in my boat.



Where do you see yourself in 10 years' time?

I would like to say a professional footballer but that ship has sailed! Harbour Master in Stornoway Port Authority.



Murdo, Alasdair, Scott, Calum and Don on Pier no. 3

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

BUSINESS OBJECTIVES

Project Development

1. Develop a Deep-Water Port
2. Develop Marina capacity at Goat Island
3. Develop a covered boat repair facility
4. Develop increased capacity and capability for fish processing
5. Redevelopment of the Inner Harbour landside area

Financial/Commercial

6. Double 2017 revenue within the next 10 years through expansion
7. Increase revenue of existing operations through marketing and sales improvements

Operational

8. Develop an organisational structure consistent with a developing business
9. Continually learn and adopt best practice
10. Develop effective controls and systems to manage risk
11. Improve HSEQ culture through communication with all stakeholders
12. Build and maintain relationships with key customers
13. Achieve and maintain outstanding customer service
14. Maintain the port infrastructure to a high standard

Community

15. Maintain the Port Authority's central role in the community and local economy
16. Ensure that the Port recognises the views and needs of the local community

FINANCIAL HIGHLIGHTS

There was a strong financial performance for the Port Authority during 2018 and significant investments in our major project developments. As a Trust Port with no shareholders, all profits are re-invested into the future of the Port.

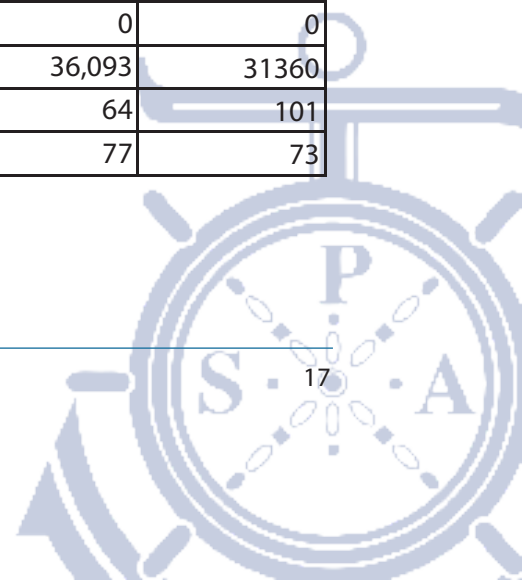
During 2018 the Port also undertook major alteration works at the ferry marshalling area which added to operating costs by a value of £250k.

The rewards and achievements, as a result of previous investments, are reflected in our 2018 annual financial results:

- £3.6million revenue, up 4.9% on 2017
- £0.5million pre-tax profit, up significantly from 2017
- 284,048 arriving or departing passengers, up 3% on 2017
- 39 cruise ship visits, down 13% on 2017, however passengers number went up 15%
- Steady revenue from slipway and leisure craft
- Increased vessel movements, up 3% on 2017
- Marina visits steady up 1% on 2017

STATISTICS

	2015	2016	2017	2018
Passengers	235,688	263,885	276,088	284,048
Cars	73,880	86,239	92,999	94,966
Coaches	370	406	438	488
Commercial Vehicles	11,953	12,461	12,679	12,427
Ferry Movements	925	976	981	1028
Total vessel movements	768	833	908	932
Marina Yacht Visits	334	370	405	409
Cruise Ship Visits	43	64	45	39
Cruise Ship Passengers	14,472	23,622	9323	10762
Coal	3,386	2,134	2364	3520
Cement	800	795	1610	674
Oil	36,495	36,343	36,197	32823
Gas	1,080	1,050	2310	0
Road salt	8,989	4,535	9280	7224
Lost Time Incident	0	0	0	0
Man-hours worked	29,334	30,788	36,093	31360
Acts of Pilotage	39	47	64	101
Slippings	87	88	77	73



OPERATIONAL HIGHLIGHTS

FERRY OPERATIONS

The Port Authority undertook extensive improvement to the ferry marshalling and car parking areas at the ferry terminal. It is hoped that these alterations will reduce queuing along Shell Street and ease congestion around the ferry terminal building during busy periods.

A very consistent ferry operation was undertaken by Calmac Ferries Ltd during 2018 and the Port Authority continues to work with them to ensure more efficient operations for both businesses.

CRUISE SHIP

Although the total number of cruise ship vessels reduced, income increased as the average vessel size was much larger. Continuing weather-related cancellations and complaints about tender distance will continue until a suitable deep-water berth is built.

AQUACULTURE

The aquaculture industry continues to be an important element of the west coast economy and of the Port Authority. 2018 saw another strong year for the Port Authority within this sector, with fish farm vessels being regular users of the Port facilities.

FISHING

External issues such as Brexit and licence changes did not affect change in this important industry. Timber fendering works, ice plant improvements, and operational procedural improvements were undertaken in 2018, however the upgrade works planned were delayed until 2019. 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

Due to capacity restrictions in busy periods, income in this area cannot increase until the Newton Basin Marina becomes operational. Summer traffic is particularly frustrating for the Port Authority as there are a large number of potential visitors who cannot risk making the trip with the possibility of not getting a berth.

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 several small improvement projects throughout 2018. These included timber fendering works at Cromwell Street Quay, new ladders on Cromwell Street Quay, and the installation of sea-bins on the marina pontoons.

The Port Authority also constructed a new port control building with modern facilities on Pier No. 1. This building includes changing facilities, showers, a canteen, etc. for operational staff, as well as a technologically advanced port control office. The facility also includes an upgraded CCTV system which will be added to in 2019.



2018 OPERATIONAL TARGETS

2018 proved challenging for the port in some business operations, however the appointment of the new Harbourmaster/Operations Manager significantly advanced some key development areas. The focus on continuing development of Policies and Procedures and the progression of our planned projects, resulted in major improvements.

Key Targets included:

• Goat Island/Newton Basin Projects:

- **Complete Environmental Impact Assessment**
This was completed in Autumn 2018, with the document accompanying the Harbour Revision Order application and the Marine Licence application.
- **Source required consents, including Planning, Marine Licence and Harbour Revision Order.**
Applications for the necessary consents were all submitted late in 2018, with approval expected in the first quarter of 2019
- **Submit funding applications**
Funding was granted for all the Goat Island projects except the food processing building, which will be presented for approval in early 2019.
- **Complete designs for all three projects**
Design works were ongoing in 2018, with all required design completed by the year end. Designs for the engineering maintenance building and the food standard building will continue into 2019.
- **Commence dredging and reclamation works contract**
Although the contract was awarded late 2018 for these works, the actual construction is unable to commence until the consents are obtained in early 2019.
- **Work with the Arnish site tenant to develop the necessary consents for decommissioning work.**
The Port Authority has been working with the tenant of the Arnish site to determine and investigate wide ranging opportunities for both businesses.
- **Complete redevelopment of ferry terminal marshalling and car parking arrangements**
These works were completed in early 2018.
- **Commence installation of CCTV and Access control works**
These works commenced in late 2018 and will continue in 2019.

• Deep Water Port

- **Complete Environmental Impact Assessment**
This was completed in Autumn 2018, with the document accompanying the Harbour Revision Order application and the Marine Licence application.
- **Source required consents, including planning, Marine Licence and Harbour Revision Order.**
Marine Licence and Harbour Revision Order applications were made in late 2018, with approval expected in the first half of 2019. Planning permission for some minor elements not included within the Harbour Revision Order will be submitted in 2019.
- **Submit funding applications**
The complicated nature of funding applications and the need for some detailed design has resulted in some delay. Funding applications are due to be presented early in 2019.
- **Tender and award design contract**
The design contract for the Deep-Water Port was awarded to Scottish based marine civil engineering consultants, Wallace Stone in late 2018.



- **Port Marine Safety Code**

- **Roll out Safety management system**
This was completed and rolled out in 2018.
- **Consult on General Directions**
This was completed and approved in 2018.
- **Commence investigations into changing Byelaws**
Minor investigations have begun, with the works being progressed in 2019.
- **Develop marine procedures**
The new Harbourmaster/Operations Manager is progressing the development of all operational procedures.

- **Staff and organisational development – Continue to develop internal procedures**

This work is ongoing with further organisational change expected in 2019.

- **Complete new website**

This has been delayed.

- **Install mobile port information system**

This has been delayed.



2019 OPERATIONAL TARGETS

There are a number of operational targets for 2019, including:

- **Goat island/Newton Basin Developments**

- Complete reclamation construction works
- Commence pontoon installation
- Commence construction of engineering facility
- Commence construction of food standard building

- **Deep Water Port**

- Obtain all necessary consents
- Complete design
- Source funding
- Tender construction contract

- **Arnish site**

- Work closely with tenant to source additional works for both organisations
- Complete lease arrangements for the existing pier

- **Existing Infrastructure Improvements**

- Bollard replacement on Esplanade Quay & Pier No. 1
- Ladder replacement on Pier No. 1
- Undertake archaeology investigation to rear of Amity House.
- Access control around North Beach Quay and Cromwell Street Quay

- **Organisational Development**

- Commence structure change within the organisation in preparation for Deep Water Port

- **Commercial**

- Review Goat Island market assessment
- Newton Basin Marina marketing
- Continue to develop relationships with cruise industry

- **Health, Safety Environment & Quality**

- Improvements to Risk Assessments and Method Statements
- Additional training
- Some harbourside access restrictions

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, and a significant level of work was undertaken in 2018 to achieve this compliance.

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 this document and its recommendations was used in 2017 and 2018 to further develop marine safety within the port.

The Port Authority confirmed to the MCA in March 2018 that the Port Authority was compliant with the Port Marine Safety Code.

The new Harbourmaster/Operations Manager quickly identified further development of all marine safety areas and has commenced wide ranging training and improvements across the business. This will continue into 2019.

Specific developments in 2018 included:

Navigational Risk Assessments – The Navigational Risks Assessments have been completed. 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 was undertaken in 2018, with new Pilotage Rules implemented in early 2019.

Marine operational policies – Marine Safety Policies have been developed and were incorporated into the Marine Safety Management System

Marine Safety Management System – The roll out of this system was the focus of our investigations in 2018, with the result that the Port has developed an extensive and robust Safety Management System.

General Directions – Investigations into the development of General Directions also commenced in 2017, and consultation regarding speed limits was undertaken. The General Directions went for consultation in early 2018 and were implemented in June 2018.

Marine Safety Plan – This was also developed in 2017 and further updated in 2018.

Navigation Marks – there were significant changes to navigation marks in 2018, with further changes due to be progressed in early 2019.

2018 IOLAIRE COMMEMORATION

In the autumn of 2018, Lewis journalist Torcuil Crichton and local artist Malcolm MacLean approached the Port Authority with the concept for an art installation to mark the centenary of the sinking of the Iolaire. The Port Authority immediately saw the value of this proposal and agreed that they would fully fund the project. Malcolm and Torcuil's idea saw a powerful commemoration of the Iolaire disaster being constructed on South Beach in Stornoway in time for the New Year centenary.

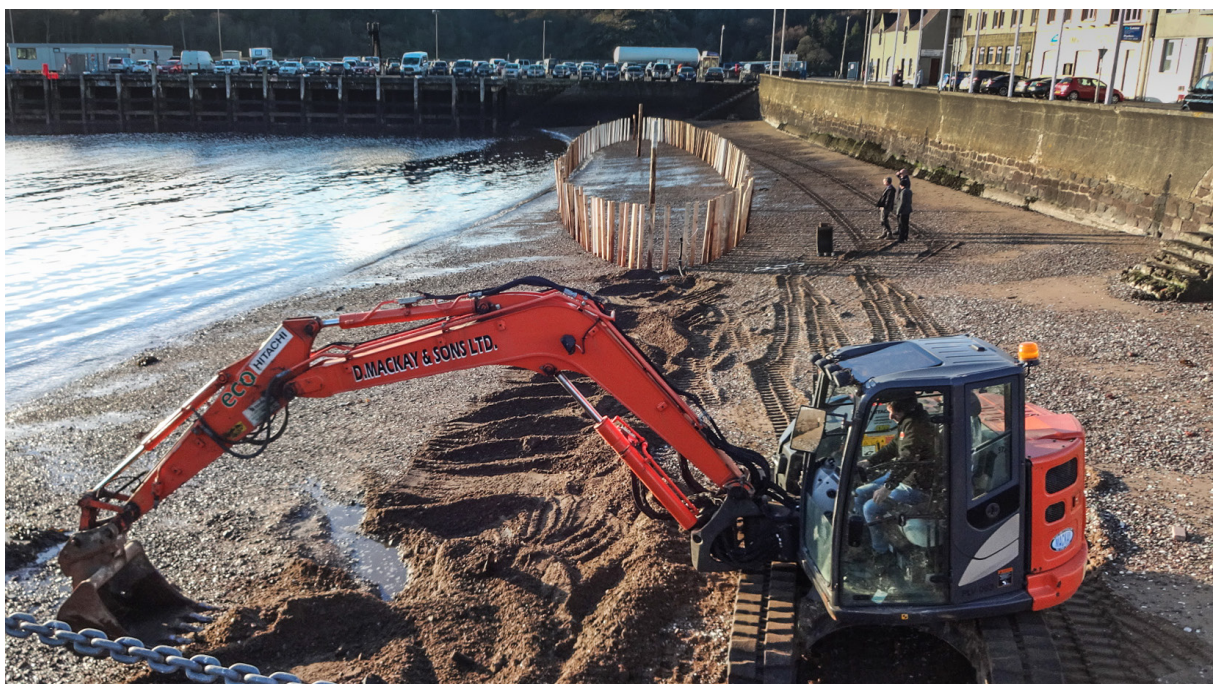
'Sheòl an Iolaire/The Iolaire Sailed' is a dramatic, visual tribute to the Iolaire, whose sinking on 1 January 1919 in the Minch was one of the worst maritime disasters in United Kingdom waters. Of the 280 aboard the vessel taking Royal Navy World War I veterans back to the Isle of Lewis, at least 201 men perished when the Iolaire struck rocks outside Stornoway harbour.

'Sheòl an Iolaire', an arresting physical outline of the ship, symbolically brings the Iolaire back to port, completing the final mile of the voyage for the men who never made it home. The installation on South Beach, between the town's main piers, is a full-scale representation of the Iolaire's hull, pinpointed in the sand with 280 wooden posts – one for each man aboard on the fateful night the Iolaire headed for its home port from Kyle of Lochalsh. Of these markers 79 have been painted white to represent the number of known survivors and 201 have been left plain to represent the losses.



The sculpture is an actual-size blueprint, 189 feet from stem to stern, with a 27 foot beam. It shows the true size of the vessel and represents the number of crew and passengers on board as she sailed for Stornoway on 31 December 1918.

The installation creates a powerful image helping people visualise both the vessel and the circumstances of the disaster and became a central focus of the Iolaire commemorations, complementing the many other events which took place.





ENVIRONMENT & SAFETY

The employment of the new Harbourmaster/Operations Manager has resulted in an increased focus on Health & Safety for both our stakeholders and employees. This will continue in 2019.

Developing the processes and procedures which will ensure the safety of our staff, visitors and the harbour environment is 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.

2019 Health & Safety and Environmental Improvements will include:

- RAMS – Risk Assessment and Method Statements – Good progress was made in 2018, however further procedural development will be undertaken in 2019.
- Transport/Pedestrian/Security – Walkways and night-time quayside security/safety will be progressed in 2019.
- HAVs, COSHH, PTW – All good progress made in 2018, however further development will be progressed in 2019.
- Further IOSH training – A training programme that will include putting all staff on an IOSH course.
- Drills and exercises – these will be more evident in 2019.



DEEP WATER PORT

Probably the most ambitious project ever to be developed by the Port Authority, this is a significant 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 several existing and new sectors.

The main facilities at the port would be:

A Ro-Ro terminal to provide back-up to the existing linkspan on Pier 3, and 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 a new footbridge over the River Creed).

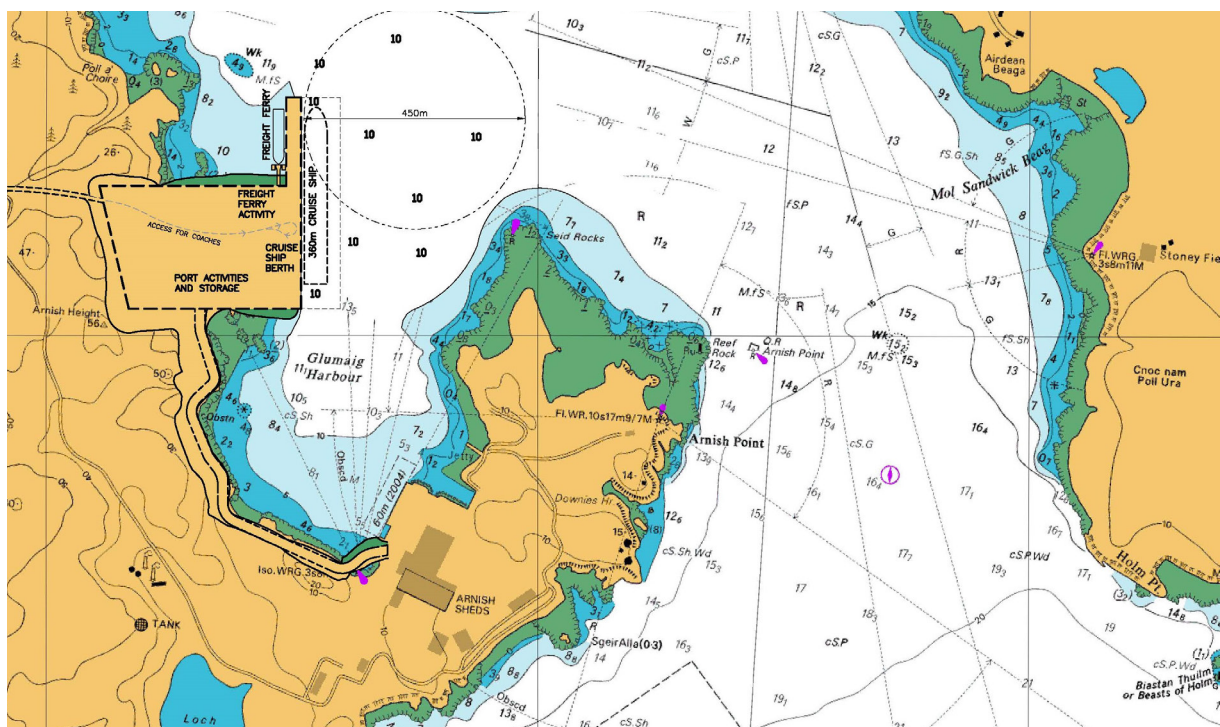
Space for relocating the oil terminal and storage tanks away from the town.

During 2018 the Port undertook the following works:

- Award of the design contract
- Completion of the business case
- Continued customer consultation
- Consent applications – Harbour Revision Order and Marine Licence submitted

2019 will see the following develop:

- Fully consented project
- Completion of the design
- Funding requests
- Customer development
- Cruise industry destination management
- Development of operational procedures



GOAT ISLAND/NEWTON BASIN

The Goat Island/Newton Basin projects combine the development of a few different 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, a yacht lift and a public slipway
- Construction of a covered boat maintenance facility, which will be 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 development of the various Goat Island/Newton Basin projects progressed well in 2018, with developments ready to commence at the end of 2018.

The 2018 works consisted of:

- Completion of marina and reclamation design
- Consenting submissions
- Award of construction contract
- Funding approvals
- Ongoing design of the two building developments

2019 will see the following:

- Fully consented projects
- Funding approval for food standard building
- Commence construction of reclamation and marina project
- Commence engineering building construction

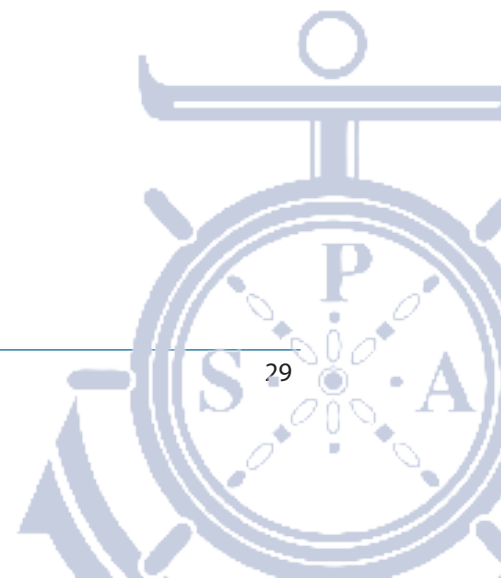
This is a very exciting period for the Port Authority and this is the anchor project for the masterplan.

STORNOWAY PORT AUTHORITY

Report of the Board and

Audited Financial Statements for the Year Ended 31 December 2018

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



**Contents of the Financial Statements
for the Year Ended 31 December 2018**

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STORNOWAY PORT AUTHORITY

Authority Information for the Year Ended 31 December 2018

BOARD MEMBERS:

M A Murray	- Chair
I Burgess	- Vice Chair
A Macdonald	
J M Nicolson	
M A Macleod	
I McCulloch	
A D Macleod	- Chief Executive

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



STORNOWAY PORT AUTHORITY

Report of the Board for the Year Ended 31 December 2018

The Board members present their report with the financial statements of the Authority for the year ended 31 December 2018.

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 2018 to the date of this report.

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

Other changes in Board members holding office are as follows:

I D Maciver - resigned 26 April 2018

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.

**Report of the Board
for the Year Ended 31 December 2018**

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

25 April 2019



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 2018 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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's 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, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Harbour 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.

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.

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

Matters on which we are required to report by exception – cont'd

We have nothing to report in respect of the following matters where the Companies Act 2006 and Harbour Act 1964 as amended 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 set out on page thirty two, 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.

Auditors' 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.

Use of our report

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.

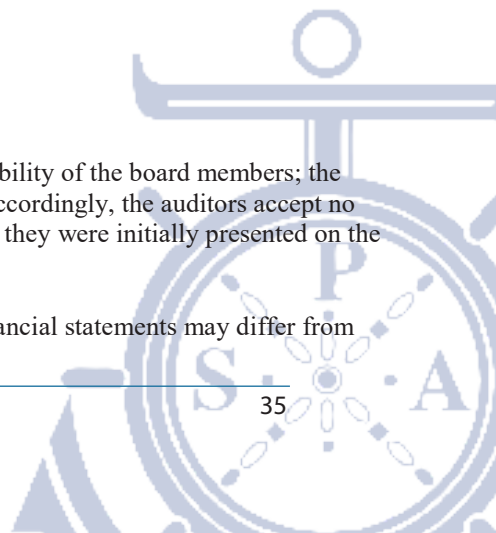
John E Moffat FCA (Senior Statutory Auditor)
for and on behalf of Mann Judd Gordon Ltd
Registered Auditors &
Chartered Accountants
26 Lewis Street
Stornoway
Isle of Lewis
HS1 2JF

25 April 2019

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 2018

	Notes	31.12.18 £	31.12.17 £
REVENUE		3,576,145	3,407,717
Cost of sales		<u>1,931,000</u>	<u>1,716,382</u>
GROSS PROFIT		1,645,145	1,691,335
Administrative expenses		<u>1,365,192</u>	<u>1,718,875</u>
		279,953	(27,540)
Other operating income		<u>234,114</u>	<u>233,305</u>
OPERATING PROFIT	3	514,067	205,765
Interest receivable and similar income		<u>6,917</u>	<u>3,431</u>
		520,984	209,196
Other finance costs	9	<u>41,000</u>	<u>51,000</u>
PROFIT BEFORE TAXATION		479,984	158,196
Tax on profit		<u>140,597</u>	<u>208,599</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>339,387</u></u>	<u><u>(50,403)</u></u>

The notes form part of these financial statements

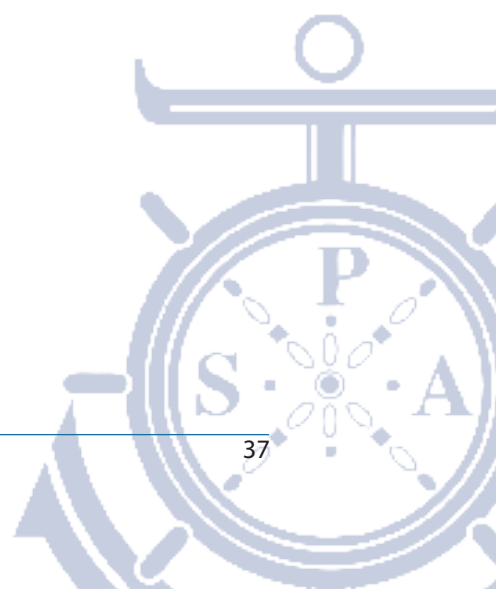
STORNOWAY PORT AUTHORITY

Other Comprehensive Income

for the Year Ended 31 December 2018

	Notes	31.12.18 £	31.12.17 £
PROFIT/(LOSS) FOR THE YEAR		339,387	(50,403)
OTHER COMPREHENSIVE INCOME			
Actuarial losses on pension deficit		523,000	395,000
Income tax relating to other comprehensive income		<u>(92,060)</u>	<u>(63,510)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>430,940</u>	<u>331,490</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>770,327</u></u>	<u><u>281,087</u></u>

The notes form part of these financial statements



STORNOWAY PORT AUTHORITY (REGISTERED NUMBER: SC000011)

**Balance Sheet
31 December 2018**

	Notes	31.12.18 £	31.12.17 £
FIXED ASSETS			
Property, plant and equipment	4	10,478,630	10,216,822
Investment property	5	<u>1,425,100</u>	<u>1,555,100</u>
		11,903,730	11,771,922
CURRENT ASSETS			
Debtors	6	562,125	635,904
Cash at bank and in hand		<u>3,405,597</u>	<u>3,976,493</u>
		3,967,722	4,612,397
CREDITORS			
Amounts falling due within one year	7	<u>809,577</u>	<u>1,026,667</u>
NET CURRENT ASSETS		<u>3,158,145</u>	<u>3,585,730</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,061,875	15,357,652
PROVISIONS FOR LIABILITIES		(255,658)	(306,475)
ACCRUALS AND DEFERRED INCOME		(6,431,964)	(7,187,311)
PENSION LIABILITY	9	<u>(1,044,970)</u>	<u>(1,304,910)</u>
NET ASSETS		<u><u>7,329,283</u></u>	<u><u>6,558,956</u></u>
RESERVES			
Fair value reserve	8	803,325	876,610
Retained earnings		<u>6,525,958</u>	<u>5,682,346</u>
		<u><u>7,329,283</u></u>	<u><u>6,558,956</u></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 members on 25 April 2019 and were signed on its behalf by:

M A Murray - Chair

I Burgess – Vice Chair

**Notes to the Financial Statements
for the Year Ended 31 December 2018**

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.

The Board members have deemed that Fair Value on transition to FRS102 Section 1A is best represented by the most recent market value obtained from its valuing agents.

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.

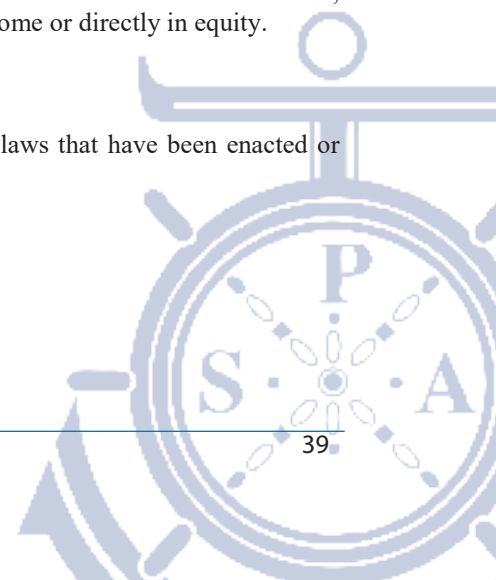
The Board members will revisit the valuation of the investment property portfolio on a periodic basis.

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 2018

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

	31.12.18	31.12.17
	£	£
Wages and salaries	818,361	839,294
Social security costs	71,721	69,883
Other pension costs	<u>265,999</u>	<u>226,000</u>
	<u><u>1,156,081</u></u>	<u><u>1,135,177</u></u>

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

	31.12.18	31.12.17
Operations	20	18
Administration	4	4
Management	<u>4</u>	<u>4</u>
	<u><u>28</u></u>	<u><u>26</u></u>

3. OPERATING PROFIT

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

	31.12.18	31.12.17
	£	£
Operating lease income	(194,841)	(189,457)
Depreciation - owned assets	1,122,008	1,134,604
Auditors' remuneration	7,500	7,500
Auditors' remuneration for non audit work	<u>8,200</u>	<u>6,460</u>

STORNOWAY PORT AUTHORITY

Notes to the Financial Statements - continued for the Year Ended 31 December 2018

4. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and Works £	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 January 2018	13,419,128	2,046,258	73,429	48,685	15,587,500
Additions	<u>1,277,113</u>	<u>23,614</u>	<u>33,435</u>	<u>49,654</u>	<u>1,383,816</u>
At 31 December 2018	<u>14,696,241</u>	<u>2,069,872</u>	<u>106,864</u>	<u>98,339</u>	<u>16,971,316</u>
DEPRECIATION					
At 1 January 2018	4,245,570	1,045,687	57,936	21,485	5,370,678
Charge for year	<u>953,014</u>	<u>154,316</u>	<u>4,568</u>	<u>10,110</u>	<u>1,122,008</u>
At 31 December 2018	<u>5,198,584</u>	<u>1,200,003</u>	<u>62,504</u>	<u>31,595</u>	<u>6,492,686</u>
NET BOOK VALUE					
At 31 December 2018	<u>9,497,657</u>	<u>869,869</u>	<u>44,360</u>	<u>66,744</u>	<u>10,478,630</u>
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>

Included in cost of land and buildings is freehold land of £472,620 (2017 - £462,620) which is not depreciated.

5. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2018	1,555,100
Disposals	<u>(130,000)</u>
At 31 December 2018	<u>1,425,100</u>
NET BOOK VALUE	
At 31 December 2018	<u>1,425,100</u>
At 31 December 2017	<u>1,555,100</u>

Included in fair value of investment property is freehold land of £1,425,100 (2017 - £1,555,100) which is not depreciated.

Fair value at 31 December 2018 is represented by:

	£
Valuation in 2012	1,061,735
Cost	<u>363,365</u>
	<u>1,425,100</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

5. INVESTMENT PROPERTY - continued

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

	31.12.18	31.12.17
	£	£
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

	31.12.18	31.12.17
	£	£
Trade debtors	389,028	455,087
Other debtors	<u>173,097</u>	<u>180,817</u>
	<u>562,125</u>	<u>635,904</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.18	31.12.17
	£	£
Trade creditors	96,628	81,151
Taxation and social security	216,219	224,490
Other creditors	<u>496,730</u>	<u>721,026</u>
	<u>809,577</u>	<u>1,026,667</u>

8. RESERVES

	Fair value reserve £
At 1 January 2018	876,610
Transfer to general reserves	<u>(73,285)</u>
At 31 December 2018	<u>803,325</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

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 17.8% 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	
	31.12.18	31.12.17
	£	£
Present value of funded obligations	(5,762,000)	(6,568,000)
Fair value of plan assets	<u>4,503,000</u>	<u>4,957,000</u>
	(1,259,000)	(1,611,000)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	(1,259,000)	(1,611,000)
Deferred tax asset	<u>214,030</u>	<u>306,090</u>
Net liability	<u>(1,044,970)</u>	<u>(1,304,910)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

9. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Current service cost	266,000	226,000
Net interest from net defined benefit asset/liability	41,000	51,000
Past service cost	-	-
	<u>307,000</u>	<u>277,000</u>
Actual return on plan assets	<u>124,000</u>	<u>117,000</u>

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

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Opening defined benefit obligation	6,568,000	6,207,000
Current service cost	266,000	226,000
Contributions by scheme participants	46,000	40,000
Interest cost	165,000	168,000
Benefits paid	(201,000)	(193,000)
Remeasurements:		
Actuarial (gains)/losses from changes in demographic assumptions	(38,000)	-
Actuarial (gains)/losses from changes in financial assumptions	(335,000)	120,000
Other experience	(709,000)	-
	<u>5,762,000</u>	<u>6,568,000</u>

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

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Opening fair value of scheme assets	4,957,000	4,359,000
Contributions by employer	136,000	119,000
Contributions by scheme participants	46,000	40,000
Expected return	124,000	117,000
Benefits paid	(201,000)	(193,000)
Return on plan assets (excluding interest income)	<u>(559,000)</u>	<u>515,000</u>
	<u>4,503,000</u>	<u>4,957,000</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

9. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.18	31.12.17
	£	£
Actuarial (gains)/losses from changes in demographic assumptions	38,000	-
Actuarial (gains)/losses from changes in financial assumptions	335,000	(120,000)
Other experience	709,000	-
Return on plan assets (excluding interest income)	(559,000)	515,000
	<u>523,000</u>	<u>395,000</u>

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

	Defined benefit pension plans	
	31.12.18	31.12.17
Equities	70%	71%
Bonds	15%	15%
Property	13%	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):

	31.12.18	31.12.17
Discount rate	2.80%	2.50%
Future salary increases	3.50%	4.40%
Future pension increases	2.50%	2.40%

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	£-	£1,326	£-

During the year the Authority purchased goods from Manor Filling Station, a business in which Allan Macdonald is a director and shareholder. The value of the purchases was £109 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 2018

12. PILOTAGE

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

	31.12.18	31.12.17
	£	£
Revenue from pilotage services	41,567	39,375
Pilotage expenses – external charges	34,528	31,637

In addition the Authority incurs internal costs on Pilotage in the region of £5,000 per annum, in respect of management time and expenses.

This page does not form part of the statutory financial statements

