



**STORNOWAY
PORT AUTHORITY**

ANNUAL REPORT 2019

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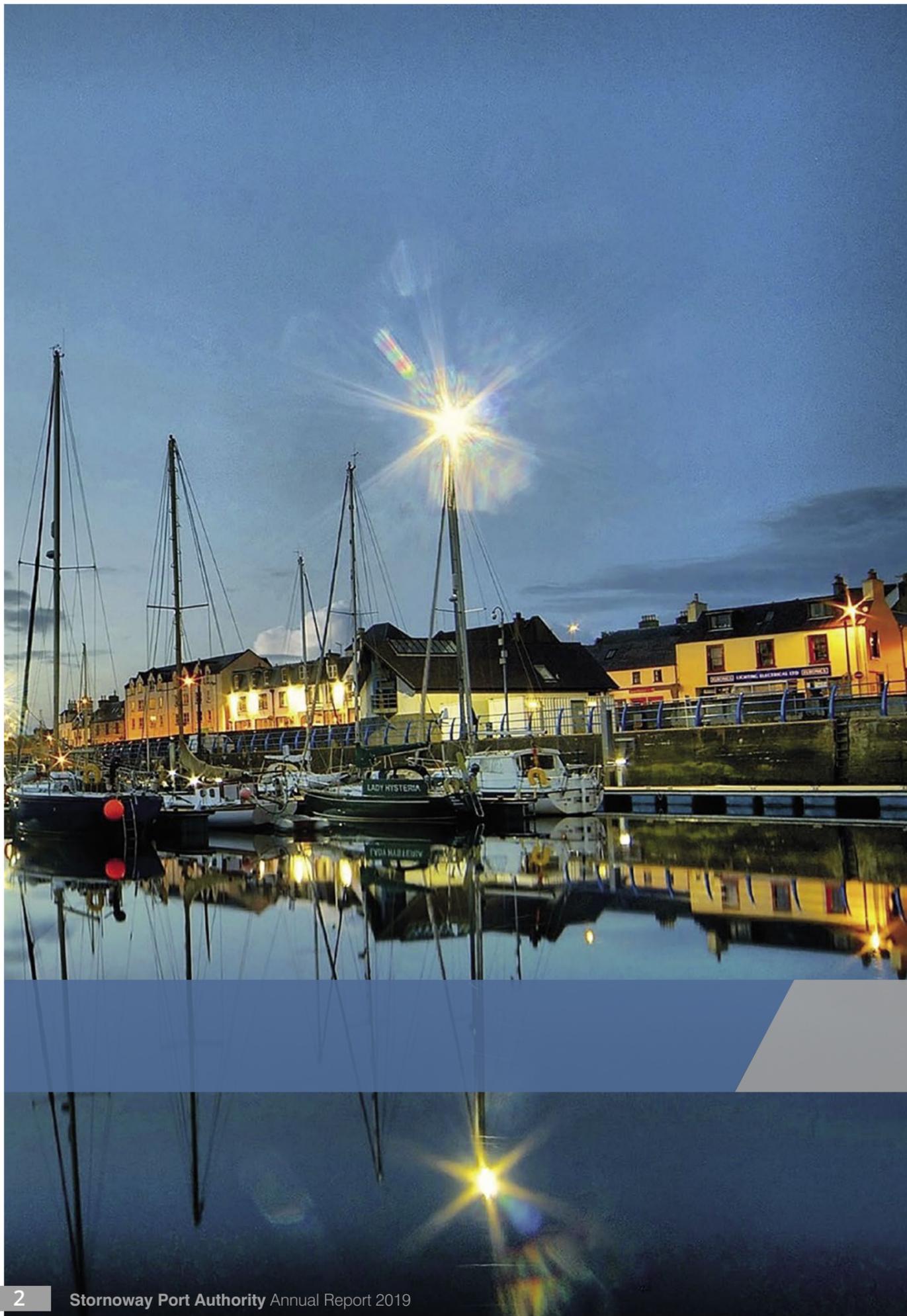
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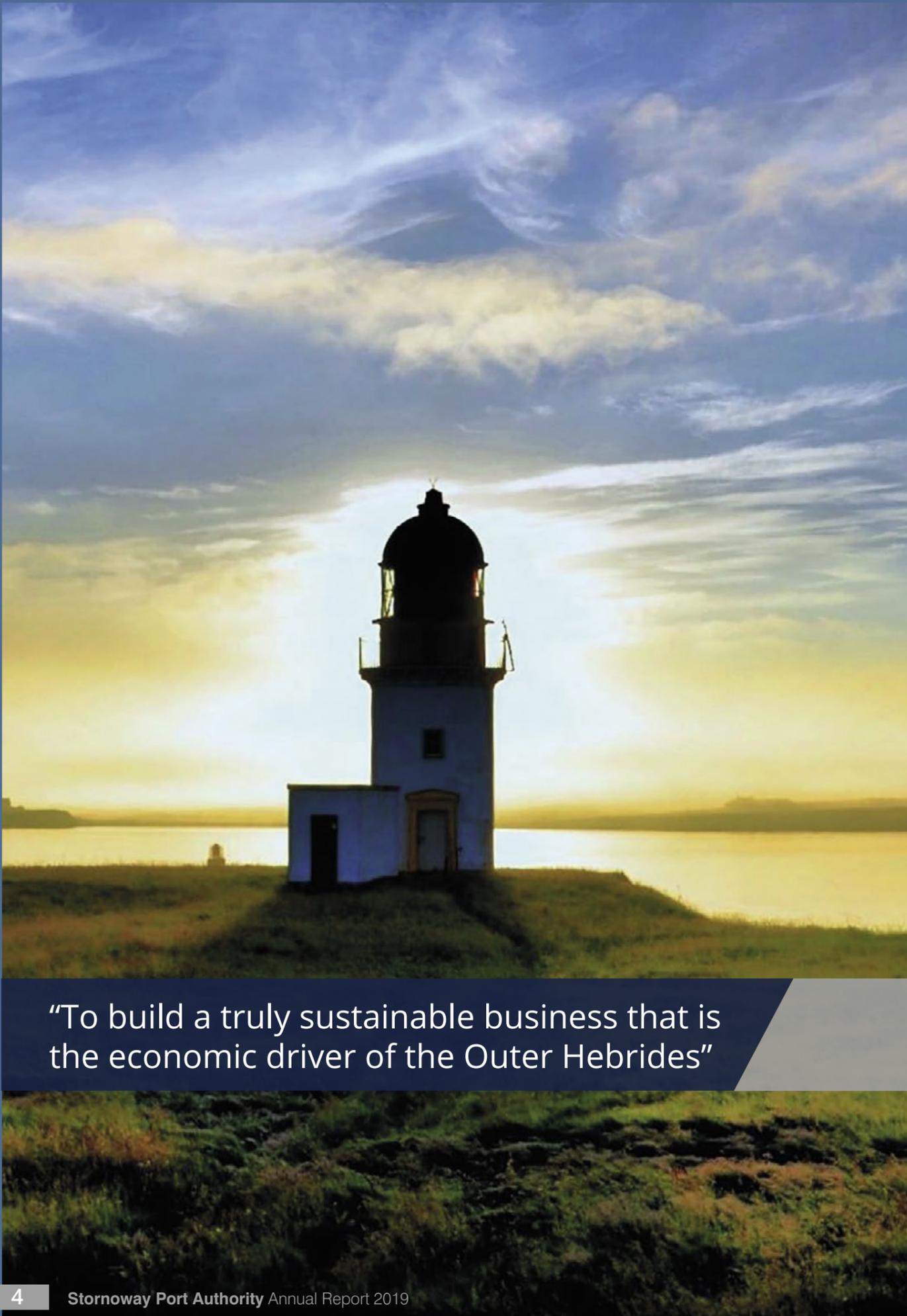
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“To build a truly sustainable business that is the economic driver of the Outer Hebrides”

OUR MISSION, VISION & OBJECTIVES

OUR MISSION

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

OUR VISION

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

OUR 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

CHAIRMAN'S STATEMENT



Murdo Murray
Chairman

As Chairman of the Stornoway Port Authority I am very pleased to be able to report a very busy year of activity for the Port with increases in ferry passengers, cars, commercials and cruise ships. In a situation where there has been a lot of uncertainty in the broader economic picture, this is very encouraging and helps us to maintain a positive outlook going forward.

Working through the Authority's Port Masterplan, this year we were able to see the civil engineering construction work ongoing for the Newton Basin Marina Development together with design development progressing for the Goat Island Fish Processing Building.

The strategic focus for the Authority continues to be the development of the Deep Water Port between the mouth of the Creed and Arnish and, with significant investment in sub-sea geotechnical investigations undertaken, the design process is well under way and potential funding mechanisms are being explored with all the relevant parties.

I would like to thank my fellow non-executive members of the Board for their commitment and continuing support as we work through a challenging programme of infrastructure investment for the Authority. I would also take this opportunity to thank Comhairle nan Eilean Siar and all our other strategic partners for the continuing co-operation and support which is vital for the delivery of our Masterplan.

Organisational change has been a continuing theme with processes and procedures being developed to make the Authority "fit for purpose" in terms of the proposed significant increase in operational capacity. There is also the need to ensure that the principal risks to the Authority are kept under review and that there is appropriate stakeholder and public engagement. As I write we are now in the grip of the Covid-19 pandemic which has meant significant changes to operating procedures and an inevitable downturn in areas of our business activities and unknown long-term consequences I would like to take this opportunity to thank the Chief Executive, Alex MacLeod, and all the staff for their efforts in keeping the Port going in these circumstances and for their continuing commitment.

Throughout this past year we have had the commemorative artwork "Sheol an Iolaire" on South Beach helping us to recognise the transformative power of the arts to engage our senses and ignite our emotions as we reflect on the past and also to recognise in the words of the Stornoway motto that "God's Providence is our Inheritance" as we look to the future.

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

CHIEF EXECUTIVE'S STATEMENT



Alex MacLeod
Chief Executive

Implementing change was the theme for 2019, where we saw the first major project of our 2017 masterplan progressing to construction.

Trading Headlines

The 2019 financial results show increased income and an increased profit. Income of £3.9m was 9% higher than 2018, with a corresponding increase in profit, largely as a result of delayed expenditure in repairs and maintenance projects.

Operational

With the major projects developing, the Port Authority concentrated on implementing changes to our procedures and processes in advance. The Port Authority employed additional management staff, which now includes 3 authorised marine pilots, which reduces reliance on externally authorised pilots. The management team is now developing into a unit which will be ready for the major projects once these have been completed.

There was extensive work completed in 2019 on both marine safety issues and general health & safety requirements around the Port. The Port Authority will continue to improve and develop these processes.

Major Projects

As explained further in this document, the Goat Island / Newton Basin project progressed to construction through 2019, and the end of the year saw a major milestone for the Port Authority.

We would like to thank our key partners, customers, staff, harbour users and other stakeholders for their support during 2019, this support is essential during this period of change.

"Implementing change"

TRUST PORTS

Trust ports are a particular type of port model in the UK and this briefing is designed to provide a short overview of what they are and how they operate. Trust ports come in a wide variety of sizes and locations around the UK. There is often confusion as to who owns trust ports and how they should operate, and we have attempted to explain some of their characteristics. The trust port model has stood the test of time, although the sector has gone through a process of modernisation. The result is a diverse and successful group of ports that is both popular with government, employees, stakeholders and importantly customers.

UK Port Ownership

There are three main types of Statutory Harbour Authorities (SHA) in the UK – private ports, municipal ports and trust ports, as well as a handful of smaller ports owned by parts of government. No port is the same, but all have various duties and responsibilities. Private or ‘privatised’ ports can have equity owners or shareholders and municipal ports are owned by local authorities.

Revenues and Finance

Trust port revenues are collected from customers and port users on a commercial basis, trust ports also pay taxes and receive no systematic public subsidies other than those which are, on occasion, made available, to all ports. Whilst operating in a commercially viable manner, any profits trust ports make are reinvested back into the port for the development of its own business activities and also for the benefit of the stakeholders.

“Diverse and successful”

Trust ports are slightly different and often need explaining to both those outside but also inside our sector. Trusts are both strategically and financially independent of Government and operate largely in the private sector, although they are ‘publicly accountable’ to their stakeholders. In terms of their ownership, trust ports own themselves. There is a common misconception that trust ports are owned by government, but this is wrong. Trust ports actually own themselves and can’t be owned by another body without a major legal change.

Such stakeholders can include port users, employees and the local community, although as independent bodies, trust ports do need to be prudent and ensure they have sufficient funds to continue to operate and maintain and invest in their assets. For example, unlike ports that are owned by parent companies or local authorities, trust ports do not have a ‘funder of last resort’ and there is certainly no obligation to provide a financial dividend to local communities.

Purpose and Investment

The expression ‘Trust Port’ is not statutorily defined but may best be described as referring to a body created by or under statute for the purpose of managing a harbour that does not have a share capital. Trust ports, in the same manner as ports with a share capital, enter into a variety of vital commercial transactions with lenders and other commercial parties. Trust ports generally find that any investment proposals are assessed by lenders on the same basis as proposals from any other businesses. Lenders take into account the same factors it would normally including cash flow, balance sheet and the overall strategic direction of the port.

There are a wide variety of trust ports across the UK, in terms of both the size and type of operation. Some trust ports are primarily conservancy authorities, meaning they perform the basic but essential function of maintaining a safe harbour, whereas others undertake wider port operations. In all cases surplus revenues are recycled back for the benefit of the harbour and its stakeholders.

Legislation

Trust ports and all UK SHAs are governed by their own individual legislation (or Harbour Order), specific to their location and with differing constitutions. To amend such legislation all types of port must apply to their relevant part of government with a proposal.

Good Governance

The government only has limited ‘powers’ over trust ports, and indeed all types of SHAs, and is not a ‘regulator’ of the sector as such. However, the DfT and Transport Scotland have produced their own guidelines for trust port governance but these are not legally binding. Transport Scotland have published ‘Modern Trust Ports for Scotland’.

It is expected that all trust ports in Scotland follow these guidelines where practicable, but where they do not, they should be able to explain why they have been unable to do so. It is acceptable for stakeholders to ask why these ports might not have, for example, attempted to update their own legislation and structures. However, any questions stakeholders might have should be raised with the port itself.

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.



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".

"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.

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.

THE BOARD



Chairman

Mr Murdo Murray

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.



Vice Chair

Mr Ian Burgess

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 organisation 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.



Chief Executive

Mr Alex MacLeod

Brought up in the village of Knock, Alex 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, Alex 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.

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 Sales 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 has enjoyed a 40 plus year career in the oil and gas industry; although now retired from full time employment, Ian continues to undertake short term consultancy assignments. During his career, Ian held several senior management roles in operations, commercial, HSE, engineering, supply chain and decommissioning; these skills were developed across a wide range of assignments in the UK, USA, Dubai, Singapore, 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 and is Chair of the Outer Hebrides Energy Group. Ian lives in Shawbost, Isle of Lewis in the family home.

Mr Archie MacDonald



Archie MacDonald was employed by Highlands & Islands Enterprise for almost 35 years, including as Area Manager for the Western Isles for a number of years. Archie is a member of the Institute of Financial Accountants and during his career was involved in most of the economic development projects ongoing in the Islands. Archie has previously been appointed by HIE to the boards of a number of local organisations.

Archie, who joined the Board in January 2019 also serves as a Board Member for Lews Castle College/University of the Highlands and Islands.

Non-Executive Board Members	Joined The Board	2019 Meetings Attended
Mr Murdo Murray (Chairman)	May 2012	9/9
Mr Ian Burgess (Vice Chairman)	August 2014	6/9
Mr Allan Macdonald	May 2014	8/9
Mr John Nicolson	November 2015	9/9
Mr Ian McCulloch	August 2016	8/9
Mrs Margaret Ann Macleod	November 2016	7/9
Mr Archie MacDonald	January 2019	9/9
Executive Member	Joined The Board	2019 Meetings Attended
Mr Alex MacLeod (Chief Executive)	August 2015	9/9

PRINCIPAL RISKS

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

Although not listed in the below table, the Port Authority was able to respond to the 2020 Covid-19 crisis, and was able to continue operating the Port throughout the crisis.

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 ever-changing 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

Risk Item	Description	Potential Impacts	Mitigating Factors
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

PORT HIGHLIGHTS 2019

298,311 
Ferry Passengers

5% 

8,982 
More cars travelling on the Ullapool to Stornoway Ferry during 2019 

16,347
Cruise ship passengers 

Revenue of £3.9 million

Total Pilotage Acts grew from 93 in 2018 to 242 in 2019

0 
Lost Time Incidents in 2019

Biggest single vessel gross tonnage
90,901

351 
Increase in visiting yachts

Business case development

34%
Increase in Cruise Ship Passengers from 2018

33,420
Man Hours Worked in 2019

Port Marine Safety Code 
 – significant development of Policies & Plans 

57
Cruise Ship visits 

13,495
Average tonnage of cruise ship

13,268
Commercial Vehicles 



OUR PEOPLE



Alasdair Smith

Assistant Harbourmaster

- **How long have you been with the company?**
3 years.
- **What inspired you to join the Port Authority?**
Inspired by the combination of the port's long history and the continuing expansion and developments.
- **What's the most interesting thing about your job / what do you like best about your job?**
I like best piloting the wide variety of vessel types that the port use.
- **What challenges do you face in your job?**
The weather dominates everything, from maintenance of infrastructure to the manoeuvring of ships using the harbour. The challenge is maintaining safe and efficient operations taking that into account.
- **Where do you see yourself in 5 years' time?**
In five years' time I see myself sailing traditional wooden boats along interesting coastlines, not necessarily in the vicinity of Stornoway...



John Dunne

Port Operative

- **How long have you been with the company?**
Over 6 years.
- **What inspired you to join the Port Authority?**
I often worked in the harbour area and I saw the varied work carried out by the port operatives, so was inspired to apply.
- **What's the most interesting thing about your job / what do you like best about your job?**
The sheer variety. No two days are the same – constant opportunities for problem solving.
- **What challenges do you face in your job?**
Trying to help with improvements to facilities and working methods. Harbour is going through a period of expansion and change. And of course, the weather always affects everything.
- **Where do you see yourself in 5 years' time?**
Working here in a much expanded and busier harbour.



Linda Mackay

Resource Manager

- **How long have you been with the company?**
11 years next March.
- **What inspired you to join the Port Authority?**
After being made redundant it looked like an interesting opportunity and a completely different environment from where I had been.
- **What's the most interesting thing about your job / what do you like best about your job?**
The day to day variety and always learning something new / seeing the port evolve and modernise till it becomes something Stornoway can be proud of.
- **Where do you see yourself in 5 years' time?**
Retired woohoo!!

PORT MARINE SAFETY CODE

- As required at article 1.8 of the Port Marine Safety Code (PMSC) the Port Authority should publish its Marine Safety plan for the conduct of marine operations in Stornoway harbour every three years. The current plan covers the period 2018-2020.
- The Marine Safety plan commits the Port Authority to undertaking the proper management and regulation of marine operations within the scope of its powers and authority, in a way that manages the safety of navigation within the port, including protecting the environment, so that the Port and its users are all safeguarded.

Standing Objectives	
Ensure all reasonably practical steps are taken to identify the hazards and risks arising from operational activities within the Port and its approaches and reduce risks to a level that is as low as is reasonably practicable	The Port Authority has conducted port-wide navigational risk assessments and has reviewed on an annual basis.
Reduce the likelihood and frequency of Navigational Incidents	No serious incidents have occurred over the past year and the frequency of marine incidents is reducing.
Maintain an effective Marine Safety Management System	The Port Authority's Designated Person, who is independent of the Authority has assessed that the safety management system is effective and reviews same annually.
Communicate the Port Authority's ongoing efforts and achievements in managing the safety of navigation within the Port	The Port Authority summaries its Port Marine Safety performance within its Annual Report. The Port Authority intends to develop a new website in 2020, following which such information will also be available online.
Provide a Pilotage service of well-trained, competent and authorised pilots, including authorisation of pilotage exemptions to similar standards	Following public consultation revised Pilotage Directions came into force on 1st February 2019. The Pilotage Rules, which regulate the authorising, examination and operation of pilots were also changed at the same time. The Port Authority employs sufficient qualified Pilots for current requirements.
Conservancy and Hydrographic survey	The Port Authority has extensive hydrographic surveys of the Harbour. Information was submitted to hydrographic office enabling a very substantial chart update in late 2019.

Support, approve and facilitate on-water events within the Statutory Harbour Limits	The Port Authority is taking an active role in water events, planning to avoid restrictions for port users.
Encourage port user involvement in the maintenance of the Marine SMS and the overall improvement in the provision of marine safety	The Port Authority consulted with port users on a number of issues over the past few years, including the Port Masterplan, Pilotage Directions and General Directions. The Port Authority will develop a more formal Port User Consultative forum over the coming years.
Current Plan Objectives	
As far as possible become fully compliant with the Port Marine Safety Code by 31st March 2018 with the exception of reviewing / updating the Byelaws and making General Directions.	The Port Authority external auditor (The Designated Person) confirmed the Port Authority's compliance with the Port Marine Safety Code prior to the Port confirming compliance in March 2018. The Port Authority remains compliant with the Port Marine Safety Code.
Review and Update Byelaws	The Byelaws have not been updated and is now well behind programme. It is unlikely that Byelaws will be approved before the end of 2021.
Make General Directions	General Directions came into force on 30th June 2018.
Develop the Safety management System and port navigational risk assessments as necessary to support the ambition of the Port Master Plan	The maintenance of both the Safety management System and Navigational Risks assessments are ongoing, and reflect new infrastructure developments within the Port.

Aids to Navigation

As a Port Authority, Stornoway Port Authority is the Local Lighthouse Authority and as such must meet statutory duties associated with those responsibilities. A report into the availability of the Authority's various Aids to Navigation is therefore prescribed by regulation. Performance is monitored and periodically audited by the National Lighthouse Authority, namely the Northern Lighthouse Board and a full audit took place within the reporting period.

Category	No. of Aids	Target Availability %	Availability %
CAT 1	7	99.80	100.00
CAT 2	12	99.00	94.99
CAT 3	3	97.0	98.60

Availability reductions have been addressed and 2020 availability is expected to be much higher.

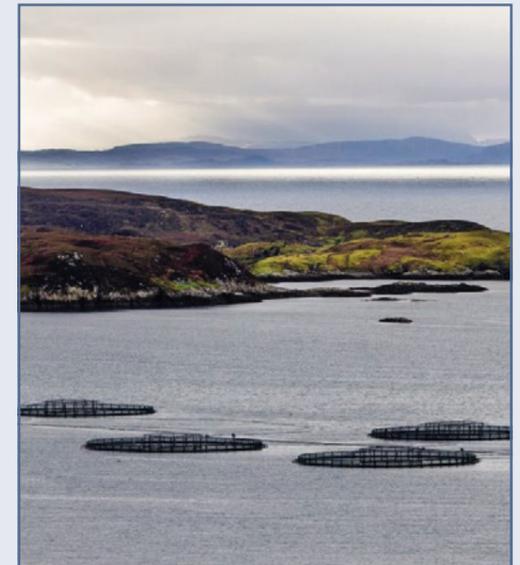
PORT OPERATIONS

Aquaculture

Stornoway is the hub for the aquaculture sector in the Outer Hebrides.

Most of the fish farms are located on the east coast of Harris and Lewis, but an increasing number are being developed on the west coast. Overall production is growing, and the Outer Hebrides now account for one fifth of Scottish fish farming production.

The leading operator in the Port is The Scottish Salmon Company. Their fish are landed at the harvesting station at Arnish, then trucked to their Marybank facility for processing and shipping, then onwards for distribution via the ferry to the mainland.

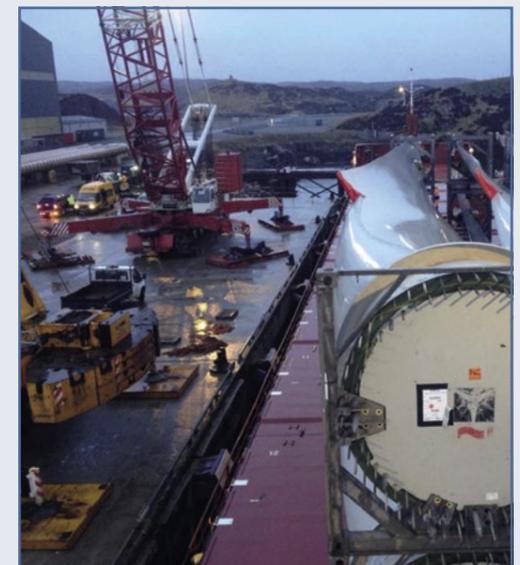


Offshore

The Outer Hebrides provide a forward base for oil-related operations in the deep-water frontier areas of the Atlantic, off the north west of Scotland. Situated close to the Hebrides platform, Stornoway can play a major role in the future development of resources as far offshore as the Rockall Bank.

As a result of the Lewis Offshore yard, originally built in the early 1970s, Stornoway has a strong connection within the Oil & Gas industry. As well as a wide variety of barges/tugs associated with the Arnish facility, Stornoway harbour has a long history of oil-related traffic including supply vessels, seismic vessels, anchor handlers, workboats, etc.

Near to the Arnish materials quay is the barge grounding berth, suitable for a standard North Sea barge. The Port also has a rig anchorage area with a minimum depth of 14m, initially installed during the refurbishment of the Drillmaster/Buchan Alpha rig in the early 1980's.



Arnish

Arnish is a key strategic site, investor ready, offering a manufacturing, assembly and deployment hub within the West of Scotland cluster.

Investment in Arnish has created a fully serviced site with heavy load quay facilities, providing a range of flexible serviced plots. Arnish is a key NRIP site, has Enterprise Area designation and is well positioned to attract inward investment and provide for expansion of existing businesses.

Arnish offers excellent opportunities within high growth business sectors associated with marine engineering and can support future national and international investments in both the renewable energy, and oil and gas sectors.



Ferries

With over 95% of all visitors to the Outer Hebrides travelling through Stornoway harbour, the vast majority of people arriving into Stornoway use the ferry service.

Operated by CalMac Ferries Ltd, the largest vessel in the CalMac fleet M.V. Loch Seaforth sails between Ullapool and Stornoway three times a day. The sailing takes 2 hours and 30 minutes and travels past the scenic Summer Isles and through Loch Broom.

The 116-metre roll on roll off ferry is capable of operating 24 hours a day and has capacity for up to 700 passengers and 143 cars or 20 commercial vehicles.

A separate drop trailer parking area has recently been constructed to assist with commercial traffic.



2019 PROJECT UPDATES

Key targets for 2019 together with a comment on progress is listed below:

Goat Island/Newton Basin Development	
Complete reclamation construction works	This was completed in late 2019.
Commence Pontoon Installation	A contract was awarded for pontoon installation in August 2019, with delivery expected early 2020.
Commence construction of engineering facility	This contract was delayed until completion of the reclamation and pontoon works.
Commence construction of food standard building	Construction work commenced in late 2019.
Deep Water Port	
Obtain all necessary consents	Although there has been significant progress in progressing the projects consents, the design changes in late 2019 will affect approval of the final consent.
Complete design	Although the design was largely complete towards the end of 2019, some complex geotechnical scenario resulted in a redesign process commencing late 2019.
Source funding	Discussions with a variety of partners have been ongoing for some time, and progress has been made in determining a suitable funding scenario.
Tender construction contract	Tendering the construction contract will not commence until funding for the project has been confirmed.
Arnish Site	
Work closely with tenant to source additional works for both organisations	The Port Authority is regularly communicating with the tenant of the Arnish facility.
Complete lease arrangements for the existing pier	The parties have agreed an avenue to formal legal agreement.

Existing Infrastructure improvements	
Bollard replacements on Esplanade and Pier No. 1	Completed in 2019.
Ladder replacement on Pier No. 1	A contract was awarded in May 2019 for these improvement works.
Undertake archaeology investigation to the rear of Amity House	This work was undertaken in 2019.
Access control around North Beach Quay and Cromwell Street Quay	Design works have progressed on this however the implications of proposed alterations are far ranging and need further approvals and development.
Organisational Development	
Commence structure change within the organisation in preparation for Deep Water Port	Organisational development has commenced in advance of Deep Water Port, ensuring that a highly qualified and professional management staff are in position.
Commercial	
Review Goat Island Market Assessment	Commenced but dependent upon infrastructure status of the Goat Island Slipway.
Newton Basin Marina Marketing	Strategy development in progress.
Continue to develop relationships with the cruise industry	This work has been going on for some time and will change as the Deep Water Port becomes a reality.
Health, Safety, Environment & Quality	
Improvements to Risk Assessments and Method Statements	This work is continuous however it should be noted that significant progress was made in 2019.
Additional training	As well as the external certification courses, the Port Authority has undertaken significant marine safety work, including PMSC awareness, man overboard drills, etc.
Harbourside access restrictions	This work will be in tandem with the North Beach and Cromwell Street Quay access control. Design work was progressed in 2019, however significant issues were encountered.

NEWTON BASIN / GOAT ISLAND DEVELOPMENT



The last year has seen significant progress on the project, with completion of the reclamation works in late 2019, together with commencement of the Food Standard building. This is a major milestone for the 2017 Port Masterplan.

The works projected for 2019 included:

- Fully consented projects
- Funding approval for Food Standard building
- Commencement construction of reclamation and a marina project
- Commencement engineering building construction.

Newton Basin Marina

The Newton Basin project is to construct a 75 berth marina, a new public slipway and extensive reclamation for further development, improving an untidy area adjacent to the Goat island slipway. The Goat island slipway and causeway was constructed by the Port Authority in 1951, with funding at that point from the Herring Fishery Board.

In late 2018 the Port Authority awarded the construction contract for Newton dredging and reclamation works to R J Mcleod, a company who have done a huge amount of works within the islands.

A number of differing organisations have assisted in developing this important project over the previous few years. These organisations, funders, partners, etc included HIE, SGRCF, Comhairle nan Eilean Siar, Marine Scotland, Stornoway Trust, Crown Estate, etc, all of whom played a very important part in the project. Our civil engineering consultants Wallace Stone have worked on this project from the very first test holes back in 2016 and will no doubt assist the Port Authority in maintaining the development over the coming years.

The local Newton community also deserve our thanks for their commitment to the project and also for their understanding during the constructions works.

Food Standard Building

The Port Authority, assisted with funding from Marine Scotland, have awarded the construction contract in late 2019 to local company Lewis Builders Ltd, following the design work being led by North Uist based Architect Fraser architects.

This is an important development for the local fishing industry and will allow the local product to be processed to a much higher quality.

DEEP WATER PORT

One of the most ambitious projects ever undertaken in the Outer Hebrides, the Deep Water Port development is a project of national significance and will be transformational for our local economy. The opportunities created by this catalytic project will be felt for many years to come, and will be essential to a sustainable future for these islands. Core infrastructure projects such as this will produce significant gains in economic output, with a subsequent effect on employment, development etc, all with the aim of a more sustainable future for the islands.

The main elements of the Deep Water Port are:

- An extensive industrial base for the planned onshore/offshore renewables projects around the Outer Hebrides
- A roll on/off linkspan – provides resilience to the existing ferry service whilst also providing a freight ferry berth
- A berth suitable for some of the largest cruise ships in the world
- Space and facilities to develop aquaculture in the islands
- Heavy lift facility which will greatly assist the Arnish yard in sourcing new work.

Late in 2019, the design was changed which delayed completion of the detailed design. The project remains the highest importance for the Port Authority.



2020 PROJECTION

What the Port Authority intends to do in 2020 to achieve its Business Objectives.

Project Development

01

1. Develop a Deep Water Port.

- Undertake additional boreholes
- Finalise design with acceptable risk profile
- Finalise funding
- Award construction contract late 2020.

02

2. Develop Marina capacity at Goat Island.

- Newton Marina will open in April 2020
- The yacht lift will be available late in 2020.

03

3. Develop a covered boat repair facility.

- Planning permission early 2020
- Tender and award contract
- Commence construction Second quarter 2020.

04

4. Develop increased capacity and capability for fish processing.

- Contract awarded for processing building.

05

5. Redevelopment of the Inner Harbour landside area.

- Develop detailed plans of proposed inner harbour landside areas
- Install security barriers and entry system in harbour areas.

Financial / Commercial

06

6. Double 2017 revenue within the next 10 years through expansion.

- Goat Island, Food Processing building and Deep Water Port a major part of this
- Significant sales/marketing exercise for leisure traffic
- Determine tenant options for Deep Water Port.

07

7. Increase revenue of existing operations through marketing and sales improvements.

- Develop marketing plan & strategy – cultural tourism, destination management, etc all to be included
- Investigate and develop long term strategy for Goat Island slipway.

Operational

08

8. Develop an organisational structure consistent with a developing business.

- Business Services Manager and Engineering Manager in place at the start of 2020
- Some further changes required, but basic structure is now in place
- Pilotage cover, office procedures, etc.

09

9. Continually learn and adopt best practice.

- Develop procedures
- Site visits to learn from others
- Employ professional staff
- Training plans and competency.

10

10. Develop effective controls and systems to manage risk.

- Develop procedures in all business areas
- Improve all RAMs.

11

11. Improve HSEQ culture through communication with all stakeholders.

- Develop new environment and quality policies and procedures
- Continuous communication with stakeholders
- Develop procedures in all business areas
- Communicate procedures to stakeholders.

12

12. Build and maintain relationships with key customers.

- Visit/meet with customers in all business areas
- Install CRM (Customer Relationship Management) software.

13

13. Achieve and maintain outstanding customer service.

- Ensure customer gets what they want and when, by improving procedures in all business areas
- Ensure Port Authority personnel know the product and customer.

14

14. Maintain the port infrastructure to a high standard.

- Engineering Manager in place at the start of 2020
- Implement maintenance management software.

Community

15

15. Maintain the Port Authority's central role in the community and local economy.

- Public meetings, public relations team, notifications, etc
- Meet regularly with all key stakeholders.

16

16. Ensure that the Port recognises the views and needs of the local community.

- Public meetings, stakeholder meetings and PR strategy
- Approachable staff and Board members.



STORNOWAY PORT AUTHORITY

Report of the Board and Audited Financial Statements

For the Year Ended 31 December 2019

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

FINANCIAL STATEMENTS

for the Year Ended 31 December 2019

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Authority Information

for the Year Ended 31 December 2019

BOARD MEMBERS:

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

CONTACT ADDRESS:

Amity House
Stornoway
Isle of Lewis
HS1 2XS

INDEPENDENT AUDITORS:

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

Report of the Board

for the Year Ended 31 December 2019

The board members present their report with the financial statements of the Authority for the year ended 31 December 2019.

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 2019.

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 2019 to the date of this report.

M A Murray	- Chair
I Burgess	- Vice Chair (until 24.09.2020)
A Macdonald	
J M Nicolson	
I McCulloch	- Vice Chair (from 24.09.2020)
M A Macleod	
A D MacLeod	- Chief Executive

Other changes in Board Members holding office are as follows:

A MacDonald	- appointed 22 January 2019
-------------	-----------------------------

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.

Legislation requires the Board Members to prepare financial statements for each financial year. Under that law the Board Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 applicable legislation. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Members are responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website.

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

for the Year Ended 31 December 2019

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:

M A Murray – Chair
17 December 2020

Opinion

We have audited the financial statements of Stornoway Port Authority (the 'Authority') for the year ended 31 December 2019 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, 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.

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

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

- the information given in the 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.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board Members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Board Members were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Board.

Responsibilities of Board Members

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

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

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 Harbours Act 1964, as amended by the Transport Act 1981. 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 ACA (Senior Statutory Auditor)
for and on behalf of Mann Judd Gordon Ltd
Registered Auditors & Chartered Accountants
26 Lewis Street
Stornoway
Isle of Lewis
HS1 2JF

17 December 2020

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.

Profit and Loss Account

for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
REVENUE		3,928,533	3,576,145
Cost of sales		<u>1,837,587</u>	<u>1,931,000</u>
GROSS PROFIT		2,090,946	1,645,145
Administrative expenses		<u>1,376,768</u>	<u>1,365,192</u>
		714,178	279,953
Other operating income		<u>230,201</u>	<u>234,114</u>
OPERATING PROFIT	3	944,379	514,067
Interest receivable and similar income		<u>7,504</u>	<u>6,917</u>
		951,883	520,984
Other finance costs	9	<u>38,000</u>	<u>41,000</u>
PROFIT BEFORE TAXATION		913,883	479,984
Tax on profit		<u>300,229</u>	<u>140,597</u>
PROFIT FOR THE FINANCIAL YEAR		<u>613,654</u>	<u>339,387</u>

Other Comprehensive Income

for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
PROFIT FOR THE YEAR		613,654	339,387
OTHER COMPREHENSIVE INCOME			
Actuarial gain/(loss) on pension deficit		(55,000)	523,000
Income tax relating to other comprehensive income		81,610	(92,060)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		26,610	430,940
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		640,264	770,327

Balance Sheet

for the Year Ended 31 December 2019

	Notes	31.12.19		31.12.18	
		£	£	£	£
FIXED ASSETS					
Property, plant and equipment	4		15,601,518		10,478,630
Investment property	5		1,425,100		1,425,100
			17,026,618		11,903,730
CURRENT ASSETS					
Debtors	6	1,202,016		562,125	
Cash at bank and in hand		1,410,787		3,405,597	
		2,612,803		3,967,722	
CREDITORS					
Amounts falling due within one year	7	2,346,659		809,577	
NET CURRENT ASSETS			266,144		3,158,145
TOTAL ASSETS LESS CURRENT LIABILITIES			17,292,762		15,061,875
PROVISIONS FOR LIABILITIES			(274,652)		(255,658)
ACCRUALS AND DEFERRED INCOME			(7,788,203)		(6,431,964)
PENSION LIABILITY	9		(1,260,360)		(1,044,970)
NET ASSETS			7,969,547		7,329,283
RESERVES					
Fair value reserve	8		803,325		803,325
Retained earnings			7,166,222		6,525,958
			7,969,547		7,329,283

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board Members and authorised for issue on 17 December 2020 and were signed on its behalf by:

M A Murray **I McCulloch**
Director Director

Notes to the Financial Statements

for the Year Ended 31 December 2019

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" along with the Companies Act 2006 and Harbours Act 1964 as amended by the Transport Act 1981. 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.

Going Concern

The Authority is a going concern and there are no material uncertainties casting significant doubt over its ability to continue as a going concern.

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 the cost less estimated residual value of 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% depreciation on cost

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset is estimated

and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Assets under construction

Assets under construction are stated at cost within Land, Buildings and Works. These are not depreciated until they are available for use.

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

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

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.

Debtors and creditors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Creditors and provisions are recognised where the Authority has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

2. EMPLOYEES AND BOARD MEMBERS

	31.12.19	31.12.18
	£	£
Wages and salaries	921,960	818,361
Social security costs	89,697	71,721
Other pension costs	367,000	265,999
	<u>1,378,657</u>	<u>1,156,081</u>

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

	31.12.19	31.12.18
Operations	17	18
Administration	3	4
Management	4	4
	<u>24</u>	<u>26</u>

3. OPERATING PROFIT

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

	31.12.19	31.12.18
	£	£
Operating lease income	(203,423)	(194,841)
Depreciation - owned assets	1,154,526	1,122,008
Auditors' remuneration	8,000	7,500
Auditors' remuneration for non-audit work	11,522	8,200
	<u>11,522</u>	<u>8,200</u>

4. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings & Works	Improvements to property	Fixtures & fittings	Motor vehicles	Totals
	£	£	£	£	£
COST					
At 1 January 2019	14,696,241	2,069,872	106,864	98,339	16,971,316
Additions	6,224,647	40,996	-	21,250	6,286,893
Disposals	-	(3,155)	(9,479)	(14,400)	(27,034)
At 31 December 2019	<u>20,920,888</u>	<u>2,107,713</u>	<u>97,385</u>	<u>105,189</u>	<u>23,231,175</u>
DEPRECIATION					
At 1 January 2019	5,198,584	1,200,003	62,504	31,595	6,492,686
Charge for year	972,571	159,577	8,130	14,248	1,154,526
Eliminated on disposal	-	(3,155)	-	(14,400)	(17,555)
At 31 December 2019	<u>6,171,155</u>	<u>1,356,425</u>	<u>70,634</u>	<u>31,443</u>	<u>7,629,657</u>
NET BOOK VALUE					
At 31 December 2019	<u>14,749,733</u>	<u>751,288</u>	<u>26,751</u>	<u>73,746</u>	<u>15,601,518</u>
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>

Included in cost of land and buildings is freehold land of £63,860 (2018 - £63,860) which is not depreciated.

Included within the cost of Land, Buildings and Works is £7,434,161 (2018: £1,430,295) of assets under construction which are not depreciated until the asset is available for use.

The notes form part of these financial statements

5. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2019 and 31 December 2019	<u>1,425,100</u>
NET BOOK VALUE	
At 31 December 2019	<u>1,425,100</u>
At 31 December 2018	<u>1,425,100</u>
Included in fair value of investment property is freehold land of £1,305,600 (2018 - £1,344,600) which is not depreciated.	
Fair value at 31 December 2019 is represented by:	
	£
Valuation in 2012	1,061,735
Cost	<u>363,365</u>
	<u>1,425,100</u>

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

	31.12.19	31.12.18
	£	£
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

	31.12.19	31.12.18
	£	£
Trade debtors	503,467	389,028
Other debtors	<u>698,549</u>	<u>173,097</u>
	<u>1,202,016</u>	<u>562,125</u>

The notes form part of these financial statements

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£	£
Trade creditors	1,566,741	96,628
Taxation and social security	311,122	216,219
Other creditors	468,796	496,730
	<u>2,346,659</u>	<u>809,577</u>

8. RESERVES

	Fair Value reserve
	£
At 1 January 2019 and 31 December 2019	<u>803,325</u>

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 be 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	
	31.12.19	31.12.18
	£	£
Present value of funded obligations	(6,786,000)	(5,762,000)
Fair value of plan assets	<u>5,230,000</u>	<u>4,503,000</u>
	(1,556,000)	(1,259,000)
Present value of unfunded obligations	-	-
Deficit	(1,556,000)	(1,259,000)
Deferred tax asset	<u>295,640</u>	<u>214,030</u>
Net liability	<u>(1,260,360)</u>	<u>(1,044,970)</u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Current service cost	327,000	266,000
Net interest from net defined benefit asset/liability	38,000	41,000
Past service cost	<u>40,000</u>	-
	<u>405,000</u>	<u>307,000</u>
Actual return on plan assets	<u>126,000</u>	<u>124,000</u>

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

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Opening defined benefit obligation	5,762,000	6,568,000
Current service cost	327,000	266,000
Past service cost	40,000	-
Contributions by scheme participants	56,000	46,000
Interest cost	164,000	165,000
Benefits paid	(202,000)	(201,000)
Remeasurements:		
Actuarial (gains)/losses from changes in demographic assumptions	-	(38,000)
Actuarial (gains)/losses from changes in financial assumptions	639,000	(335,000)
Other experience	-	(709,000)
Actual return on plan assets	<u>6,786,000</u>	<u>5,762,000</u>

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

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Opening fair value of scheme assets	4,503,000	4,957,000
Contributions by employer	163,000	136,000
Contributions by scheme participants	56,000	46,000
Expected return	126,000	124,000
Benefits paid	(202,000)	(201,000)
Return on plan assets (excluding interest income)	<u>584,000</u>	<u>(559,000)</u>
	<u>5,230,000</u>	<u>4,503,000</u>

The notes form part of these financial statements

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£	£
Actuarial (gains)/losses from changes in demographic assumptions	-	38,000
Actuarial (gains)/losses from changes in financial assumptions	(639,000)	335,000
Other experience	-	709,000
Return on plan assets (excluding interest income)	<u>584,000</u>	<u>(559,000)</u>
	<u>(55,000)</u>	<u>523,000</u>

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

	Defined benefit pension plans	
	31.12.19	31.12.18
Equities	73%	70%
Bonds	14%	15%
Property	11%	13%
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):

	31.12.19	31.12.18
Discount rate	2.00%	2.80%
Future salary increases	3.30%	3.50%
Future pension increases	2.30%	2.50%

The notes form part of these financial statements

10. RELATED PARTY DISCLOSURES

During the year the Authority purchased goods from Manor Filing Station, a business in which Allan Macdonald is a director and shareholder. The value of the purchases was £1,384 (2018: £109) and no balance was outstanding at the year end.

Two Board Members were reimbursed expenses during the year of £382 (2018: £Nil).

11. FRC 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.

12. PILOTAGE

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

	31.12.19	31.12.18
	£	£
Revenue from pilotage services	109,610	41,567
Pilotage expenses	99,469	34,528

In addition the Authority incurs internal costs on Pilotage in excess of £10,000 per annum, in respect of management time and expenses.

The notes form part of these financial statements

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