Port of Inverness
Annual Report 2015

www.portofinverness.co.uk

Our vision

Is for the Port to be a progressive, vibrant driver of growth for Inverness and the Highlands and to be recognised as such by the community and by industry.

Harbour at Inverness for over 2,000 years

One of Scotland's most sheltered deep water harbours

£1.8 million turnover

£202,448 surplus

309 ships arriving

898, 321 tonnes handled

Cargoes – wind turbines, oil, timber, paper pulp, coal, grain, wood chips

Chairman’s Foreword

I am delighted to welcome you to our annual report, my first as chairman of the Port of Inverness. We have had an excellent year of trading with an increase in turnover, despite continuing challenging global conditions.

This report covers a longer period than usual. For ease of budgeting and business management, we have changed the end of our financial year to March which has resulted in this report covering an 18 month period.

In February 2014 we appointed two new trustees. Brian Sherret and Russell Thomson both bring considerable maritime experience to the board and are well known in the local community.

My predecessor as chairman, Rod Michie, retired both as chairman and as a trustee last year. I would like to thank him for his years’ of invaluable support and guidance.

Of course a successful operation such as this is only possible thanks to the dedication of its people and I would like to thank all the staff for their hard work. Two of our valued employees retired this year – Captain Neil Macleod as pilot after ten years and Mr Somerled Macdonald after forty years’ service to the port as boatman. I thank both for their sterling service and wish them a happy retirement.

Angus Mackenzie
Chairman, Port of Inverness

Chief Executive's Statement

I am very pleased to report that during this 18 month period we have recorded a very strong trading performance. Our turnover rose considerably and we returned a good surplus, representing a return of over 11%. Our operating costs were on a par with the previous 12 month period and the rigorous operational review we carried out in 2012 continues to bear fruit. Both our current and long term liabilities were reduced over these 18 months.

Trading conditions continued to be challenging due to the worldwide downturn but there are encouraging signs of improvement during the last quarter.

Our income from rental property rose, reflecting a number of deals completed within the port boundaries.

Revenue from the renewables industry was limited as a result of the lack of development during the reporting period but there are very positive opportunities for work with this sector in the future. We continue to attract new customers including Nordex and shipping agents WWL ALS (Int) Ltd to the port and have a robust business development plan.

We have also been working closely with existing port users to help with their plans for growth and a number of new trades have been developed such as wood pellets.

As an active member of the city's business community we continue to engage with stakeholders and other businesses. We liaised with the Highland Council over the Inner Moray Firth Local Development Plan in relation to the land we own out towards the Kessock Bridge. This area was not included in the final adopted plan but the reporter recognised the importance of the site and recommended a masterplan be prepared for the area.

The port continues to play a central role in the economic life of the city and to interact with the local community as important stakeholders. Primary schools and community groups were visited with some also in turn visiting the port to see its workings and benefit to the local economy. A multi organisation "Seafarers Awareness Event" was held in the Eastgate Centre during June 2014. This gave an opportunity to profile the port, the contribution of shipping to the economy and the workings of the Merchant Navy.

The inner Moray Firth is a Special Area of Conservation (SAC) for bottlenose dolphins and the port continues to support and have representation on initiatives like the Dolphin Space Programme (DSP), the Moray Firth Partnership (MFP) and the Moray Firth (SAC) Management group. The proposed formation of Scottish Marine Regions in the near future, which will extend terrestrial planning offshore, is of particular interest with a number of consultations attended.

Inverness Marina, in which we own a 50% stake, continues to thrive and attract customers from all over the world, and has enjoyed another very busy year.

Sinclair Browne
Chief Executive, Port of Inverness

Harbourmaster's Report

The port enjoyed a busy 18 months with only a slight decrease in tonnage handled from the previous year. This slight dip was on the imports side, export tonnages overall remained steady.

A total figure of 898,321 tonnes were handled which equates to 598,880 tonnes per annum. Imports are 75% of the total, exports account for 25%.

The imports of light fuel oil showed a slight 2% rise and volumes have now steadied. Timber imports were sharply up by 28% to 99,100 cubic metres, a welcome sign of recovery in the house building market. The import of carbon anodes for the Fort William smelter continues well, up by 17% to 21,900 tonnes.

The exports of sterling board showed a disappointing fall of 14% over the period with current tonnage of 86,000 tonnes per year. There is a proposal to extend the Norbord factory and increase throughput at the port which will hopefully come to fruition. The export of woodchips stayed steady at 35,000 tonnes.

A new trade was the export of wood pellets. These are manufactured at Balcas, Invergordon before being road hauled to the port for export. Since trade began in December 2014 a total of over 17,000 tonnes has been exported to other areas of the UK. As a result we have planned an extension to our No.3 Transit shed to accommodate increased future volumes.

Windfarm activity was quieter than last year. The Clashindarroch project saw the import of 54 blades during June 2014 with 2015 expected to see the import of turbines for three major windfarm projects - Moy, Dumnaglass and Corriegarth.

Solar panels were installed during December 2014, on the roof of No.2 Transit Shed. The initial installation cost of £50,000 is expected to be recouped within seven years and then provide the port with an additional income stream.

A full five yearly survey of all 440v and 240v electrical installations and cabling within the port has been carried out as per statutory requirements.

Maintenance dredging of the port began in June 2014. The three priority areas of the berthing pockets, tanker turning basin and the channel entrance have been completed up to the end of the Marine Licence period.

The River Ness ran exceptionally high for a few days in during March 2015. The force in the river was the highest since the rail bridge collapse in 1989.

The River Ness Flood Prevention Scheme works began in June 2014. The walling for this scheme runs almost the full length of the port and took a full twelve months to build. Whilst this work is for the benefit of the city, considerable work has gone in to ensuring the operational abilities of the port are not restricted by the scheme when it is completed.

All navigational lights owned and in use by the port are termed Category 2 Aids to Navigation

(AtoN). These must meet "availability criteria for operation" as set down by the Northern Lighthouse Board. They must be functioning for at least 99% of the year. Our actual availability was greater than requirement. The Kessock Bridge Racon was replaced during the year.

The port's two pilot vessels, PV Ardgowan & PV Carnarc, both continue to give sterling service. PV Ardgowan is due to undergo a major refit during the latter part of 2015. This will see her fit for a further ten years' service at the port.

We continue to meet our statutory obligations under the International Ship & Port Facility Security Code (ISPS), the Oil Spill (OPRC) Regulations, the Port Waste Management Regulations and most importantly the Port Marine Safety Code (PMSC).

An audit of our Oil Spill Contingency Plan and capabilities was carried out during December 2014 by the MCA Head of Counter Pollution and Salvage. The audit was successful with no issues raised. A table top oil spill exercise was carried out during January 2015.

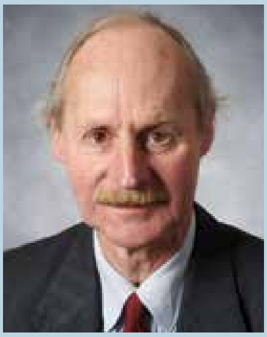
A full live trial of our ISPS system was held during November 2014. All was found to be satisfactory.

During December 2014 a compliance audit of our PMSC procedures was successfully completed. PMSC training was also carried out for two trustees.

Captain Ken Maclean
Harbourmaster, Port of Inverness

The Board

1 October 2013 – 31 March 2015



Angus Mackenzie

Chairman

A chartered accountant, Angus worked in the Highlands & Islands for Ernst & Young for 19 years, 15 of which were as a partner. Since then he has held various directorships, including board membership of Highlands & Islands Enterprise from 2003 to 2011, and in his own family start-up company which was sold in 2009. Appointed to the chair in 2014, Angus has been a trustee since 2010.

Chris Fraser

Vice Chairman

A retired chartered surveyor, Chris worked for 33 years in the valuation office agency of the Inland Revenue. He currently sits on committees of the Law Society of Scotland including Council and Board. Chris has been a trustee since 2009 and vice chairman from 2014

Susan Clark

Susan was brought up in a family business environment and on graduating spent over 20 years in a variety of senior management roles across the rail, water and construction sectors. Susan now runs her own consultancy business which specialises in renewables, community projects and assisting small businesses setting up business processes and reviewing governance. Susan is also a trustee of Scottish Autism, a business advisor for Young Enterprise and is heavily involved in voluntary activities in her local community.

Brian Sherret

Since 2001 Brian has been part of the team developing Grampian Highland Resources Limited (GHRL), one of Scotland's leading interim management and business support providers. Brian's key interests lie in service innovation and business development. Prior to that Brian spent 21 years in the shipping and logistics industry, particularly in support of the oil and gas sector.

Russell Thomson

Following 10 years' service as a deck officer in the Merchant Navy, Russell moved ashore to the Isle of Skye in 1989 to take up the position of port manager with Caledonian MacBrayne on the Kyle-Kyleakin service. When that route closed, he became Skye Bridge manager and then moved to Inverness in 2004 to be waterway manager for the Caledonian Canal. Russell was recently appointed head of customer operations for Scottish Canals and, whilst this is a Scotland wide role, he remains based in Inverness.

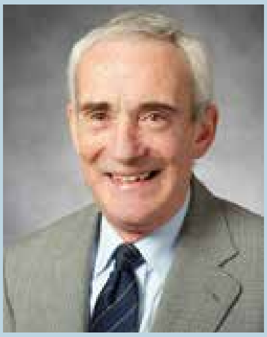
Sinclair Browne

Chief Executive

Sinclair Browne was appointed chief executive of Inverness Harbour Trust in July 2011 and is a qualified chartered surveyor. He has over 30 years' experience in the commercial property market where he was involved in a number of high profile projects. Before joining the Harbour Trust he was a partner in an international firm of property consultants.

Tony Mitchell

Tony Mitchell joined the board in February 2012. He is managing director of Tulloch Timber (Nairn) Ltd and sister company Perthshire Timber Co Ltd. He has worked in the timber industry for 40 years. He is a past president of the United Kingdom Forest Products Association and is still a member of its executive board council.



Murdo Macleod

Murdo MacLeod is the former chief executive of Inverness Harbour Trust and was appointed to the board after his retirement in 2011. He is a master mariner with 22 years' sea going experience. He joined Inverness Harbour in 1981 and spent many years as harbourmaster before becoming the Harbour Trust's first chief executive in 2003.

Port of Inverness

A Trust Port

Ships and boats have been using Inverness Harbour for more than 2,000 years. The first Inverness Harbour Trust was formed by seven councillors, five merchants and five ship owners after parliament passed the first Harbour Act in 1847. This marked the start of the modernisation and development of the port – a process that continues today.

What is a Trust Port?

Trust ports like the Port of Inverness are independent statutory bodies, whose powers, structures and functions are set out in local legislation - Harbour Orders. Trusts operate on a commercial basis, independently of government and in line with their local legislation and good business practice. Trust ports are independent but are accountable to their local stakeholders. They cannot be owned by other companies or shareholders and reinvest their profits for the benefit of the port and its stakeholders.

The guidelines and laws surrounding Trust Ports have been updated a number of times since our foundation in 1847. Most recently, in January 2002, the Government completed their review of Trust Ports and published “Modernising Trust Ports – A Guide to Good Governance”. This guide outlines standards of accountability for all ports in the UK, including the Port of Inverness.

We now have eight trustees, appointed by the harbour following strict guidelines and with assistance from an independent assessor. The chief executive also sits on the Board.

Commercial Activities

As a Trust Port we rely on income from port users. Our income comes from different activities:

- piloting ships in and out of the port;
- dues paid by companies for loading and unloading cargoes; and
- berthing fees paid by individuals keeping yachts in the marina.

As one of Scotland’s most sheltered deep water harbours, Inverness is well placed to handle trade between the UK and countries in Scandinavia, the European Union, the Baltics, Turkey and the Mediterranean.

A diverse range of cargo passes through the harbour, including wind turbines, oil, timber, paper pulp, coal and grain. Our customers have access to spacious, modern transit sheds as well as large areas of open storage.

The marina is owned and managed by Inverness Marina Limited, a company jointly owned by Inverness Harbour Trust and Caley Marina. With 150 berths and a full range of high quality facilities including showers, toilets, a laundry and electricity and fresh water on all berths, the marina is an established destination for sailors, attracting enthusiasts from all over the world.

The marina features one of the most up-to-date boat hoists in Europe which can lift large and small craft, allowing us to cater for yachts of all sizes.

Inverness Harbour Trust Accounts

SUMMARY OF RESULTS

The Trust returned a net surplus for the 18 months to 31 March 2015 of £202,448. Previous accounting periods were for the 12 months ending 30 September. A summary of the result is shown below:-

	2015 **£**	2013 £
Turnover	**1,810,847**	1,300,540
Costs and Overheads	**1,535,550**	1,026,239
Operating Surplus/(Deficit)	**275,297**	274,301
Investment Income	**956**	171
Interest Payable	**73,063**	55,341
Gains/(Losses) on Sale of Assets & Investments	**(742)**	–
Surplus/(Deficit)	**202,448**	**219,131**

BALANCE SHEET

The Trust had net assets of £8,247,564 at 31 March 2015 (September 2013 - £8,045,116) a summary of which is shown below:-

	2015 **£**	2013 £
Fixed Assets including under Construction	**12,064,906**	12,351,992
Current Assets	**686,817**	633,439
Long Term Debtors	**195,000**	198,100
Current Liabilities	**(454,756)**	(404,548)
Deferred Income	**(2,123,254)**	(2,240,284)
Long Term Liabilities	**(1,644,657)**	(1,981,336)
Provisions	**(476,492)**	(512,247)
Net Assets	**8,247,564**	**8,045,116**

Full Accounts audited by Johnston Carmichael CA are available for inspection at the Harbour Office.

FIVE YEAR STATISTICAL REVIEW

	2013/15	**2012/13**	**2011/12**	**2010/11**	**2009/10**
Number of ships arriving	309	255	216	241	254
Gross Tonnage (‘000)	775	673	538	595	646
Goods throughput (‘000 tonnes)					
Oil	354	259	241	329	383
Other	544	343	318	325	301
	898	**602**	**559**	**654**	**684**

	2013/15 **£**	**2012/13** **£**	**2011/12** **£**	**2010/11** **£**	**2009/10** **£**
Turnover (£000’s)	1,811	1,301	971	1,006	1,063
Surplus/(Deficit) for year (£000’s)	202	219	(652)	(109)	(54)

For more information about the port, please contact

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Chief Executive

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