

STORNOWAY PORT AUTHORITY
REPORT OF THE BOARD AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

STORNOWAY PORT AUTHORITY

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for the Year Ended 31 December 2009**

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STORNOWAY PORT AUTHORITY

**AUTHORITY INFORMATION
for the Year Ended 31 December 2009**

BOARD:	Iain A MacLeod Malcolm MacFarlane Robert J M Frater John J MacLennan Murdo MacLeod Ruaridh D Morrison Alexander Matheson OBE Ms Eilidh Smith Duncan MacKay Innes MacLeod Neil R Galbraith	- Chair - Vice Chair - Chief Executive - Resigned 30 April 2009 - Appointed 4 November 2009
SECRETARY:	John J MacLennan	
REGISTERED OFFICE:	Amity House Esplanade Quay Stornoway Isle of Lewis HS1 2XS	
AUDITOR:	Mann Judd Gordon Ltd Registered Auditor & Chartered Accountants 26 Lewis Street Stornoway Isle of Lewis HS1 2JF	
BANKERS:	The Royal Bank of Scotland 17 North Beach Street Stornoway Isle of Lewis HS1 2XH	
SOLICITORS:	Ken MacDonald & Co. 9 Kenneth Street Stornoway Isle of Lewis HS1 2DP	

STORNOWAY PORT AUTHORITY

REPORT OF THE BOARD for the Year Ended 31 December 2009

The Board presents its report with the financial statements of the Stornoway Port Authority for the year ended 31 December 2009.

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.

Following extensive consultation with Stakeholders, on 18th December 2008 The Stornoway Harbour Revision (Constitution) Order 2008 came into force, which introduces new constitutional changes in connection with Board Member Appointments to Stornoway Port Authority Board.

Constitution of Authority

In line with the above Harbour Revision Order, and the terms of Modernising Trust Ports – A Guide to Good Governance; on and after the new constitution date of 1 May 2008 the Stornoway Port Authority shall consist of Nine Members appointed by the Authority and the Chief Executive of the Authority.

BOARD MEMBERSHIP

In 2009 ten individual Board Members served in terms of the Stornoway Harbour Revision (Constitution) Order 2008.

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

MEETINGS OF THE AUTHORITY

There were six Regular and four Special Board Meetings held in 2009, and thirty-six press / news statements published in the year.

A sub committee or working group was set up to deal with replacing the present Chief Executive who retires on 9 May 2010. This sub committee met three times in 2009.

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.

2009 was a year of consolidation in that there were no major projects undertaken in the year.

In 2009 the Authority

- Carried out fender repairs to all of the berths at Number 2 Pier in an effort to ensure its continued use for Oil and gas importation.
- Structural Inspection of No. 1 Linkspan
- Developed Plans for Inner Harbour Re-generation, in conjunction with CNES, and apply for CPP/ERDF Funding.
- Extensive repairs to Timber Piles / Facings on Esplanade Quay and North Beach Quay
- Re-surfaced large areas of damaged concrete screed on North Beach Quay and Esplanade Quay
- Reviewed and re-issued the Port Marine Safety code
- Reviewed Pilotage Act as applicable to Stornoway Harbour
- Purchased the Receiver's interest in the lease of the Stornoway Shellfish Co Ltd's premises at Shell Street.
- 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)

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.

STORNOWAY PORT AUTHORITY

REPORT OF THE BOARD for the Year Ended 31 December 2009

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.

Because of the Credit Crunch and uncertainty within the Banking Sector the Authority decided on the recommendation of Barclays Wealth to purchase £1,800,000 nominal Treasury Stock rather than expose the capital to elements of risk in the Banking Sector.

FUTURE DEVELOPMENTS

The Authority has produced and published a Business Plan 2009 - 2012

The Authority in 2010 is committed to:

KEY TASKS 2010

1. No. 3 Pier Dolphin West Side – Install panel fender.
2. No. 3 Pier West Side – Install bracket on fender to improve performance.
3. Follow up Stornoway Port Authority STAG Appraisal (2007) and CMAL STAG (2009) in connection with re-building of No. 1 Pier, and installation of new Linkspan.
4. Plough dredging Inner Harbour, Cromwell Street Quay area.
5. Install new Pontoons at Cromwell Street Quay, relocate RNLI Pontoon.
6. Erection of facilities Building at Cromwell Street Quay.
7. Improve security measures at Ferry Terminal Building and carry out road markings within the Ferry Terminal to improve Traffic Management.
8. Erect Bus Shelters on seaward side of Ferry Terminal adjacent to proposed location of Taxi Rank.
9. Obtain outline design and costings for new Harbour Office and Watchroom at No. 1 Pier/South Beach Street.
10. Progress contract for operation of Arnish Pier with HIE, in conjunction with lease of plot of land within Arnish complex
11. Structural assessment of No. 1 Pier.
12. Structural assessment of No. 2 Pier.
13. Install 2 electrical supply points at Slipway.
14. Convert Arnish Lighthouse Navigation Light to LED light, solar powered.
15. Replace winch wires at Slipway.
16. Replace unlit beacons within Harbour Limits.
17. Change out mooring chains on existing pontoons.

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.

A recent Scottish Transport Appraisal Guidance (STAG) report commissioned by Caledonian Maritime Assets Ltd (CMAL) looking into infrastructure at both Stornoway and Ullapool has accepted the need for two linkspans at Stornoway in order to maintain Lifeline Ferry Services.

Realistically given the present financial climate and budgetary cuts it may be some time before capital grant funding will be available to permit delivery of such projects.

STORNOWAY PORT AUTHORITY

REPORT OF THE BOARD for the Year Ended 31 December 2009

STRATEGIC OBJECTIVES

The Stornoway Port Authority's Strategic Objectives are:

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

SPECIFIC POLICIES

The Authority will support the commercial, fishing and recreational activities in Stornoway harbour through the provision of the appropriate services 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.

STORNOWAY PORT AUTHORITY

REPORT OF THE BOARD for the Year Ended 31 December 2009

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 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

Mann Judd Gordon Ltd Chartered Accountants, Stornoway have been appointed as auditors for the three Financial years ending 31 December 2009, 2010 and 2011.

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

ON BEHALF OF THE BOARD:

John J MacLennan

John J MacLennan – Chief Executive

6 May 2010

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 2009, which comprise the Profit and Loss Account, the Balance Sheet and the related Notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008).

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 the board and auditors

As explained more fully in the Statement of the Board's Responsibilities set out on page 5, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

Scope of the Audit

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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements.

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 2009, and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- Have been prepared in accordance with the requirements of the Harbours Act 1964.

Opinion on other matters prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of board remuneration specified by laws are not made; or
- We have not received all of the information and explanations we require for our audit; or
- The board were not entitled to prepare the financial statements and report of the board in accordance with the small companies regime.

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

R Cunningham

Roderick Cunningham CA (Senior Statutory Auditor)

For and on behalf of Mann Judd Gordon Ltd
Statutory Auditor & Chartered Accountants
26 Lewis Street
Stornoway
Isle of Lewis
Western Isles
HS1 2JF

6 May 2010

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 website.

STORNOWAY PORT AUTHORITY

**PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2009**

	Notes	31.12.09 £	31.12.08 £
TURNOVER		1,606,127	1,492,553
Cost of sales		<u>799,955</u>	<u>761,835</u>
GROSS PROFIT		806,172	730,718
Administrative expenses		<u>465,707</u>	<u>495,470</u>
		340,465	235,248
Other operating income	2	<u>161,117</u>	<u>166,774</u>
OPERATING PROFIT	4	501,582	402,022
Income from Fixed asset investments		11,755	-
Interest receivable and similar income	5	17,423	98,794
		<u>29,178</u>	<u>98,794</u>
		530,760	500,816
Interest payable and similar charges	6	<u>70,242</u>	<u>74,841</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		460,518	425,975
Tax on profit on ordinary activities	7	<u>124,946</u>	<u>98,426</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>335,572</u>	<u>327,549</u>

STORNOWAY PORT AUTHORITY

**BALANCE SHEET
31 December 2009**

	Notes	31.12.09		31.12.08	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		2,114,998		2,226,399
Investments	9		1,770,066		-
			<u>3,885,064</u>		<u>2,226,399</u>
 CURRENT ASSETS					
Debtors	10	409,087		221,997	
Cash at bank and in hand		<u>614,383</u>		<u>2,215,318</u>	
		1,023,470		2,437,315	
CREDITORS					
Amounts falling due within one year	11	<u>365,660</u>		<u>376,877</u>	
NET CURRENT ASSETS			<u>657,810</u>		<u>2,060,438</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			4,542,874		4,286,837
CREDITORS					
Amounts falling due after more than one year	12		(772,901)		(825,551)
ACCRUALS AND DEFERRED INCOME					
	14		<u>(430,423)</u>		<u>(457,308)</u>
NET ASSETS			<u>3,339,550</u>		<u>3,003,978</u>
 RESERVES					
Harbour redevelopment reserve	15		1,600,000		1,400,000
Profit and loss account	15		<u>1,739,550</u>		<u>1,603,978</u>
			<u>3,339,550</u>		<u>3,003,978</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board on 6 May 2010 and were signed on its behalf by:

Iain MacLeod

Iain A MacLeod JP – Chairman

Robert J M Frater

Robert J M Frater – Vice Chairman

STORNOWAY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 December 2009

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 April 2008).

Turnover

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

Tangible fixed assets

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

Land, buildings and works	- 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

The Board consider that 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.

Pension costs and other post-retirement benefits

Staff are members of the Highland Council Pension Scheme. Contributions are charged to the profit and loss account as they are incurred. Contributions of £76,456 (2008: £72,744) were paid by Stornoway Port Authority.

FRS17 Retirement Benefits requires the Authority to obtain and disclose information regarding defined benefit pension schemes - whether there is a shortfall in assets compared to the value of the liabilities. The Board considers that the cost of obtaining the information is prohibitive, and that the inclusion of any potential shortfall would give a misleading view of the financial statements to its readers. The employer contribution rates are subject to actuarial review and are revised to ensure 100% funding of the scheme over time. The Board believe that recognition of these contributions as incurred and disclosure of the actuarial review per note 16 to the accounts is the most appropriate treatment. No information has been obtained and nor has any potential shortfall between the assets and liabilities of the fund been provided for in the accounts. This represents a departure from FRS 17 and the Financial Reporting Standard for Smaller Entities (effective April 2008).

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

	31.12.09	31.12.08
	£	£
Rents received	204,638	191,854
Rented property costs	<u>(43,521)</u>	<u>(25,080)</u>
	<u>161,117</u>	<u>166,774</u>

3. STAFF COSTS

	31.12.09	31.12.08
	£	£
Wages and salaries	562,525	546,143
Social security costs	42,687	43,605
Other pension costs	<u>76,456</u>	<u>72,744</u>
	<u>681,668</u>	<u>662,492</u>

STORNOWAY PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2009**

3. STAFF COSTS - continued

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

	31.12.09	31.12.08
Operations	19	18
Administration	<u>4</u>	<u>4</u>
	<u>23</u>	<u>22</u>

4. OPERATING PROFIT

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

	31.12.09	31.12.08
	£	£
Depreciation - owned assets	121,578	119,466
Profit on disposal of fixed assets	-	(1)
Auditors' remuneration	<u>2,950</u>	<u>2,500</u>
Board emoluments	<u>-</u>	<u>-</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.09	31.12.08
	£	£
Deposit account interest	<u>17,423</u>	<u>98,794</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following:

	31.12.09	31.12.08
	£	£
Bank interest	-	46
Loan interest	<u>70,242</u>	<u>74,795</u>
	<u>70,242</u>	<u>74,841</u>

7. TAXATION

Analysis of the tax charge

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

	31.12.09	31.12.08
	£	£
Current tax:		
UK corporation tax	<u>124,946</u>	<u>98,426</u>
Tax on profit on ordinary activities	<u>124,946</u>	<u>98,426</u>

UK corporation tax has been charged at 27.1% (2008 – 23.1%).

STORNOWAY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2009

8. TANGIBLE FIXED ASSETS

	Land, buildings and works £	Plant and equipment £	Office furniture and equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2009	2,901,498	436,394	17,137	42,214	3,397,243
Additions	<u>6,943</u>	<u>2,604</u>	<u>630</u>	<u>-</u>	<u>10,177</u>
At 31 December 2009	<u>2,908,441</u>	<u>438,998</u>	<u>17,767</u>	<u>42,214</u>	<u>3,407,420</u>
DEPRECIATION					
At 1 January 2009	728,970	390,805	16,595	34,474	1,170,844
Charge for year	<u>97,935</u>	<u>17,863</u>	<u>293</u>	<u>5,487</u>	<u>121,578</u>
At 31 December 2009	<u>826,905</u>	<u>408,668</u>	<u>16,888</u>	<u>39,961</u>	<u>1,292,422</u>
NET BOOK VALUE					
At 31 December 2009	<u>2,081,536</u>	<u>30,330</u>	<u>879</u>	<u>2,253</u>	<u>2,114,998</u>
At 31 December 2008	<u>2,172,528</u>	<u>45,589</u>	<u>542</u>	<u>7,740</u>	<u>2,226,399</u>

Included in cost of land and buildings is freehold land of £402,061 (2008 - £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.

9. FIXED ASSET INVESTMENTS

	Listed Investments £
COST	
Additions	1,770,066
At 31 December 2009	<u>1,770,066</u>
NET BOOK VALUE	
At 31 December 2009	<u>1,770,066</u>

Market value of the listed investments at 31 December 2009 was £1,785,146.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.09 £	31.12.08 £
Trade debtors	186,944	137,597
Other debtors	<u>222,143</u>	<u>84,400</u>
	<u>409,087</u>	<u>221,997</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.09 £	31.12.08 £
Bank loans and overdrafts	18,069	-
Trade creditors	13,400	115,538
Taxation and social security	198,913	175,594
Other creditors	<u>135,278</u>	<u>85,745</u>
	<u>365,660</u>	<u>376,877</u>

STORNOWAY PORT AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2009**

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.09	31.12.08
	£	£
PWLB loan	<u>772,901</u>	<u>825,551</u>

Amounts falling due in more than five years:

Repayable by instalments PWLB loan	<u>588,901</u>	<u>677,551</u>
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The PWLB loan bears interest at 8.5% and is repayable in annual instalments until February 2020.

13. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.09	31.12.08
	£	£
PWLB loan	<u>818,901</u>	<u>862,551</u>

The Public Works Loan Board Commissioners hold a first standard security over all assets of the Authority in respect of the loan granted. Comhairle nan Eilean Siar hold a second charge over all assets of the Authority in respect of their guarantee of the loan.

14. ACCRUALS AND DEFERRED INCOME

	31.12.09	31.12.08
	£	£
Deferred government grants		
Opening balance	457,308	453,275
Received in year	-	30,000
Released to profit and loss account	<u>(26,885)</u>	<u>(25,967)</u>
Closing balance	<u>430,423</u>	<u>457,308</u>

15. RESERVES

	Profit and loss account £	Harbour redevelopment reserve £	Totals £
At 1 January 2009	1,603,978	1,400,000	3,003,978
Profit for the year	335,572		335,572
Transfer from general reserves	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
At 31 December 2009	<u>1,739,550</u>	<u>1,600,000</u>	<u>3,339,550</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.

STORNOWAY PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2009

16. 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 2008.

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 2008 is 98% (compared with 92% as at 31 March 2005 and to 105% as at 31 March 2002).
- The cost of ongoing benefits was assessed as 21.3% of pensionable pay. The average employee contribution was assessed as 6.2% of pensionable pay leaving a balance of 15.1% 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 0.6% of pensionable pay from employers. The results in a total contribution from employers of 15.7% of pensionable pay, which equates to 250% 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 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 275% of employees contributions in the year to 31 March 2010, 290% in the year ended 31 March 2011 and 290% in the year ended 31 March 2012.

17. TRANSACTIONS WITH BOARD

The following Board Members had transactions with the Authority.

All transactions are on published terms and conditions.

Board member	Service provided	Opening balance due to the Authority	Invoices issued during the year	Closing balance due to the Authority
Ruaridh Morrison	Harbour dues	102	713	147

Innes Macleod, board member, is a director of N D Macleod Limited. During the year Stornoway Port Authority purchased goods and services totalling £2,117 (2008 - £1,474) from the company. At the year end date there was a balance included in trade creditors of £Nil (2008 - £128).

18. 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.

STORNOWAY PORT AUTHORITY
TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2009

	31.12.09		31.12.08	
	£	£	£	£
Turnover				
Vessels	816,833		754,155	
Cargoes - inwards	360,302		346,962	
Cargoes - outwards	213,667		187,078	
Passengers	57,958		46,479	
Slipway	69,668		64,791	
Weighbridge	36,678		40,179	
Water	17,292		14,688	
Pilotage	10,167		13,917	
Pontoon berths	<u>23,562</u>		<u>24,304</u>	
		1,606,127		1,492,553
Cost of sales				
Repairs - harbour & works	101,038		96,254	
Slipway maintenance	4,219		5,026	
Harbour lighting	3,695		8,980	
Harbour cleansing	38,608		30,925	
Water supply	12,414		15,103	
Weighbridge	3,005		3,259	
Allowances & discounts	27,509		22,316	
Pilotage boat expenses	3,933		2,073	
Rent - ferry terminal and pontoon berths	38,314		27,233	
Repairs to premises	2,420		1,182	
Pontoon repair less recoveries	1,612		873	
Wages	385,672		371,361	
Social security	29,881		29,605	
Pensions	52,942		46,504	
Depreciation of tangible fixed assets				
Land, buildings & works	97,935		97,658	
Plant and equipment	17,863		23,024	
Office equipment	293		943	
Vehicles	5,487		5,483	
Release of capital grant	<u>(26,885)</u>		<u>(25,967)</u>	
		<u>799,955</u>		<u>761,835</u>
GROSS PROFIT		806,172		730,718
Other income				
Rents received	204,638		191,854	
Rented property costs	(43,521)		(25,080)	
Investment Income	11,755		-	
Deposit account interest	<u>17,423</u>		<u>98,794</u>	
		<u>190,295</u>		<u>265,568</u>
		996,467		996,286
Expenditure				
Wages	176,853		174,782	
Social security	12,806		14,000	
Pensions	23,514		26,240	
Rent	1,287		1,392	

STORNOWAY PORT AUTHORITY
TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2009

	31.12.09		31.12.08	
	£	£	£	£
Brought forward	214,460		216,414	
Rates	3,408		55,402	
Insurance	84,028		81,093	
Light and heat	13,208		14,617	
Postages, stationery and phone	23,132		11,881	
Brochures and promotions	3,492		12,037	
Travel, subsistence and course fees	13,293		8,530	
Staff training	5,880		6,005	
Sundry expenses	7,490		6,927	
Accountancy	-		900	
Legal & professional fees	80,693		64,861	
Auditors' remuneration	2,950		2,500	
Bad debts	2,363		3,904	
Subscriptions	9,465		8,847	
	<u>463,862</u>		<u>493,918</u>	
		532,605		502,368
Finance costs				
Bank charges	1,845		1,553	
Bank interest	-		46	
Loan interest	70,242		74,795	
	<u>72,087</u>		<u>76,394</u>	
		460,518		425,974
Profit on disposal of fixed assets				
Plant and equipment		<u>-</u>		<u>1</u>
NET PROFIT		<u>460,518</u>		<u>425,975</u>