



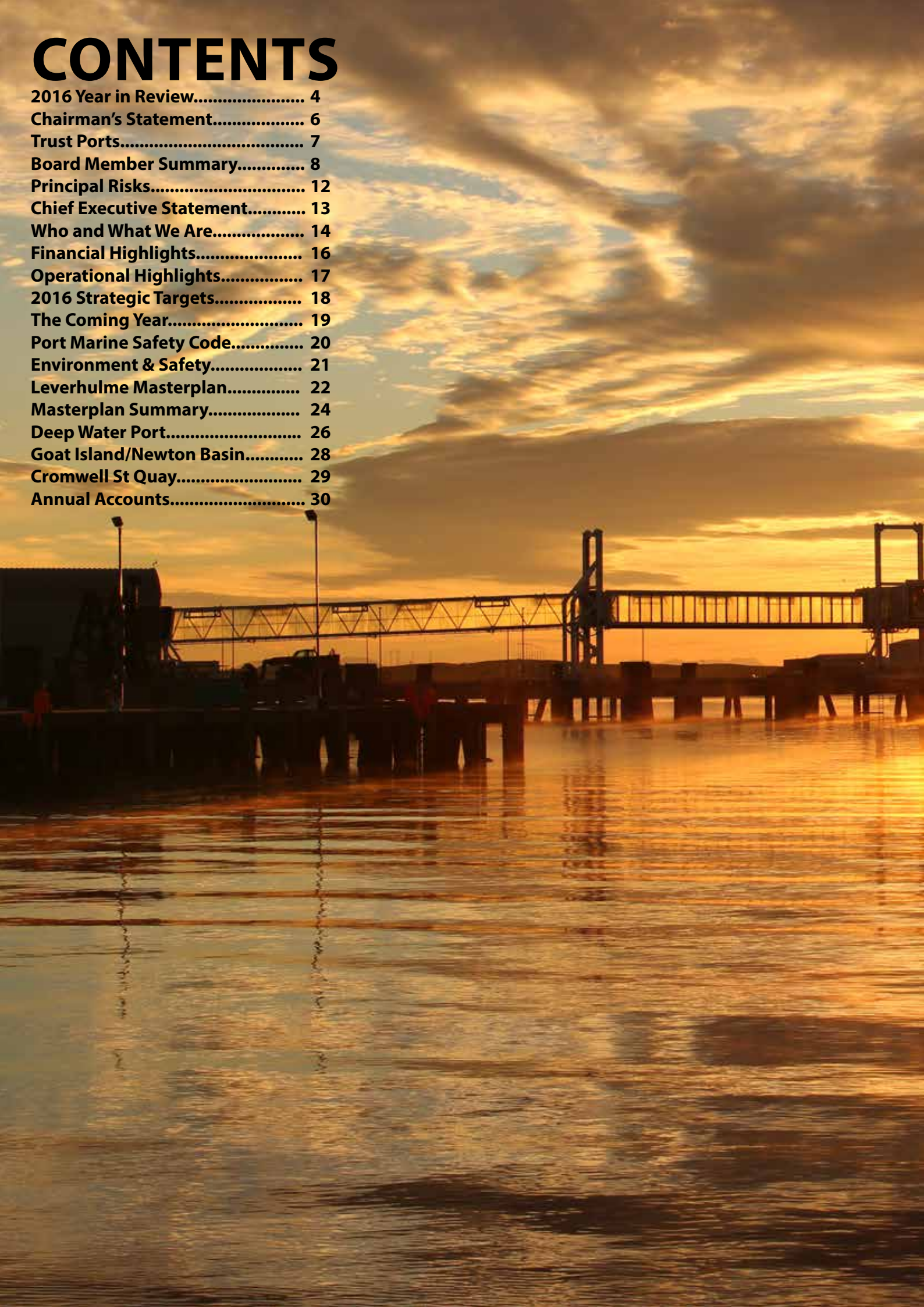
STORNOWAY PORT AUTHORITY



ANNUAL REPORT 2016

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2016 YEAR IN REVIEW

64%

INCREASE IN
CRUISE SHIP
PASSENGERS
FROM 2015



NUMBER OF CRUISE SHIP PASSENGERS

2015

14,472

2016

23,622

CRUISE SHIPS VISIT
INCREASE OF **49%**

TURNOVER OF NEARLY
£3.3 MILLION

COMMERCIAL
VEHICLES
12,461

2 NEW BOARD MEMBERS



1 RETIRED

PORT MASTERPLAN CONSULTATION

**TOTAL NUMBER OF FERRY
PASSENGERS 263,885**

A 12% INCREASE



12,359

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



**ZERO LOST TIME
INCIDENTS IN 2016**

**TOTAL VESSEL
MOVEMENTS GREW 9%
FROM 768 IN 2015 TO 833
THIS YEAR**

VESSEL TONNAGE REACHED 1,902,993

**PORT MARINE
SAFETY CODE
CONSULTATION**



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

CHAIRMAN'S STATEMENT



I am very pleased to be making my second annual report statement as Chairman of the Board of Stornoway Port Authority and in being able to report another very successful year of activity for the Port.

Most aspects of the business have seen higher volumes and it has been an exceptional year for cruise ships with 23,622 cruise passengers up from the 2015 figure of 14,472. Ferry passengers have also seen a 12% increase to 263,885 and cars have risen by 17% to 86,239.

The high volume of cruise ship activity is very much a one-off and has highlighted the lack of deep water berthing facilities which is increasingly a requirement for the larger and more modern cruise ships. Activity around the grounding of the Transocean Winner has also flagged up the need for deeper berths for ocean going support vessels.

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

The year 2016 has seen a number of changes to the Board membership and I would like to thank my fellow non-executive members of the Board and particularly Dr Neil Galbraith who left the Board after many fruitful years of service. I would congratulate Mr Ian McCulloch who joined the Board and has a background in the Oil and Gas sector, as well as Mrs Margaret Ann Macleod who is from a Development and Marketing background. In the history of the Port there have been only six previous female Commissioners/Board members and it is good to see this much welcomed addition at this time.

Over the past year the Board has been monitoring the consolidation of procedures, assessing the principal risks to the Port Authority, developing the vision for the future through the Port Masterplan and ensuring that there is appropriate stakeholder and public engagement. I would like to thank the Chief Executive, Alex MacLeod and all the staff for their ongoing hard work and continuing commitment.

The Board has also agreed to set some funds aside for a Community Assistance Fund which will primarily be for projects relating to young people and predominantly with a maritime interest and use of this fund will be progressed in 2017.

The plans which the Port Authority now have in place will, in addition to providence, require all the co-operation and goodwill that can be mustered and I would like to express the Board's appreciation to all of our stakeholders for their continued support and understanding as we work together for the good of the Port and the wider island community.

Murdo A. Murray

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. Transport Scotland representatives attended the April 2016 meeting of the Port Authority.

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.

“If Trust Port boards are to rise to this challenge they will need to move with the times. These standards point the way ahead”

“a Trust Port needs to discharge its duties in a conscientious, open and accountable manner”



BOARD MEMBER SUMMARY

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

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

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

THE BOARD



MR MURDO MURRAY - CHAIRMAN

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

In the Western Isles branch of the Gideons he has completed three years as Treasurer and is currently the Branch Chairman.



MR IAN BURGESS - VICE CHAIR

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



MR ALEX MACLEOD – CHIEF EXECUTIVE

Brought up in the village of Knock, Mr MacLeod's family has had a long connection with the Port. His great-grandfather owned and skippered the sailing vessel Muirneag, one of the most famous fishing vessels of its time. Following a period of time working in Glasgow with the civil engineering company Lilley Construction, Mr MacLeod worked with Fletcher Construction in Auckland, New Zealand, which included working on the Americas 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.



CAPT. ROBERT FRATER

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

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



MR JOHN NICOLSON

John, a Point native, 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



MR IAIN DON MACIVER

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

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



MR ALLAN MACDONALD

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

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



MRS MARGARET ANN MACLEOD

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

Born and brought up in Carloway on the Isle of Lewis, Margaret Ann is a native Gaelic speaker, a working mother, and an active board member for a number of community organisations on the island, including her current role as Chair of HI-Scot Credit Union. Margaret Ann was co-opted to the Board in November 2016.



MR IAN MCCULLOCH

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



DR. NEIL GALBRAITH OBE

Neil Galbraith is Chair of NHS Western Isles and has had wide experience in Local Government as Chief Executive and Director of Education. He has worked internationally in Russia, Montenegro and Albania on educational systems and management reform. He is currently the Chair of the North of Scotland Planning Group of the NHS and exercises a regional remit in regard to the co-ordination of the interests of six NHS Boards, including three island Boards. He holds degrees in Psychology and History, a doctorate from the Open University and is an accredited coach/mentor working in Health, Education and Local Government.

Dr Neil Galbraith retired from the Board in November 2016.

NON-EXECUTIVE BOARD MEMBERS	JOINED THE BOARD	2016 MEETINGS ATTENDED
Mr Murdo Murray (Chairman)	May 2012	10 of 10
Mr Ian Burgess (Vice Chairman)	August 2014	8 of 10
Captain Robert Frater	August 2004	9 of 10
Dr Neil Galbraith	November 2009	6 of 7
Mr Allan MacDonald	May 2014	7 of 10
Mr Iain Don MacIver	August 2015	8 of 10
Mr John Nicolson	November 2015	10 of 10
Mr Ian McCulloch	August 2016	4 of 5
Mrs Margaret Ann Macleod	November 2016	2 of 2
EXECUTIVE MEMBER	JOINED THE BOARD	2016 MEETINGS ATTENDED
Mr Alex Macleod	August 2015	10 of 10

PRINCIPAL RISKS

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

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

Risks	Mitigating factors
Island economy	Continuous consultation with all levels of government Stakeholder consultation Market assessment studies
Strategic direction	Communication Economic studies Stakeholder/customer consultation
Loss of community acceptance	Community consultation Communication practices Website improvements
Financial	Management procedures Operational efficiency Internal & external auditors
Environmental	Continuous auditing Co-ordination and co-operation with other bodies 24/7 staffing
Equipment Failure	Maintenance regime Plant records/inspections Staff training
Lack of development funds	Business planning and budgetary controls Financial awareness Prioritisation of projects
Capital projects	Ensure best value is accepted Project management expertise Improved procedures
Governance	Board member training Board member appraisals Reference to Guidance for Good Governance
Staff effectiveness	Staff training Performance appraisals and performance management Management reviews
IT security problems	IT expertise employed IT audits Modern equipment
Customers	Customer consultation Service level review Communication
Health & safety	Internal and external audits Risk assessment procedures Insurance risk assessment and communication
Marine safety	Adhere to Port Marine Safety Code Constant review of safety management system Improve marine policies Navigational risk assessment

CHIEF EXECUTIVE'S STATEMENT



In 2016 the Port delivered another improved performance, whilst also progressing operational improvement around the business. Increased traffic across most business areas resulted in increased turnover and profit. The exceptionally busy cruise season brought benefits to both the Port and the wider community.

TRADING HEADLINES

I am pleased to report the 2016 financial results which showed increased income and profit. Income of £3.5m was 15% higher than 2015, whilst profit was 30% higher than 2015. The increased profit was largely as a result of delayed repair & maintenance spend whilst the port reviewed all areas of the business.

Although there was no major capital investment in 2016, there were major investments in the reports and investigations that were undertaken by the Port Authority. These investigations/reports included the Port Masterplan, structural assessments of all the Port Authority's pier structures and the navigational risk assessments.

OPERATIONAL

A continuing focus on developing marine safety and landside health and safety procedures around the harbour was combined with a busy year of record cruise ship visits and traffic associated with the grounding of the oil rig, Transocean Winner.

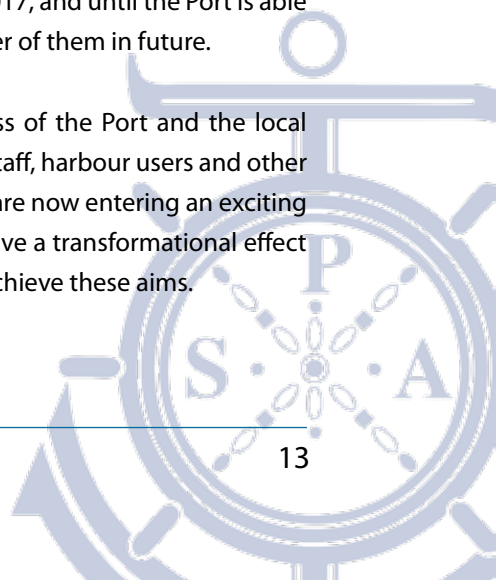
STAKEHOLDER ENGAGEMENT

The development of the Port Masterplan was a significant event for the Port Authority and something which will drive the business forward over the coming years. The Masterplan was developed following extensive consultation with stakeholders and the positive reaction to its publication gives the Port the confidence to proceed with the options contained therein. Implementation of the Masterplan projects will be challenging and 2017 will see further investigation and development of the Goat Island projects and the Deep Water berth.

The market in 2017 will be steady in most business areas. However, the number of cruise visitors will significantly reduce compared to 2016 which was an exceptional year with five very large vessels increasing our visitor numbers by 10,000 passengers. These vessels will not be returning in 2017, and until the Port is able to accommodate vessels of this size alongside our piers we can expect to see fewer of them in future.

Overall, continuous change whilst growing the business is crucial to the success of the Port and the local economy. This can only happen with the support of our key partners, customers, staff, harbour users and other stakeholders, and we would like to thank them for their support during 2017. We are now entering an exciting era for the Port Authority, where the projects within the Port Masterplan could have a transformational effect on the Port and the island economy. It is important that we all work together to achieve these aims.

Alex MacLeod



WHO AND WHAT WE ARE

OUR VISION

is to be the leading port in the North West of Scotland

OUR MISSION

is to provide a safe and efficient port, whilst continuing to grow and develop

OUR VALUES

are the delivery of results, customer service, and accountability

OUR PEOPLE



BUSINESS AREAS

CRUISE



FERRIES



MARINE LEISURE



SLIPWAY



FISHING



GENERAL CARGO



FINANCIAL HIGHLIGHTS

There was another strong financial performance for the Port Authority during 2016, and this continuing improvement will allow the development of some of the projects identified in the Port Masterplan. To attract investment and to allow the Port Authority to borrow sufficient funds, the Authority must show that it is financially sound. The 2016 results show that the business model works. As a Trust Port with no shareholders, all profits are re-invested into the future of the Port. The year 2016 saw minimal infrastructure development resulting in a much higher net profit. Such profits will be reinvested in infrastructure to allow the development of our proposed Masterplan projects. The rewards and achievements, as a result of previous investments, are reflected in our 2016 annual financial results:

- £3.3million revenue, up 15% on 2015
- £0.8m net profit, up 30% on 2015
- 263,885 arriving or departing passengers, up 12% on 2015
- 62 cruise ship visits, up 48% on 2015
- Steady revenue from slipway and leisure craft
- Increased traffic as a result of the Transocean Winner grounding
- Marina visits up 11% on 2015

STATISTICS

	Full Year 2014	Full year 2015	Full year 2016
Passengers	226,040	235,688	263,885
Cars	70,394	73,880	86,239
Coaches	397	370	406
Commercial Vehicles	12,169	11,953	12,461
Ferry Movements	969	925	976
Total vessel movements	664	768	833
Marina Yacht Visits	364	334	370
Cruise Ship Visits	37	43	64
Cruise Ship Passengers	11,746	14,472	23,622
Coal	3,631	3,386	2,134
Cement	2,315	800	795
Oil	41,475	36,495	36,343
Gas	847	1,080	1,050
Road salt	4,355	8,989	4,535
Other statistics			
Lost Time Incident	2	0	0
Man-hours worked	25,532	29,334	30,788
Acts of Pilotage	40	39	47
Slippings	96	87	88

OPERATIONAL HIGHLIGHTS

FERRY OPERATIONS

2016 was the first full year of MV Loch Seaforth operations, resulting in a more consistent ferry operation all year round. The Port Authority has been monitoring the marshalling and traffic arrangements at the terminal throughout 2016, and has prepared more detailed plans for the proposed rearrangement of the terminal layout. With the award of the Clyde & Hebrides ferries contract to Calmac Ferries Ltd, the Port Authority will work with this longstanding customer to achieve an improved and more efficient service.

CRUISE SHIP

The 2016 cruise ship season was an exceptional year for the Port Authority and will unlikely be bettered until the Port develops suitable infrastructure. By the end of the 2016 season 23,622 passengers had arrived in Stornoway, beating previous records by some margin. The 23,622 passengers bring an estimated £46 per passenger into the local economy, thus adding a total of £1.1million into the local island economy.

FISHING

The new ice plant operated by the Port Authority was received well by local fishermen, who were delighted with the quality of ice now available. There were some “teething” problems during 2016. However, most of these issues should be resolved during a plant upgrade in mid-2017.

LEISURE

Activity in the leisure industry has again increased during 2016, in both visitor numbers and revenue. A focus on customer service and visitor experience is reaping rewards for the Port Authority and provides encouragement for the future developments planned at Goat Island.

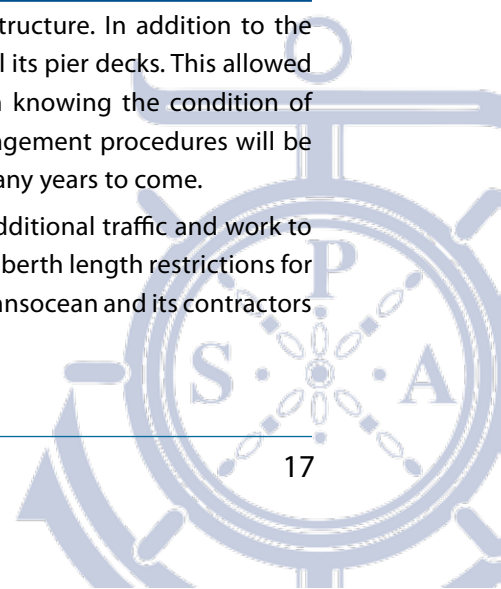
SLIPWAY

The year 2016 proved to be a relatively quiet year at the slipway, with turnover down approximately 10%. An increased focus on operational efficiencies and health & safety will ensure that this site remains operational and efficient in the long term.

PORT INFRASTRUCTURE

The year 2016 saw some major investigations into the Port Authority’s infrastructure. In addition to the Port Masterplan, the Port Authority commissioned a structural assessment of all its pier decks. This allowed the Port Authority to make more informed decisions on the Port Masterplan knowing the condition of our existing infrastructure. Improvements to both the infrastructure and management procedures will be undertaken in 2017 to ensure that the current port infrastructure will last for many years to come.

The grounding of the Transocean Winner drilling rig in August 2016 brought additional traffic and work to the port, but also exposed infrastructure and operational deficiencies. Draft and berth length restrictions for vessels provided challenges. However, the Port Authority worked closely with Transocean and its contractors to find acceptable solutions.



2016 STRATEGIC TARGETS

Strategic targets for 2016 included some of the the following:

1. **Improve consultation with Port users** - The 2016 Masterplan involved extensive consultation and a public meeting. As part of the Navigational Risk Assessment development the Port Authority also undertook consultation with marine users.
2. **Review of management and staff structures including the harmonisation of staff rota** - Management structures in any modern business are continually under review. The staff rota harmonisation, although delayed, was almost complete by the end of 2016.
3. **Continue negotiations with the current leaseholder of Arnish pier with a view to the Port Authority managing the quay** - Ongoing, but completion is expected in 2017.
4. **Additional Health & Safety training, particularly focusing on risk assessment** - An IOSH Managing Safely course as well as risk assessment training was undertaken.
5. **A review of all property holdings** - Completed.
6. **Improvements to the Safety Management System and further development to ensure compliance with the Port Marine Safety code** - Significant progress was made with the development of the Navigational Risk Assessments.
7. **Board development** - The appointment of two new Board members which complemented and added to the Board skillset, together with continual review of the Board agenda.
8. **Final completion and handover of the ferry infrastructure works** - Operational. However, further development of the marshalling and traffic arrangements is being considered.
9. **Structural assessment of all piers** - Completed late 2016.
10. **Investigate the use of technology in port operations** - This remains in development.
11. **Website development** - A major upgrade is due 2017.
12. **Develop a Port Masterplan** - This was published in late 2016 and addressed some of the other strategic targets, notably the investigation and development of yacht services, facilities, marina berths, a covered slipway and wintering of boats.



THE COMING YEAR

The year 2017 will prove challenging for the port in some business operations. Cruise traffic will be significantly less than 2016, with approximately 50% of the exceptional 2016 traffic figures. The additional traffic created from the Transocean Winner grounding will also be missed.

The Port Authority must therefore drive forward the projects which will allow the Port to take advantage of available business opportunities.

Our focus for 2017 will include:

- Develop business case for Deep Water Port and Goat Island projects
- Develop designs for the various Goat island projects
- Further consultation regarding potential development of Cromwell St Quay
- Commence extension of Amity House office with larger reception and additional office space
- Commence building Port Operations building on Pier No. 1
- Use Navigational Risk Assessments for further Port Marine Safety Code development
- Additional Health & Safety training and development
- Complete new website
- Install mobile Port Information system
- Timber fendering works
- Installation of anodes on Pier No. 1 steel piles
- Environmental Management Plan development
- Environmental Impact Assessment for Creed/Arnish area
- Environmental Impact Assessment of Newton Basin
- Develop traffic management solutions at ferry marshalling/terminal



PORT MARINE SAFETY CODE

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

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

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

Particular developments in 2016 included:

Navigational Risk Assessments – This process, which involves consultation with marine users, was undertaken, with a draft report completed in December 2016.

Pilotage Rules – These were updated in early 2016, and have been successfully implemented across our pilotage operations.

Marine Operational Policies – Marine Safety Policies have been developed and will be published in 2017.



ENVIRONMENT & SAFETY

During 2016 the Port Authority reviewed its environmental procedures and undertook an evaluation of Health & Safety management across the business. Developing the processes and procedures which will ensure the safety of our staff, visitors and the harbour environment are a priority for the Port and these will be developed further over the coming years. Additional investment has been made in staff training on both environmental and safety matters.

2017 Health & Safety Improvements will include:

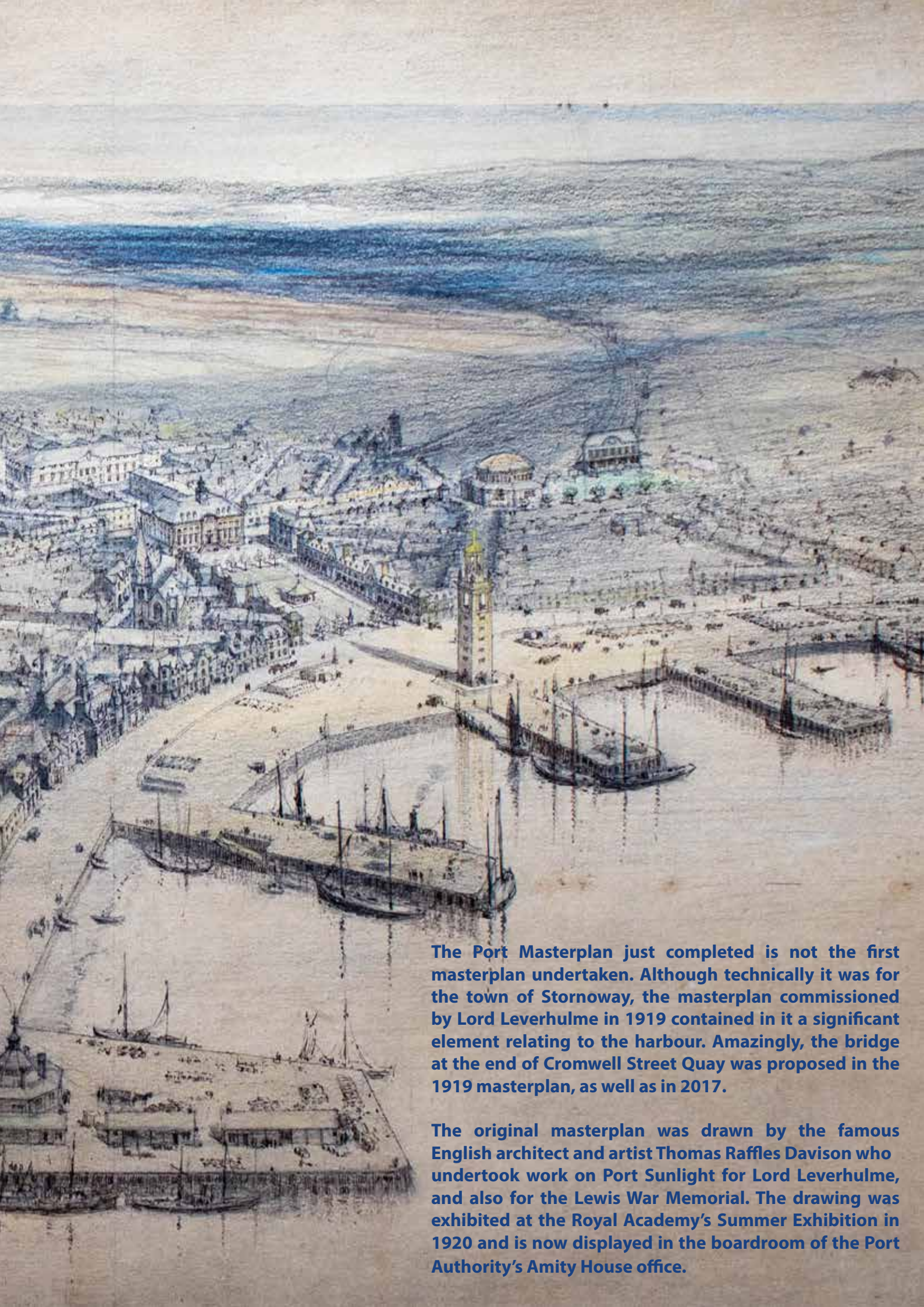
- Further risk assessment training
- Investigation of access to harbour working areas
- Further IOSH (Institution of Occupational Safety and Health) training

2017 Environmental targets will include:

- Environmental Impact Assessments for Deep Water Port
- Environmental Impact Assessment for Newton Basin
- Review and update of the Port Authority's Environmental Management Plan







The Port Masterplan just completed is not the first masterplan undertaken. Although technically it was for the town of Stornoway, the masterplan commissioned by Lord Leverhulme in 1919 contained in it a significant element relating to the harbour. Amazingly, the bridge at the end of Cromwell Street Quay was proposed in the 1919 masterplan, as well as in 2017.

The original masterplan was drawn by the famous English architect and artist Thomas Raffles Davison who undertook work on Port Sunlight for Lord Leverhulme, and also for the Lewis War Memorial. The drawing was exhibited at the Royal Academy's Summer Exhibition in 1920 and is now displayed in the boardroom of the Port Authority's Amity House office.

MASTERPLAN SUMMARY

Following a tender process in early 2016, the Port Authority commissioned the specialist marine consultancy, Fisher Associates, to develop a Port Masterplan for the Port Authority.

The masterplan sets out the framework for the physical development of Stornoway Port for the next 20 years. The masterplan will provide a basis for the Port Authority to develop strategies that allow them to meet challenges to existing markets as well as develop new ones, and also to safeguard the crucial role that the Port has in supporting the economy of Stornoway and the island. Through supporting such economic growth and diversification, the local economy will become stronger and more robust in the face of any downturn in a particular sector.

The principles followed in developing the masterplan included:

- Avoid building today what you need to move tomorrow
- Minimising environmental impact
- Optimising use of resources
- Grouping similar activities together
- Phased developments, where applicable
- Providing sufficient landside access

The Port Masterplan was developed with extensive consultation with stakeholders all through the process, and involved a public consultation process in December 2016.

The finalised Port Masterplan encompassed a number of potential developments which are mainly concentrated in three areas:

- Deep Water Port between the mouth of the Creed river and Arnish
- Multifunctional development at Goat Island/Newton Basin
- Leisure and amenity facilities development of Cromwell Street Quay and surrounding area





Deep Water Port

Goat Island/Newton Basin

DEEP WATER PORT

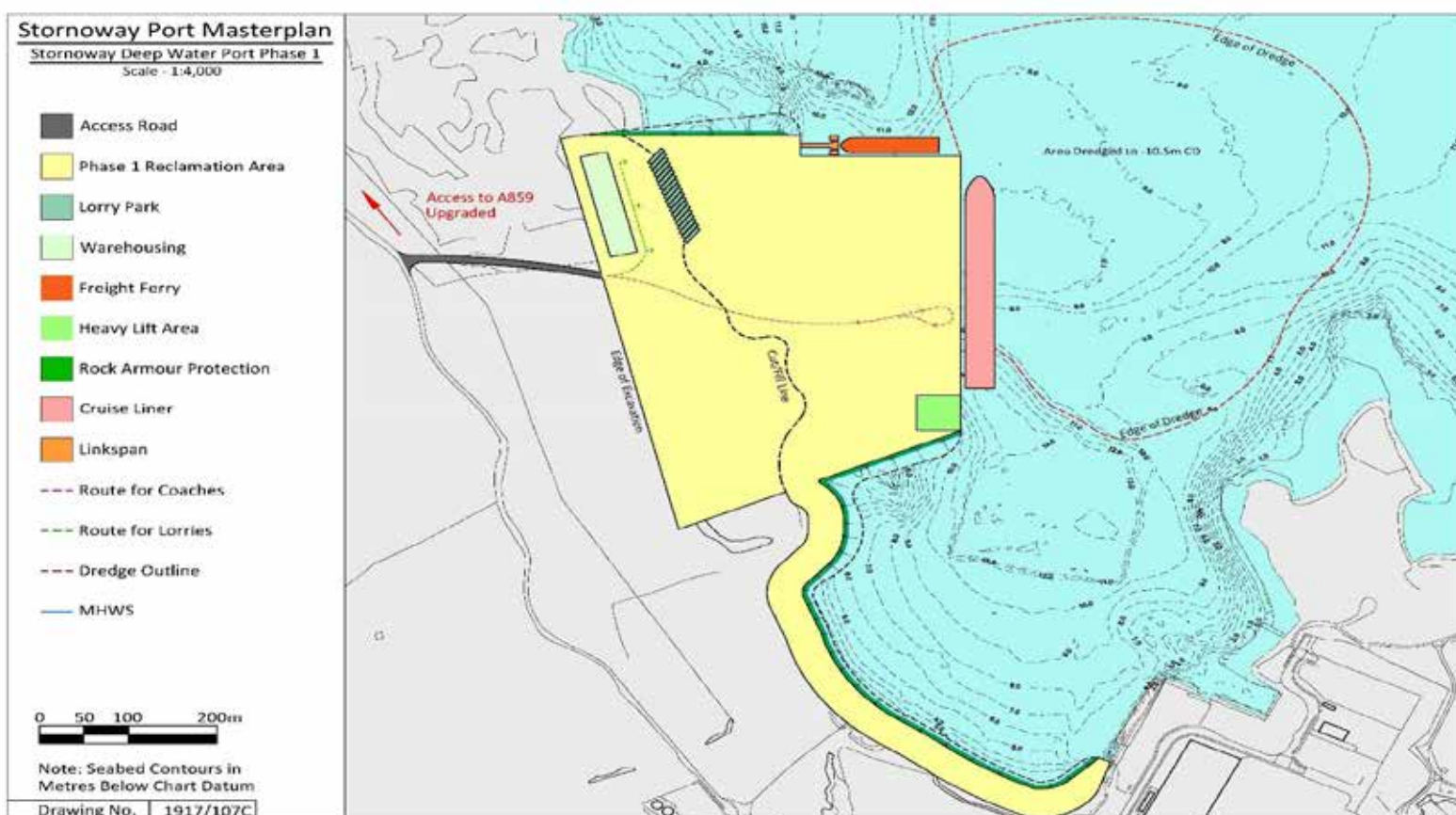
The most ambitious part of the masterplan is the creation of a new Deep Water Port across the harbour to the south of the River Creed.

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

The main facilities at the port would be:

- A RoRo terminal to provide back-up to the existing linkspan on Pier 3, and also support a second ferry service focussing on freight
- An extensive industrial base for the planned onshore wind projects that could then be used to support future development of offshore wind, wave and tidal energy around the Outer Hebrides as well as oil and gas developments in the Atlantic
- A cruise berth capable of accommodating cruise ships more than 350m long, together with a bus marshalling area for passengers and access into the Castle Grounds (via new footbridge over the River Creed)
- Space for relocating the oil terminal and storage tanks away from the town
- Bulk cargo handling and storage
- Warehousing
- Re-routing (straightening) of the road from Arnish to the main road (A859)

The Deep Water Port would be developed in three phases, from north to south. The first phase would comprise 15 hectares of laydown area, ferry and cruise berths, re-routing of the road access and direct road access to the existing development at Arnish.



GOAT ISLAND/NEWTON BASIN

With the existing marina full to capacity during the summer months, additional berths are urgently required. Newton Basin is an excellent location for a new marina. With a short breakwater and limited dredging, the marina would have around 72 berths.

Some land reclamation along the north side of Goat Island and causeway would provide space for:

- Marina services (club house, toilets, yacht storage, showers, etc.).
- Economic development associated with a significant increase in leisure craft
- Parking
- Slipway and yacht lift

The development of a new marina would support growth in the marine leisure sector. The project also includes redevelopment of the boatyard site on Goat Island. This would improve the ship repair and painting facility and provide a space for yacht repairs adjacent to the new slipway.



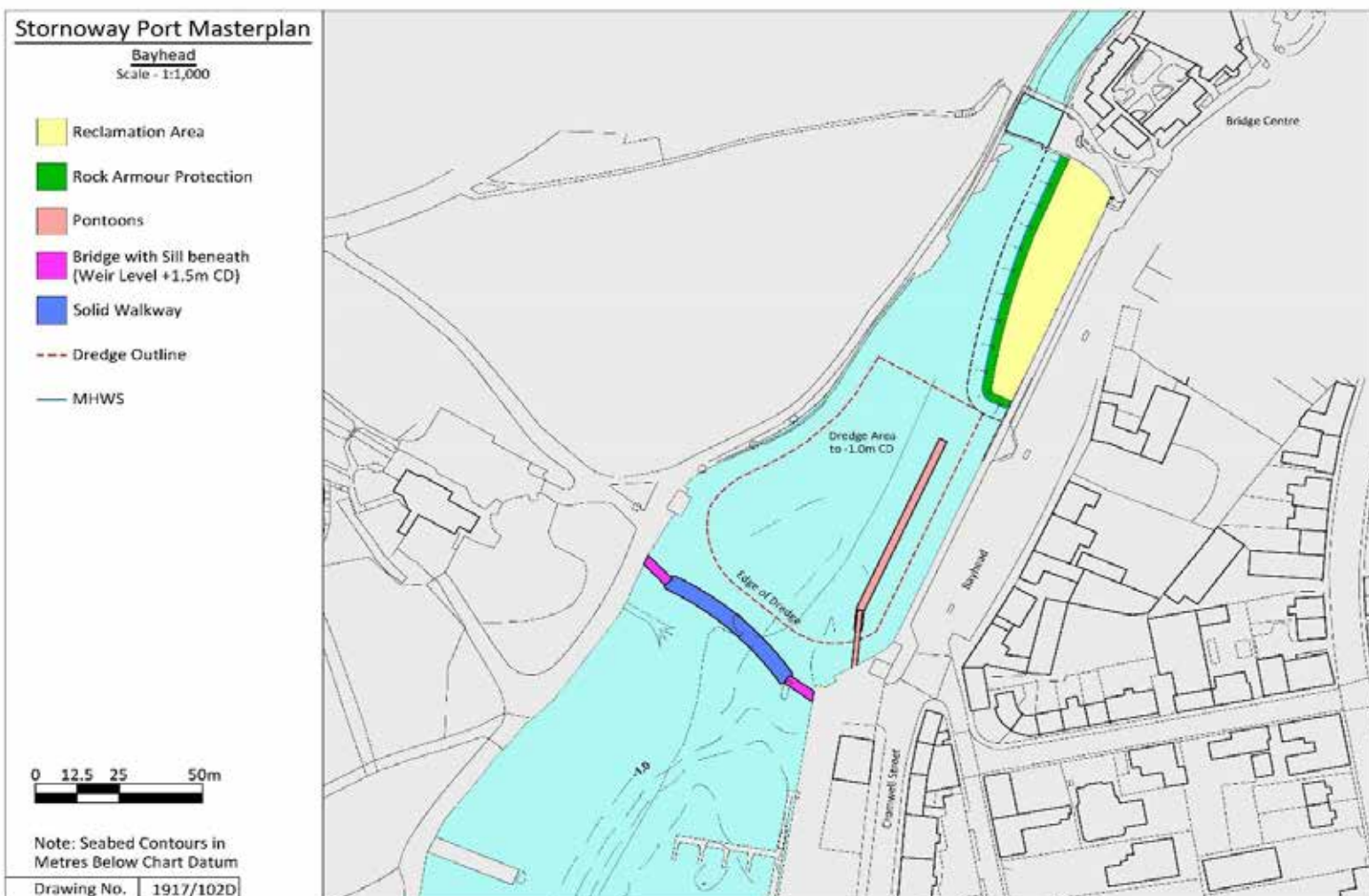
CROMWELL STREET QUAY

The development of Cromwell Street Quay and the Bayhead estuary were also promoted within the Port Masterplan.

The main area of town, experienced by visitors going from the ferry terminal to the bridge at Bayhead, is in need of improvement. A combination of soft landscaping, additional seating and signage is proposed, together with replacing the wall along Cromwell Street with hand rails, improved access to Cromwell Street Quay, as well as improved facilities for marina users. In addition, spare pontoons from the old lifeboat berth will be installed at the north end of marina. This should add 10 to 12 berths for small vessels.

The proposed footbridge along the top of the tidal sill will provide a shorter access route into the Castle Grounds. The shallow waters at the northern end of Bayhead detract from the views of the Lews Castle and grounds and of the Port. The pontoons would also provide additional capacity for visiting yachts during busy summer weeks, in particular the Hebridean Celtic Festival week.

Development of a bridge and lagoon should enhance the attractiveness of this area, whilst the development of Cromwell Street Quay for leisure users and tourists will further increase the attraction of the town and harbour.

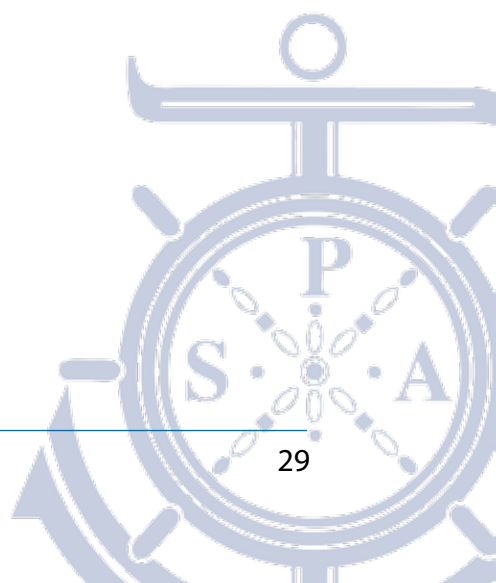


ANNUAL ACCOUNTS

STORNOWAY PORT AUTHORITY

**Report of the Board and
Audited Financial Statements for the Year Ended 31 December 2016**

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 2016**

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STORNOWAY PORT AUTHORITY

Authority Information for the Year Ended 31 December 2016

BOARD MEMBERS:

Captain R J M Frater	
Mr M A Murray	- Chair
Mr I Burgess	- Vice Chair
Mr A Macdonald	
Mr I D Maciver	
Mr J M Nicolson	
Mr A D Macleod	- Chief Executive
Mrs M A Macleod	
Mr I McCulloch	

ADDRESS:

Amity House
Stornoway
Isle of Lewis
HS1 2XS

INDEPENDENT AUDITORS:

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

STORNOWAY PORT AUTHORITY

Report of the Board for the Year Ended 31 December 2016

The board members present their report with the financial statements of the company for the year ended 31 December 2016.

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 Act & Orders 1976 to 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 2016 to the date of this report.

Captain R J M Frater
Mr M A Murray
Mr I Burgess
Mr A Macdonald
Mr I D Maciver
Mr J M Nicolson
Mr A D Macleod

Other changes in board members holding office are as follows:

Dr N R Galbraith - resigned 31 October 2016
Mrs M A Macleod - appointed 11 November 2016
Mr I McCulloch - appointed 25 August 2016

STATEMENT OF BOARD MEMBER'S 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 to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Port Authority and of the profit or loss of the Port 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 Port 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.

Financial statements should comply with the Companies act 2006 and the Harbours act 1964 as amended.

STORNOWAY PORT AUTHORITY

Report of the Board for the Year Ended 31 December 2016

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, have been reappointed following a meeting of the Board.

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

ON BEHALF OF THE BOARD:

A D Macleod – Chief Executive

27 April 2017

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

We have audited the financial statements of Stornoway Port Authority for the year ended 31 December 2016 on pages thirty six to forty nine. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Board's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Harbours Act 1964 as amended. Our audit work has been undertaken so that we might state to the Board'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 Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board members and auditors

As explained more fully in the Statement of Directors' 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors, including "APB Ethical Standard - Provisions Available for Small Entities (Revised)", in the circumstances set out in note twelve to the financial statements.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the authority's affairs as at 31 December 2016 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.

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and Harbours 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 member's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Board were not entitled to prepare the financial statements in accordance with the small company's regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Board.

John E Moffat 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

27 April 2017

STORNOWAY PORT AUTHORITY

**Profit and Loss Account
for the Year Ended 31 December 2016**

	Notes	31.12.16 £	£	31.12.15 £	£
REVENUE			3,294,621		2,863,162
Cost of sales			<u>1,418,327</u>		<u>1,528,608</u>
GROSS PROFIT			1,876,294		1,334,554
Administrative expenses			<u>1,225,535</u>		<u>911,391</u>
			650,759		423,163
Other operating income			<u>197,495</u>		<u>190,577</u>
OPERATING PROFIT	3		848,254		613,740
Interest receivable and similar income		10,207		12,316	
Other finance income	10	<u>-</u>		<u>12,000</u>	
			<u>10,207</u>		<u>24,316</u>
			858,461		638,056
Interest payable and similar expenses	4	-		24,083	
Other finance costs	10	<u>46,000</u>		<u>-</u>	
			<u>46,000</u>		<u>24,083</u>
PROFIT BEFORE TAXATION			812,461		613,973
Tax on profit			<u>210,000</u>		<u>34,716</u>
PROFIT FOR THE FINANCIAL YEAR			<u><u>602,461</u></u>		<u><u>579,257</u></u>

The notes form part of these financial statements

STORNOWAY PORT AUTHORITY

**Other Comprehensive Income
for the Year Ended 31 December 2016**

	31.12.16	31.12.15
Notes	£	£
PROFIT FOR THE YEAR	602,461	579,257
OTHER COMPREHENSIVE (LOSS)/INCOME		
Actuarial losses on pension deficit	(580,000)	264,000
Income tax relating to other comprehensive (loss)/income	<u>120,750</u>	<u>(48,720)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX	<u>(459,250)</u>	<u>215,280</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>143,211</u></u>	<u><u>794,537</u></u>

The notes form part of these financial statements

STORNOWAY PORT AUTHORITY

**Balance Sheet
31 December 2016**

	Notes	31.12.16 £	£	31.12.15 £	£
FIXED ASSETS					
Property, plant and equipment	5		11,186,733		12,191,935
Investment property	6		<u>1,555,100</u>		<u>1,555,100</u>
			12,741,833		13,747,035
CURRENT ASSETS					
Debtors	7	507,852		680,164	
Cash at bank and in hand		<u>3,214,350</u>		<u>2,029,576</u>	
		3,722,202		2,709,740	
CREDITORS					
Amounts falling due within one year	8	<u>590,119</u>		<u>519,788</u>	
NET CURRENT ASSETS			<u>3,132,083</u>		<u>2,189,952</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			15,873,916		15,936,987
PROVISIONS FOR LIABILITIES			(309,279)		(309,279)
ACCRUALS AND DEFERRED INCOME			(7,808,368)		(8,556,900)
PENSION LIABILITY	10		<u>(1,478,400)</u>		<u>(936,150)</u>
NET ASSETS			<u><u>6,277,869</u></u>		<u><u>6,134,658</u></u>
RESERVES					
Fair value reserve	9		876,610		876,610
Retained earnings			<u>5,401,259</u>		<u>5,258,048</u>
			<u><u>6,277,869</u></u>		<u><u>6,134,658</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 on 27 April 2017

M A Murray - Chair

I Burgess – Vice Chair

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2016**

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", the Companies Act 2006 and Harbours Act 1964 as amended. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

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

Tangible fixed assets

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

Land, Buildings and Works	- at varying rates on cost
Plant & Equipment	- at varying rates on cost
Office Equipment	- at varying rates on cost
Motor vehicles	- 25% on cost

Investment property

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

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

1. ACCOUNTING POLICIES - continued**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

	31.12.16	31.12.15
	£	£
Wages and salaries	741,558	751,297
Social security costs	68,464	54,720
Other pension costs	<u>137,999</u>	<u>126,000</u>
	<u>948,021</u>	<u>932,017</u>

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

	31.12.16	31.12.15
Operations	18	18
Administration	4	4
Management	<u>4</u>	<u>4</u>
	<u>26</u>	<u>26</u>

3. OPERATING PROFIT

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

	31.12.16	31.12.15
	£	£
Operating lease income	(202,110)	(195,192)
Depreciation - owned assets	1,125,113	1,174,933
Auditors' remuneration	10,000	8,775
Auditors' remuneration for non-audit work	<u>7,475</u>	<u>9,225</u>

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.16	31.12.15
	£	£
Loan Interest	<u>-</u>	<u>24,083</u>

STORNOWAY PORT AUTHORITY

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

5. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and Works £	Plant & Equipment £	Office Equipment £	Motor Vehicles £	Totals £
COST					
At 1 January 2016	13,225,640	2,053,594	56,733	45,404	15,381,371
Additions	28,795	47,101	16,696	34,285	126,877
Disposals	-	(54,437)	-	(31,004)	(85,441)
At 31 December 2016	<u>13,254,435</u>	<u>2,046,258</u>	<u>73,429</u>	<u>48,685</u>	<u>15,422,807</u>
DEPRECIATION					
At 1 January 2016	2,327,998	771,636	50,859	38,943	3,189,436
Charge for year	950,870	164,850	2,892	6,501	1,125,113
Eliminated on disposal	-	(53,932)	-	(24,543)	(78,475)
At 31 December 2016	<u>3,278,868</u>	<u>882,554</u>	<u>53,751</u>	<u>20,901</u>	<u>4,236,074</u>
NET BOOK VALUE					
At 31 December 2016	<u>9,975,567</u>	<u>1,163,704</u>	<u>19,678</u>	<u>27,784</u>	<u>11,186,733</u>
At 31 December 2015	<u>10,897,642</u>	<u>1,281,958</u>	<u>5,874</u>	<u>6,461</u>	<u>12,191,935</u>

Included in cost of land and buildings is freehold land of £462,620 (2015 - £462,620) which is not depreciated.

6. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2016 and 31 December 2016	<u>1,555,100</u>
NET BOOK VALUE	
At 31 December 2016	<u>1,555,100</u>
At 31 December 2015	<u>1,555,100</u>

Included in cost or valuation of investment property is freehold land of £1,555,100 (2015 - £1,555,100) which is not depreciated.

Cost or valuation at 31 December 2016 is represented by:

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

STORNOWAY PORT AUTHORITY

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

6. INVESTMENT PROPERTY - continued

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

	31.12.16	31.12.15
	£	£
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.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.16	31.12.15
	£	£
Trade debtors	318,884	424,438
Other debtors	<u>188,968</u>	<u>255,726</u>
	<u>507,852</u>	<u>680,164</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.16	31.12.15
	£	£
Hire purchase contracts	-	2,723
Trade creditors	145,050	129,257
Taxation and social security	231,664	137,810
Other creditors	<u>213,405</u>	<u>249,998</u>
	<u>590,119</u>	<u>519,788</u>

9. RESERVES

	Fair value reserve £
At 1 January 2016 and 31 December 2016	<u>876,610</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

10. 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 2014.

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

The funding level (ratio of assets to past service liabilities) as at 31 March 2014 is 97% (compared with 96% as at 31 March 2011).

The cost of ongoing benefits was assessed as 24.6% of pensionable pay. The average employee contribution was assessed as 5.8% of pensionable pay leaving a balance of 18.8% to be met by employers.

Assuming the funding level is targeted to reach 100% over the next 20 years then this requires an extra contribution of 1.4% of pensionable pay from employers. The results in a total contribution from employers of 20.2% of pensionable pay, which equates to 348% of employee contributions.

In assessing the required level of contributions allowance for future improvements in mortality.

The financial position of the fund deteriorated in the period after the valuation date principally as a result of declining equity markets. Accordingly, certified employer contribution rates higher than disclosed by the valuation.

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

The certified contribution rates represent the minimum level of contributions to be paid. For Stornoway Port Authority, the contributions payable will be 18.5%, 19.0% and 19.5% of employee's pensionable pay in the years to 31 March 2016, 2017 and 2018 respectively.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.12.16	31.12.15
	£	£
Present value of funded obligations	(6,207,000)	(4,923,000)
Fair value of plan assets	<u>4,359,000</u>	<u>3,738,000</u>
	(1,848,000)	(1,185,000)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	(1,848,000)	(1,185,000)
Deferred tax asset	<u>369,600</u>	<u>248,850</u>
Net liability	<u><u>(1,478,400)</u></u>	<u><u>(936,150)</u></u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

10. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.16	31.12.15
	£	£
Current service cost	138,000	126,000
Net interest from net defined benefit asset/liability	46,000	49,000
Past service cost	<u>-</u>	<u>-</u>
	<u>184,000</u>	<u>175,000</u>
 Actual return on plan assets	 <u>141,000</u>	 <u>123,000</u>

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

	Defined benefit pension plans	
	31.12.16	31.12.15
	£	£
Opening defined benefit obligation	4,923,000	5,076,000
Current service cost	138,000	126,000
Contributions by scheme participants	34,000	27,000
Interest cost	187,000	172,000
Benefits paid	(191,000)	(198,000)
Remeasurements:		
Actuarial (gains)/losses from changes in financial assumptions	1,182,000	(247,000)
Other experience	<u>(66,000)</u>	<u>(33,000)</u>
	<u>6,207,000</u>	<u>4,923,000</u>

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

	Defined benefit pension plans	
	31.12.16	31.12.15
	£	£
Opening fair value of scheme assets	3,738,000	3,659,000
Contributions by employer	101,000	82,000
Contributions by scheme participants	34,000	27,000
Expected return	141,000	123,000
Benefits paid	(191,000)	(198,000)
Return on plan assets (excluding interest income)	<u>536,000</u>	<u>45,000</u>
	<u>4,359,000</u>	<u>3,738,000</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

10. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.16 £	31.12.15 £
Actuarial (gains)/losses from changes in financial assumptions	(1,182,000)	247,000
Other experience	66,000	33,000
Return on plan assets (excluding interest income)	<u>536,000</u>	<u>45,000</u>
	<u>(580,000)</u>	<u>325,000</u>

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

	Defined benefit pension plans	
	31.12.16	31.12.15
Equities	69%	67%
Bonds	17%	18%
Property	12%	11%
Cash	<u>2%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

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

	31.12.16	31.12.15
Discount rate	2.70%	3.80%
Future salary increases	4.50%	4.30%
Future pension increases	2.50%	2.40%

11. RELATED PARTY DISCLOSURES

The following 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	£-	£1,024	£-

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 purchases was £95 and no balance was outstanding at the year end.

12. 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 2016

13. PILOTAGE

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

	31.12.16	31.12.15
	£	£
Revenue from pilotage services	31,859	18,904
Pilotage expenses	30,129	20,592

14. FIRST YEAR ADOPTION

Following the withdrawal of the Financial Reporting Standard for Smaller Entities (FRSSE) the transition to FRS102 Section 1A has led to the following adjustments to previously stated balances:

1. Deferred tax has now been recognised on the revaluation surplus arising on the Investment Property portfolio. This has led to the deferred tax provision increasing by the sum of £219,153 and the revaluation reserve reducing by £219,153.
2. The Investment Property Revaluation Reserve has now been transferred to a Fair Value Reserve within reserves. This is a non-distributable revenue reserve.
3. A full reconciliation of the Balance Sheet values at 1 January 2015 and of the figures included within the Profit and Loss account and Balance Sheet for the year ended 31 December 2015 are set out below in order to identify the effect of the transition to FRS102 Section 1A.

Transitional relief

On transition to FRS 102, the Authority has taken advantage of the following transitional relief:

- to use a previous GAAP revaluation as deemed cost on an investment property.

STORNOWAY PORT AUTHORITY

**Reconciliation of Equity
1 January 2015
(Date of Transition to FRS 102)**

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Property, plant and equipment		11,929,232	-	11,929,232
Investment property		<u>1,555,100</u>	<u>-</u>	<u>1,555,100</u>
		<u>13,484,332</u>	<u>-</u>	<u>13,484,332</u>
CURRENT ASSETS				
Debtors		1,111,344	-	1,111,344
Cash at bank and in hand		<u>3,223,651</u>	<u>-</u>	<u>3,223,651</u>
		<u>4,334,995</u>	<u>-</u>	<u>4,334,995</u>
CREDITORS				
Amounts falling due within one year		<u>(1,490,913)</u>	<u>-</u>	<u>(1,490,913)</u>
NET CURRENT ASSETS		<u>2,844,082</u>	<u>-</u>	<u>2,844,082</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,328,414	-	16,328,414
CREDITORS				
Amounts falling due after more than one year		(1,402,723)	-	(1,402,723)
PROVISIONS FOR LIABILITIES		(82,573)	(219,153)	(301,726)
ACCRUALS AND DEFERRED INCOME		(8,164,414)	-	(8,164,414)
PENSION LIABILITY		<u>(1,119,430)</u>	<u>-</u>	<u>(1,119,430)</u>
NET ASSETS		<u><u>5,559,274</u></u>	<u><u>(219,153)</u></u>	<u><u>5,340,121</u></u>
RESERVES				
Revaluation reserve		1,095,763	(1,095,763)	-
Harbour Redevelopment Reserve		2,200,000	-	2,200,000
Fair value reserve		-	876,610	876,610
Retained earnings		<u>2,263,511</u>	<u>-</u>	<u>2,263,511</u>
		<u><u>5,559,274</u></u>	<u><u>(219,153)</u></u>	<u><u>5,340,121</u></u>

The notes form part of these financial statements

STORNOWAY PORT AUTHORITY

**Reconciliation of Equity - continued
31 December 2015**

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Property, plant and equipment		12,191,935	-	12,191,935
Investment property		<u>1,555,100</u>	<u>-</u>	<u>1,555,100</u>
		<u>13,747,035</u>	<u>-</u>	<u>13,747,035</u>
CURRENT ASSETS				
Debtors		680,164	-	680,164
Cash at bank and in hand		<u>2,029,576</u>	<u>-</u>	<u>2,029,576</u>
		<u>2,709,740</u>	<u>-</u>	<u>2,709,740</u>
CREDITORS				
Amounts falling due within one year		<u>(519,788)</u>	<u>-</u>	<u>(519,788)</u>
NET CURRENT ASSETS		<u>2,189,952</u>	<u>-</u>	<u>2,189,952</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,936,987	-	15,936,987
PROVISIONS FOR LIABILITIES		(309,279)	-	(309,279)
ACCRUALS AND DEFERRED INCOME		(8,556,900)	-	(8,556,900)
PENSION LIABILITY		<u>(936,150)</u>	<u>-</u>	<u>(936,150)</u>
NET ASSETS		<u>6,134,658</u>	<u>-</u>	<u>6,134,658</u>
RESERVES				
Revaluation reserve		876,610	(876,610)	-
Fair value reserve		-	876,610	876,610
Retained earnings		<u>5,258,048</u>	<u>-</u>	<u>5,258,048</u>
		<u>6,134,658</u>	<u>-</u>	<u>6,134,658</u>

The notes form part of these financial statements

STORNOWAY PORT AUTHORITY

**Reconciliation of Profit
for the Year Ended 31 December 2015**

	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
REVENUE	2,863,162	-	2,863,162
Cost of sales	<u>(1,528,608)</u>	<u>-</u>	<u>(1,528,608)</u>
GROSS PROFIT	1,334,554	-	1,334,554
Administrative expenses	(911,391)	-	(911,391)
Other operating income	190,577	-	190,577
	<u> </u>	<u> </u>	<u> </u>
OPERATING PROFIT	613,740	-	613,740
Interest receivable and similar income	12,316	-	12,316
Other finance income	12,000	-	12,000
Interest payable and similar expenses	<u>(24,083)</u>	<u>-</u>	<u>(24,083)</u>
	<u> </u>	<u> </u>	<u> </u>
PROFIT BEFORE TAXATION	613,973	-	613,973
Tax on profit	<u>(34,716)</u>	<u>-</u>	<u>(34,716)</u>
	<u> </u>	<u> </u>	<u> </u>
PROFIT FOR THE FINANCIAL YEAR	<u><u>579,257</u></u>	<u><u>-</u></u>	<u><u>579,257</u></u>

The notes form part of these financial statements