

STORNOWAY PORT AUTHORITY
REPORT OF THE BOARD AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Nicolson
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& Registered Auditors
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for the Year Ended 31 December 2007**

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STORNOWAY PORT AUTHORITY

**BOARD INFORMATION
for the Year Ended 31 December 2007**

BOARD MEMBERS:	Iain A Macleod JP Chairman Robert J M Frater Vice Chairman Malcolm Macfarlane Duncan Mackay John J Maclellan Chief Executive Innes Macleod (Appointed for three year term 1 May 2007 to 30 April 2010) Robert D M Gilchrist (Until 30 April 2007) Murdo Macleod Alexander Matheson Ruaridh D Morrison Eilidh Smith
CHIEF EXECUTIVE:	John J Maclellan
HARBOUR MASTER:	Captain Torquil Macleod.
ADMINISTRATIVE OFFICE:	Amity House Esplanade Quay Stornoway Isle of Lewis HS1 2XS
AUDITOR:	Nicolson, Chartered Accountants 49/50 Bayhead Stornoway Isle of Lewis HS1 2DZ
BANKERS:	The Royal Bank of Scotland 17 North Beach Street Stornoway Isle of Lewis HS1 2XH The Bank of Scotland 47 Cromwell Street Stornoway Isle of Lewis HS1 2DE
SOLICITORS:	Kenneth Macdonald & Co Kenneth Street Stornoway HS1 2DP

STORNOWAY PORT AUTHORITY

REPORT OF THE BOARD for the Year Ended 31 December 2007

The Board presents its report with the financial statements of the Stornoway Port Authority for the year ended 31 December 2007

MODERNISING TRUST PORTS – A GUIDE TO GOOD GOVERNANCE ON BOARD – A GUIDE FOR BOARD MEMBERS OF PUBLIC BODIES IN SCOTLAND

The Authority continues to adhere to the provision of Modernising Trust Ports so as to achieve compliance with the Government Guidelines.

BOARD MEMBERSHIP

As from 1 May 2004 ten individual Board Members were appointed in terms of the Stornoway Harbour Revision (Constitution) Order 2003 with nine Board members being appointed following an open advertised recruitment process as follows:

- 2 members appointed by Stornoway Port Authority (Sec 4 (1) (a))
- 2 members appointed by Comhairle Nan Eilean Siar (Sec 4 (1) (b))
- 1 member appointed by the Stornoway Trust (Sec 4 (1) (c))
- 4 members appointed or elected by Stornoway Port Authority (Sec 4 (1) (d))
- The Chief Executive of the Authority (Sec 4 (1) (e))

A list of board members, officials, auditors, bankers and solicitors of the Port Authority is contained on page 1.

Following due process in terms of the Stornoway Harbour Revision (Constitution) Order 2003 and in accordance with the guidance issued by the Scottish Ministers “Modernising Trust Ports – A Guide to Good Governance” the following Board members were appointed to serve for a second consecutive three years term of office from 1 May 2007 to 30 April 2010 (both dates included):-

Malcolm Macfarlane
Duncan M Mackay
Iain A Macleod
Alexander Matheson
Ruaridh D Morrison

There were six Regular and one Special Board Meetings held in 2007, and thirty eight press / news statements published in the year.

The Chief Executive was absent on long term sick leave and annual leave from 24 May 2007 until 19 October 2007 (both dates included) during which time the Harbour Master/Depute Chief Executive discharged the duties required of the post.

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

The principal projects completed or commenced in 2007 included:

- § Demolition of the Maritime Buildings at Number 1 Pier.
- § Repairs/ replacement of fendering and Piles West Side of Number 2 Pier.
- § Provision of New Navigational Sector leading Light North of Creed River.
- § Provision of additional CCTV Camera Cromwell Street Quay.
- § Concrete Repairs to Pier Deck at Esplanade Quay.
- § Upgrading of Weighbridge Facility at Ferry Terminal.

Other initiatives taken by the Authority in 2007 included:

**REPORT OF THE BOARD
for the Year Ended 31 December 2007**

- § Ongoing work and contribution to Feasibility Study by Community Planning Partnership regarding future means of importing Fuel Oils, Gas, and Bulk Cargoes to Stornoway. ("West Harbour").
- § Feasibility Study regarding Inner Harbour Regeneration (In partnership with Comhairle nan Eilean Siar and Western Isles Enterprise.
- § Completion of Scottish Transport Appraisal Guidance (STAG) Study in connection with rebuilding of Number 1 Pier and Linkspan.
- § Feasibility of Upgrading Ferry Terminal Interior and identification of funds.

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

The balances retained by the Board are to be used to reinvest in the maintenance and continuing development of Harbour Facilities and Infrastructure.

Harbour Redevelopment Reserve Fund

The Board anticipates significant future capital expenditure will be required to improve the harbour and provide vital infrastructure over the coming years, and they intend to ensure that the Port Authority has sufficient reserves to meet its obligations without recourse to heavy borrowing. To this end a Harbour Redevelopment Reserve Fund was set up in 2002 with the sum of £200k transferred in each financial year bringing the current balance in reserve to £1.2M.

FUTURE DEVELOPMENTS

The Authority is currently reviewing its Forward Planning Strategy and is in the process of formulating a Planning Document for use over the next 5, 10 and future years.

The Authority is committed in 2008 to

- § Submission of STAG Appraisal Study - Replacement of Number 1 Pier and Linkspan.
- § Major upgrade of interior to Ferry Terminal Building.
- § Install New Panel fender Number 3 Pier Dolphin West Side.
- § Replacement of composite sacrificial fendering panels on fender piles Number 3 Pier both sides.
- § Resurfacing of roadway at Ferry Terminal Entrance.
- § Coating Repairs to covered walkway at Number 3 Pier.
- § Convert part of Fishmart Building into Harbour Workshop.
- § Replace safety rails at steps at Esplanade, North Beach and Cromwell Street Quays.
- § Investigating the requirement for improved fendering at West Side Number 3 Pier and Dolphin.
- § Promotion of a Harbour Revision Order with a view to introducing a unitary appointments system to replace the existing tripartite arrangement, and to introduce a more efficient rotation/replacement of Board Members.
- § Provision of Electrical Power Distribution points at Slipway.
- § Provide additional vertical fendering at Esplanade Quay.
- § Progress Inner Harbour Regeneration and provision of Marina Facilities.

The Authority has prioritised the rebuilding of Number 1 Pier and Linkspan as essential to the ongoing development of the Port in order to meet the requirements of existing and future customers and to serve the needs of the island community. The provision of a second linkspan is deemed essential not only to meet existing demand, but also to serve as back up in the event of one linkspan being withdrawn from service for any reason. Subject to accessing grant funding the Authority would be able to deliver this project from 2009 onwards.

The Authority notes the continuing investment in infrastructure at Arnish and is in negotiations with HIE Innse Gall with a view to managing the marine operations for them there.

The Authority also hopes that a new tenant may be secured for the Shellfish Processing Factory which went into receivership on 20 November 2007.

**REPORT OF THE BOARD
for the Year Ended 31 December 2007**

STRATEGIC OBJECTIVES

The Stornoway Port Authority's Strategic Objectives are:

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

SPECIFIC POLICIES

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

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

SAFETY AND ENVIRONMENTAL PROTECTION POLICY

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

1. The regulation of traffic.
2. The safety of navigation within harbour limits.
3. Maintain all navigation lights and marks and review requirements at regular intervals in consultation with users and Northern Lighthouse Board.
4. The conservancy of the harbour.
5. Protection of the environment within the harbour and its surrounds in consultation with Stornoway Trust, Scottish Natural Heritage, Scottish Environmental Protection Agency and Comhairle nan Eilean Siar.
6. Ensuring the safety at work of its employees and other persons who may be affected by its activities.
7. Although pilotage is not compulsory the Authority will provide a pilotage service with properly trained pilots and pilot boat crew.
8. The Authority will provide adequate resources to enable its employees to carry out their responsibilities in operating a safe harbour.

**REPORT OF THE BOARD
for the Year Ended 31 December 2007**

STATEMENT OF BOARD' RESPONSIBILITIES

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

Legislation requires the board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the authority will continue in business.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the financial statements comply with the Harbours Act 1964. They are also responsible for safeguarding the assets of the authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Board are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) 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 Board will decide at a future date in 2008 whether to request competitive tenders for the supply of audit services or whether to re-appoint the existing auditors.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:

John J MacLennan – Chief Executive

14 March 2008

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

We have audited the financial statements of Stornoway Port Authority for the year ended 31 December 2007 on pages eight to seventeen. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the authority's members, as a body. 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 an auditors' report 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.

Respective responsibilities of board and auditors

The board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page five

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Harbours Act 1964. We also report to you whether in our opinion the information given in the Report of the Board is consistent with the financial statements.

In addition, we report to you if, in our opinion, the authority has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding board' remuneration and other transactions is not disclosed.

We read the Report of the Board and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available to Small Entities, in the circumstances set out in note eighteen to the financial statements.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the authority's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Harbours Act 1964; and
- the information given in the Report of the Board is consistent with the financial statements.

Nicolson
Chartered Accountants
& Registered Auditors
49/50 Bayhead
Stornoway
Isle of Lewis
HS1 2DZ

Date: 25 March 2008

Nicolson, Chartered Accountants, is a trading name of Nic Ltd.

Note:

The maintenance and integrity of the Stornoway Port Authority web site is the responsibility of the Board; 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 web site.

STORNOWAY PORT AUTHORITY

**PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2007**

	Notes	31.12.07 £	31.12.06 £
TURNOVER		1,465,412	1,426,622
Cost of sales		<u>837,684</u>	<u>880,294</u>
GROSS PROFIT		627,728	546,328
Administrative expenses		<u>417,622</u>	<u>418,701</u>
		210,106	127,627
Other operating income	2	<u>153,011</u>	<u>158,020</u>
OPERATING PROFIT	4	363,117	285,647
Interest receivable and similar income	5	<u>73,623</u>	<u>57,818</u>
		436,740	343,465
Interest payable and similar charges	6	<u>78,003</u>	<u>82,282</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		358,737	261,183
Tax on profit on ordinary activities	7	<u>78,666</u>	<u>62,081</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>280,071</u>	<u>199,102</u>

The notes form part of these financial statements

STORNOWAY PORT AUTHORITY

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the Year Ended 31 December 2007**

	31.12.07	31.12.06
	£	£
PROFIT FOR THE FINANCIAL YEAR	280,071	199,102
Impairment of land, buildings and works	<u>-</u>	<u>(31,939)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>280,071</u>	<u>167,163</u>

The notes form part of these financial statements

STORNOWAY PORT AUTHORITY

**BALANCE SHEET
31 December 2007**

	Notes	31.12.07		31.12.06	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		2,212,542		2,332,345
CURRENT ASSETS					
Debtors	9	467,603		313,342	
Cash at bank and in hand		1,657,888		1,439,275	
		2,125,491		1,752,617	
CREDITORS					
Amounts falling due within one year	10	342,615		303,329	
NET CURRENT ASSETS			1,782,876		1,449,288
TOTAL ASSETS LESS CURRENT LIABILITIES			3,995,418		3,781,633
CREDITORS					
Amounts falling due after more than one year	11		(865,714)		(909,033)
ACCRUALS AND DEFERRED INCOME					
	13		(453,275)		(476,243)
NET ASSETS			2,676,429		2,396,357
RESERVES					
Harbour redevelopment reserve	14		1,200,000		1,000,000
Profit and loss account	14		1,476,429		1,396,357
			2,676,429		2,396,357

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved by the Board on 14 March 2008 and were signed on its behalf by:

Iain A MacLeod JP – Chairman

Robert J M Frater – Vice Chairman

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2007**

1. ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

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	- 4% on cost, 2% on cost and not provided
Plant and equipment	- 20% on cost, 10% on cost and 5% on cost
Office furniture and equipment	- 20% on cost and 10% on cost
Motor vehicles	- 25% on cost

In the opinion of the Commissioners the value of buildings and works acquired before 1994 is materially in excess of the stated book value. Having regard to the estimated residual values, any provision for depreciation of these assets would be immaterial, and has not been provided.

Pensions

The Authority are members of The Highland Council Pension Fund, which is a funded scheme, meaning that the Authority and the employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment income.

The pension cost is charged to the profit and loss account.

Grants

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

2. OTHER OPERATING INCOME

	31.12.07	31.12.06
	£	£
Rents received	179,953	164,671
Rented property repairs	(26,942)	(6,651)
	<u>153,011</u>	<u>158,020</u>

STORNOWAY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2007

3. STAFF COSTS

	31.12.07	31.12.06
	£	£
Wages and salaries	481,622	473,703
Social security costs	37,224	36,899
Other pension costs	<u>60,893</u>	<u>54,330</u>
	<u>579,739</u>	<u>564,932</u>

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

	31.12.07	31.12.06
Operations	18	17
Administration	<u>4</u>	<u>4</u>
	<u>22</u>	<u>21</u>

4. OPERATING PROFIT

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

	31.12.07	31.12.06
	£	£
Depreciation - owned assets	136,385	186,432
Profit on disposal of fixed assets	(848)	(1,234)
Auditors' remuneration	<u>1,750</u>	<u>1,750</u>
Board emoluments and other benefits etc	<u>-</u>	<u>-</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.07	31.12.06
	£	£
Staff loan interest	-	(22)
Deposit account interest	<u>73,623</u>	<u>57,840</u>
	<u>73,623</u>	<u>57,818</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following:

	31.12.07	31.12.06
	£	£
Loan interest	<u>78,003</u>	<u>82,282</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2007

7. TAXATION**Analysis of the tax charge**

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

	31.12.07	31.12.06
	£	£
Current tax:		
UK corporation tax	78,666	59,214
(Over)/under provision in previous year	<u>-</u>	<u>2,867</u>
 Tax on profit on ordinary activities	 <u>78,666</u>	 <u>62,081</u>

UK corporation tax has been charged at 21.88% (2006 - 19.30%).

8. TANGIBLE FIXED ASSETS

	Land, buildings and works £	Plant and equipment £	Dredging £
COST			
At 1 January 2007	2,759,957	424,046	234,805
Additions	2,631	15,537	-
Impairments	<u>-</u>	<u>(5,243)</u>	<u>(234,805)</u>
 At 31 December 2007	 <u>2,762,588</u>	 <u>434,340</u>	 <u>-</u>
DEPRECIATION			
At 1 January 2007	546,752	328,141	234,805
Charge for year	84,560	44,883	-
Impairments	<u>-</u>	<u>(5,243)</u>	<u>(234,805)</u>
 At 31 December 2007	 <u>631,312</u>	 <u>367,781</u>	 <u>-</u>
NET BOOK VALUE			
At 31 December 2007	<u>2,131,276</u>	<u>66,559</u>	<u>-</u>
 At 31 December 2006	 <u>2,213,205</u>	 <u>95,905</u>	 <u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2007

8. TANGIBLE FIXED ASSETS - continued

	Office furniture and equipment £	Motor vehicles £	Totals £
COST			
At 1 January 2007	19,345	50,731	3,488,884
Additions	119	-	18,287
Disposals	-	(8,517)	(8,517)
Impairments	(2,327)	-	(242,375)
	<u>17,137</u>	<u>42,214</u>	<u>3,256,279</u>
At 31 December 2007			
DEPRECIATION			
At 1 January 2007	16,521	30,320	1,156,539
Charge for year	1,459	5,483	136,385
Eliminated on disposal	-	(6,812)	(6,812)
Impairments	(2,327)	-	(242,375)
	<u>15,653</u>	<u>28,991</u>	<u>1,043,737</u>
At 31 December 2007			
NET BOOK VALUE			
At 31 December 2007	<u>1,484</u>	<u>13,223</u>	<u>2,212,542</u>
At 31 December 2006	<u>2,824</u>	<u>20,411</u>	<u>2,332,345</u>

Included in cost of land and buildings is freehold land of £402,061 (2006 - £402,061) which is not depreciated.

The land, buildings and works are valued at cost. All the land and buildings are within the curtilage of the harbour undertaking and can only be used to deliver improved services to harbour users.

During the year, certain assets which were considered to no longer have any realisable value or could not be individually identified were written-out of the accounting records.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.07	31.12.06
	£	£
Trade debtors	222,968	112,357
Other debtors	244,635	200,985
	<u>467,603</u>	<u>313,342</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2007

10.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	31.12.07	31.12.06
		£	£
	Bank loans and overdrafts	55,313	77,156
	Trade creditors	104,020	39,798
	Taxation and social security	91,994	72,591
	Other creditors	<u>91,288</u>	<u>113,784</u>
		<u>342,615</u>	<u>303,329</u>
11.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	31.12.07	31.12.06
		£	£
	Other creditors	<u>865,714</u>	<u>909,033</u>
	Amounts falling due in more than five years:		
	Repayable by instalments		
	PWLB loan	<u>717,714</u>	<u>786,485</u>
	The PWLB loan bears interest at 8.5% and is repayable in equal annual instalments until February 2020.		
12.	SECURED DEBTS		
	The following secured debts are included within creditors:		
		31.12.07	31.12.06
		£	£
	PWLB loan	<u>902,714</u>	<u>939,670</u>
	The Public Works Loan Board Commissioners hold a first standard security over all assets of the Commission in respect of the loan granted. Comhairle nan Eilean Siar hold a second charge over all assets of the Commission in respect of their guarantee of the loan.		
13.	ACCRUALS AND DEFERRED INCOME	31.12.07	31.12.06
		£	£
	Deferred government grants	<u>453,275</u>	<u>476,243</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2007

14. RESERVES

	Profit and loss account £	Harbour redevelopment reserve £	Totals £
At 1 January 2007	1,396,358	1,000,000	2,396,358
Profit for the year	280,071		280,071
Transfer from general reserves	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
At 31 December 2007	<u>1,476,429</u>	<u>1,200,000</u>	<u>2,676,429</u>

The Authority has designated certain reserves for future use in a major harbour redevelopment programme. The Board is of the opinion that it is prudent to make specific provision for these future costs. The harbour redevelopment will only proceed if sufficient external funding can be identified.

15. PENSION COMMITMENTS

The Authority contributes to the Highland Council Pension Fund. Contributions to the scheme are charged to the profit and loss account in the year in which they are payable. The contributions are assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial valuation was at 31 March 2005.

The Authority has not commissioned a full actuarial valuation on its share of the scheme.

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 2005 is 92% (compared to 105% as at 31 March 2002). This corresponds to a past service deficit of £49m.
- Without anticipating future equity out-performance, the corresponding result would be a funding level of 72%.
- The employers' average cost of future service benefits (i.e. ignoring any past service deficit) is 113.7% of pensionable pay (equivalent to 230% of employees' contributions).
- Assuming that a funding level of 100% is to be targeted over a period of 20 years on the ongoing basis (if our assumptions are borne out in practice) the common employers' contribution rate is 15.7% of pensionable pay (equivalent to 265% of employees' contributions).
- We are unable to fully reconcile the 2005 results with the 2002 valuation results, taking into account the apparent experience of the fund over the inter-valuation period. We have agreed with the administering authority to carry out further work after 31 March 2006 to clarify this issue. This may lead to a revision of the valuation results, including the Rates and Adjustments certificate. However, initial indications are that any changes are unlikely to increase employer contribution rates.
- No allowance has been made in these valuation results for future improvements in mortality. However, the employer contribution rates set out in Appendix G have been agreed to make some partial allowance for improvements in future mortality between now and the next valuation in 2008. Further allowances for future improvements are expected to be included in the 31 March 2008 valuation.
- Adjustments have been made to the common rate of employers' contribution to take account of certain circumstances that are peculiar to individual employers. The minimum contributions to be paid by each employer from 1 April 2006 to 31 March 2009 are shown in my Rates and Adjustment Certificate at Appendix G.
- Employers are also required to make additional payments in respect of unreduced early retirements as provided for in the Rates and Adjustment Certificate.
- The valuation as at 31 March 2005 assumes that the Rule of 85 continues to apply to benefit accrual in respect of future service.

The contributions payable by the authority will be 270% of employees contributions in the year to 31 March 2007, 280% in the year ended 31 March 2008 and 290% in the year ended 31 March 2009.

STORNOWAY PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2007**

16. TRANSACTIONS WITH BOARD

The following Board Members had transactions with the Authority.

All transactions are on published terms and conditions.

Related party	Services provided	Opening balance due to the Authority	Invoices issued during the year	Closing balance due to the Authority
Ruaridh Morrison	Harbour dues	297	985	70

17. RELATED PARTY DISCLOSURES

There are ten Board Members: 2 are appointed by Stornoway Port Authority, 2 are appointed by Comhairle nan Eilean Siar, 1 is appointed by Stornoway Trust, and 4 appointed or elected by Stornoway Port Authority, and the Chief Executive of the Authority.

Comhairle nan Eilean supplies statutory and non-statutory services to the Authority and uses the services of the Authority.

Stornoway Trust rents land to the Authority.

All these services are provided at the standard published terms and conditions.

18. 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.

STORNOWAY PORT AUTHORITY

TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2007

	31.12.07		31.12.06	
	£	£	£	£
Turnover				
Vessels	764,302		749,968	
Cargoes - inwards	342,939		336,350	
Cargoes - outwards	187,148		167,594	
Passengers	45,838		43,255	
Slipway	39,214		48,436	
Weighbridge	35,109		35,135	
Water	15,754		15,011	
Pilotage	11,223		9,785	
Pontoon berths	23,885		21,088	
		1,465,412		1,426,622
Cost of sales				
Repairs - harbour & works	217,318		190,536	
Slipway maintenance	9,937		2,918	
Harbour lighting	8,332		10,890	
Harbour cleansing	39,003		44,216	
Water supply	15,182		13,794	
Weighbridge	8,136		2,400	
Allowances & discounts	22,914		22,185	
Pilotage boat expenses	3,319		3,956	
Rent - ferry terminal and pontoon berths	15,124		25,715	
Repairs to premises	7,455		11,145	
Pontoon repair less recoveries	-		(915)	
Wages	338,684		330,810	
Social security	25,312		24,970	
Pensions	38,458		34,208	
Depreciation of tangible fixed assets				
Land, buildings & works	84,560		84,563	
Plant and equipment	44,883		43,939	
Dredging	-		46,957	
Office equipment	1,459		2,611	
Vehicles	5,483		8,363	
Release of capital grant	(22,968)		(22,967)	
		862,591		880,294
GROSS PROFIT		602,821		546,328
Other income				
Rents received	179,953		164,671	
Rented property repairs	(2,035)		(6,651)	
Staff loan interest	-		(22)	
Deposit account interest	73,623		57,840	
		251,541		215,838
		854,362		762,166
Expenditure				
Wages	142,938		142,893	
Carried forward	142,938	854,362	142,893	762,166

This page does not form part of the statutory financial statements

STORNOWAY PORT AUTHORITY

**TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2007**

	31.12.07		31.12.06	
	£	£	£	£
Brought forward	142,938	854,362	142,893	762,166
Social security	11,912		11,929	
Pensions	22,435		20,122	
Rent	1,924		625	
Rates	39,415		30,203	
Insurance	83,330		80,968	
Light and heat	12,024		17,143	
Postages, stationery and phone	11,996		13,213	
Brochures and promotions	3,759		4,570	
Travel, subsistence and course fees	5,250		8,041	
Staff training	5,225		5,567	
Sundry expenses	10,316		10,905	
Legal & professional fees	54,248		59,502	
Auditors' remuneration	1,750		1,750	
Auditors' remuneration for non audit work	-		450	
Subscriptions	9,918		10,509	
		<u>416,440</u>		<u>418,390</u>
		437,922		343,776
Finance costs				
Bank charges	2,030		1,545	
Loan interest	78,003		82,282	
		<u>80,033</u>		<u>83,827</u>
		357,889		259,949
Profit on disposal of fixed assets				
Motor vehicles		<u>848</u>		<u>1,234</u>
NET PROFIT		<u><u>358,737</u></u>		<u><u>261,183</u></u>