



LERWICK PORT AUTHORITY ANNUAL REVIEW 2021-22





CONTENTS

- CHAIR'S STATEMENT..... 3
- CHIEF EXECUTIVE'S STATEMENT 4
- 2021 AT A GLANCE 5
- ABOUT US 5
- OUR BOARD 6
- OUR STAFF 7
- OBJECTIVES AND TARGETS 8
- OPERATIONS UPDATE 9
- COMMUNITY AND STAKEHOLDERS 12
- FINANCIAL PERFORMANCE..... 13
- KEY PERFORMANCE INDICATORS 14
- FINANCIAL STATEMENTS 15

CHAIR'S STATEMENT

I am pleased to present the 2021 Annual Review for Lerwick Port Authority. Having been appointed as Chair in July 2022, I would like to thank past Chair, George Anderson, for his work and dedication during his period in office. With all areas of port operations being severely affected by the Covid-19 pandemic throughout 2021, we expect the challenges being faced will take some time to see a recovery to normal levels of traffic and trading. However, the year once again demonstrated the strength of having a diverse customer base and multi-user facilities.

Through 2022, we have seen port traffic beginning to recover, utilising all the facilities available at Lerwick.

Safety and safety culture is at the heart of everything the port does, and we are proud to maintain the internationally recognised standards, not only for safety, but also for quality and environment. The continued awards of ISO 9001, ISO 14001, and ISO 45001 are a testament to the dedication and implementation of these systems throughout the organisation.

As all sectors worked through their own pandemic challenges in 2021, supply chain companies continued to utilise the port's modern and extensive infrastructure, with fish landings, oil & gas support and decommissioning continuing, albeit at lower levels. In particular, the cruise sector saw major disruption throughout the year.

A personal and significant highlight for myself and the Board, following the completion of the replacement state-of-the-art fishmarket in 2021, was to host and welcome King Charles III (then HRH the Duke of Rothesay) to formally open the facility exactly one year after it received its first landings.

The fishmarket, completed during the difficult early period of Covid-19 with restrictions and issues for all involved, is already proving its importance in positioning Lerwick at the forefront of the fishing industry for many years to come.

As we navigated our way through these challenges, having continued support from the Bank of Scotland was crucial to the port's success and allowed the development of port infrastructure to be realised.

We continue to plan capital projects and retain ambitions to further develop the port. Bank support, along with specific government funding, where available, will be vital to capture the opportunities in the years ahead.

I would like to thank all members of the Board and port colleagues for their hard work through these ongoing very difficult times and look forward to a sustained recovery in 2022.


JOHN HENDERSON
Chair/September 2022



CHIEF EXECUTIVE'S STATEMENT

I am pleased to have the opportunity to write this report for the 2021 Annual Review for Lerwick Port Authority. The year was, of course, overshadowed by the continued challenging situation arising from the Covid-19 pandemic, which affected all our lives throughout the period.

However, as in 2020, with the support of our staff, detailed planning, and implementation of control measures, we were able to maintain operational status at the port throughout 2021.

Government resilience support, including the UK Government's Job Retention Scheme, was utilised and helped the port to navigate through demanding times.

Challenges continued to most sectors and users. However, the port retained support throughout, and we are privileged to be part of the resilient supply chain that exists in Lerwick and Shetland.

Property is a core strand of the port's offering and rentals remained steady throughout the year, helping to minimise the impact of reduced shipping movements.

The 2021 financial results continued to be much reduced from pre-pandemic levels which meant that capital spend and some significant

repairs were deferred into 2022 and beyond. However, recovery into 2022 is giving hope that activity will return in the short to medium term.

Turnover increased to £10.0m from £9.5m in 2020. Profit after tax held steady at £0.9m, largely due to the increased annual pension adjustment of £0.6m (£0.3m - 2020).

Overall gross tonnage of shipping showed an increase of 9.2% to 8,902,647 gross tonnes, although overall vessel arrivals were down to 4,168, a decrease of 5.3% on 2020.

While the number of whitefish boxes continued to be lower than pre-pandemic levels, we are optimistic of increased future opportunities which the extra capacity the in replacement fishmarket will allow. Whitefish landings were down by 0.2% on the 2020 levels, with 204,534 boxes landed in 2021.

The cruise sector at Lerwick continued to be restricted during 2021. However, with significant protocols in place, visits to Lerwick resumed, with 18 arrivals, carrying 8,642 passengers in a very shortened season. The cruise industry into 2022 has proved to be much more positive, with numbers of vessels beginning to return to more normal levels.

Passenger numbers utilising the Serco NorthLink Ferries service to Aberdeen and Kirkwall began to recover as Covid restrictions eased to allow travel. Footfall increased from 56,434 in 2020 to 102,393, representing an increase of 81.4%.

Activity related to the oil & gas sector continued at lower levels than projected. However, vessel numbers and tonnage did increase slightly in comparison to 2020, with 240 ship arrivals (199 - 2021). Cargo worked by the sector through the port increased by 10.4%, to 60,180 tonnes.

Decommissioning of offshore structures is a well-established, strategic strand of the oil & gas activity at Lerwick. The disposal of the Ninian Northern production platform topside, during 2021 was a highlight, showcasing the strength of the sector at the port and pushing up cargo tonnage. Contractors, Veolia/Peterson, applied a UK first, with innovative "blowdown" methodology using explosives to reduce the structure's height, facilitate working and enhance safety.

Lerwick decommissioning contractors followed up on the success of the topside contract with a further award to dismantle and recycle the Ninian Northern support jacket. Taken

to Lerwick on the world's biggest construction vessel, Pioneering Spirit, it again highlighted the significant facilities available at the port to handle these large projects, with an experienced supply chain capable of providing the required services.

Our plans progressed for an Ultra-Deep-Water Quay at Dales Voe, which will transform our capacity and competitiveness in support of the oil & gas and renewables industries.



CAPTAIN CALUM A.S. GRAINS
Chief Executive/September 2022



HARBOUR STATISTICS 2021

4,168

VESSEL
ARRIVALS

883,844

TONNES CARGO

8.9M

GROSS TONNES
OF SHIPPING

111,035

PASSENGERS

38,124

TONNES
FISH LANDED

102,393

TONNES
FISH LANDED

£48.5M

VALUE OF FISH
LANDED

142

TENANTS

202

PROPERTIES
RENTED

609

PILOTAGE
MOVEMENTS

80,918

LARGEST VESSEL
GROSS TONNES

8,642

CRUISE
PASSENGERS

50

MEMBERS
OF STAFF

£10.0M

GROSS ANNUAL
TURNOVER

£1.8M

OPERATING PROFIT

**9 nautical
miles**

SIZE OF HARBOUR
(NORTH TO
SOUTH LIMITS)

130,000m²

OF LAYDOWN

4,574

METRES OF QUAYS

12.5m

MAXIMUM WATER
DEPTH ALONGSIDE

**3 nautical
miles**

SIZE OF HARBOUR
(INNER HARBOUR)

ABOUT US

At the crossroads of the North Sea and North-east Atlantic, Lerwick Harbour is Britain's 'Top' Port - the most northerly commercial harbour in the country and the principal port for the Shetland Islands.

With modern, versatile facilities serving a wide variety of users, it is a key component in the local economy, stimulating trade and economic benefits for customers and the community.

Lerwick Port Authority was established in 1877 as Lerwick Harbour Trust by an Act of Parliament. This Act constituted the Trust Port to manage, maintain and regulate the Port of Lerwick. The promotion of the Act was funded by the merchants of the town who established a Board of Trustees. The first task of the newly created Trust was to build Victoria Pier, which opened in 1886.

As a Trust Port, the harbour is operated commercially by the Port Authority which, although not publicly funded, is accountable to the wider Shetland community, as well as harbour users. A self-financing business, it depends, like any commercial concern, on cash flows and profits for its successful operation. The Trust Port status sees all profits reinvested in the maintenance and development of the harbour to ensure the wide-ranging requirements of customers continue to be met. Over £120m has been invested in port assets over the years.

Mindful of the wider community, the Authority also provides stakeholder benefits through leisure and amenity improvements and involvement in community events.

[~ READ OUR MISSION, VISION AND VALUES](#)



OUR BOARD

Meeting monthly, Lerwick Port Authority is directed by eleven Board Members. The Chief Executive and Senior Commercial Executive of the Authority are ex-officio Board Members, holding responsibility for controlling and overseeing all areas of operations and providing support to senior managers through appropriate training, mentoring and guidance. The Chair and Deputy Chair appointments are made annually, selected by Board Members from among their number. Members are un-salaried and receive an attendance allowance for meetings. Leadership is provided through the ongoing review of all business activities and the setting of strategic objectives and targets.

Ronnie Gair (Past Chair to July 2021) Term to July 2021	John Henderson (Past Deputy Chair) Term to July 2024	George Anderson (Past Chair to July 2022) Term to July 2022
Bobby Polson Term to July 2022	James Anderson Term to July 2022	Gary Robinson Term to July 2023
Peter Campbell Term to July 2023	Steven Hutton Term to July 2024	Colin Nicolson Term to July 2023

~ MEET OUR CURRENT BOARD MEMBERS

APPOINTMENTS

At the port's AGM in July 2021, Ronnie Gair retired from the Board and George Anderson took up position as Chair. Ella Hunt joined the Board at that time. John Henderson, who had previously served as Deputy Chair, took up the role as Chair when George Anderson retired from the Board in July 2022. Colin Nicholson was appointed Deputy Chair in July 2022.

Recruitment of non-executive Board Members occurs annually, drawing on vital skills, experience and expertise from candidates, to obtain a Board that is independent and fit-for-purpose, rather than representative of particular interests. Non-executive Board Members serve a three-year term, with a rolling programme of one-third of the Board standing down in consecutive years.

STRATEGY & RISK MANAGEMENT

The Board implements a Strategic Business Risk Assessment. The principal outcome of this review is to have the ability to reliably understand, predict, influence and react to the factors affecting the Authority. Fundamental to the Assessment is the identification of risks to the business.



OUR STAFF

The Board regularly receives updates from the management team, which oversees day-to-day operations and implements strategic objectives, financial and administrative processes, and business development.

~ MEET THE MANAGEMENT TEAM

During the period, the Authority directly employed 50 FTE staff members, who contributed to the effective, smooth running of the port. The dedicated and long-serving workforce has a wealth of experience in various operations, including maintenance, engineering, electrical, joinery, marine, administration and marketing. Ongoing staff training helps to maintain high standards of health, safety and environmental compliance across all departments. The move to more online health & safety training offers flexibility for staff undertaking courses around the port's busy operations, resulting in time and cost-savings.

[Read more](#) on the standards that create the culture of the Authority, reflected throughout all areas of the business.



OBJECTIVES AND TARGETS UPDATE 2021

The continuous improvement of the Authority's performance is measured against the successful implementation of an annual programme of strategic business objectives and targets.

The high-level strategic objectives and targets set by the Board during the period were:

TARGETS

STRATEGIC OBJECTIVE 1 - Management, maintenance and regulation of Lerwick Harbour.

Monitor regulatory developments in the ports sector, particularly Covid-19 and EU exit impacts.

Explore options for management of ongoing pension liability.

Procurement, allocation and control of financial resources within parameters of Bank facility to manage recovery from Covid-19 impacts.

OUTCOMES

Border Control requirements implemented. Cruise visits successfully resumed with no Covid-related operational issues.

New structure in place and meeting new payment requirements for liability.

Covenants reset for the remaining period of facility and compliance maintained.

TARGETS

STRATEGIC OBJECTIVE 2 - Conduct all business activities in a responsible manner which assures the prevention of injury and ill health to employees, port users and others, the preservation of the environment and quality of service, and promoting the development of an efficient, cost-effective sustainable port.

Maintain Certification to ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Dialogue with stakeholders to promote and emphasise standards within the port environment to be met across all activities.

Maintain processes and systems in compliance with current requirements during Covid-19 pandemic.

Identify and promote carbon reduction across port operations.

OUTCOMES

New supplier appointed (now SGS) and accreditation maintained throughout transfer.

Information distributed and shared through various communications groups.

Despite public restrictions being relaxed, workplace processes and procedures remain.

Rolling programme of replacing lighting with more efficient LED options; exploring electric vehicle options for fleet and improvements to shore power.

TARGETS

STRATEGIC OBJECTIVE 3 - Invest in new port facilities where a need is identified. Diversify the portfolio of investments and sources of income, especially where it also supports and strengthens core harbour activity

Progress the development of an Ultra-Deep-Water Quay (UDWQ).

Explore new external accreditation for Fishmarket (British Retail Consortium Certification, Responsible Fishing Port, etc.)

Monitor market requirements for future infrastructure projects and investigate applying for any available external funding that can assist in the delivery of capital projects.

Review future capital developments, including Arlanda redevelopment and possible cruise infrastructure.

OUTCOMES

Requirements for Islands' Growth Deal met. Initial design of quay complete and detailed design underway.

Agreement through stakeholder engagement, that costs/time involved cannot be justified given current market demands.

External funding secured from Scottish Government as part of Brexit impact on fishing. Seafood trailer park progressing on a reduced scheme of works for affordability.

Board considering future capital project investment based on market demands, to narrow down options for engineering input.

TARGETS

STRATEGIC OBJECTIVE 4 - Attract new business and ensure continued satisfaction of existing customers and users, and to defend the port against unfair competition and anti-competitive practices

Maintain and promote Lerwick's identity as a decommissioning port.

Market to energy sector with emphasis on efficiency, capability and cost-effectiveness of port.

Promotion of latest fishmarket facilities to the fishing sector.

Engagement with, and marketing of facilities, to cruise industry and stakeholders, regarding Covid impacts and "Return to Cruise".

Diversify use of deep-water infrastructure to realise opportunities in the renewables sector, particularly onshore and floating offshore wind.

Review digital marketing strategy.

OUTCOMES

Planning and preparations for Ninian North jacket arrival and continuing with high-level promotion of UDWQ with key industry contacts.

New engagements generated through Orion project. Orion is a bold, ambitious project that aims to transform Shetland into a world leading clean energy island.

Official Royal opening event, co-promoted with Shetland Islands Council, and resulting in stakeholder participation and media coverage.

Cruise season successfully restarted and excellent level of forward bookings for 2022.

Opportunities to present to the offshore wind sector and UDWQ key contacts.

Building background information and research materials to inform strategy.

TARGETS

STRATEGIC OBJECTIVE 5 - Maintain existing buildings, plant and equipment and harbour facilities in a safe and serviceable order

Explore options for replacement of Kebister harbour vessel.

Fully integrate property records and maintenance scheduling into new property management software.

Maintain overview of issues surrounding potential sea level rise.

OUTCOMES

Item included within review of future capital projects.

Key scheduling and reports incorporated with systems being evaluated.

Impacts on existing infrastructure being monitored and considered in future quay developments.



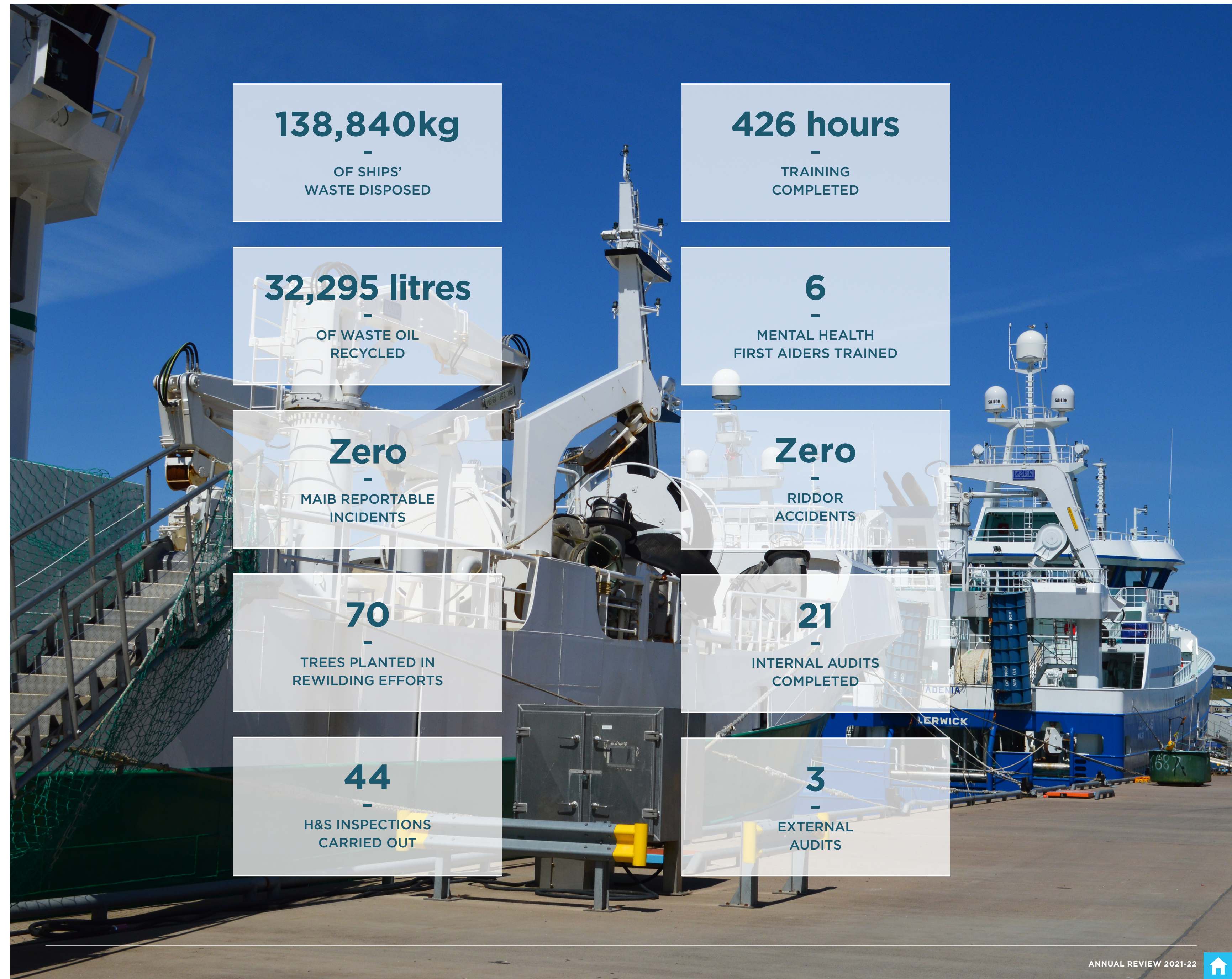
OPERATIONS UPDATE

A key component of the Authority's strategy is the continual improvement of all harbour services to meet the needs of port users. To achieve this, the Authority operates an integrated management system which fulfils requirements under the tripartite of standards for Quality ISO 9001:2015, Environment ISO 14001:2015 and Occupational Health & Safety ISO 45001: 2018.

The Authority's Occupational Health and Safety system was a key factor in enabling it to maintain critical operations in the recovery through the pandemic. Robust procedures and processes were put in place which allowed essential harbour operations to continue, whilst ensuring the health and safety of Authority personnel and others. Maintaining communications and consultation with staff is a priority so that staff can actively contribute to the discussions around the adaptation of work patterns and processes essential to their safety.

Compliance with the ISO standards is a key component of the Authority's business processes, assisting with hazard identification and risk management, and facilitating continual improvement in health and safety, environmental and quality performance. Embracing external scrutiny via the audit process gives the Board as Duty Holder, the assurance that operations are being conducted in a compliant manner. ISO certification also gives customers and stakeholders confidence that the Authority is:

- ~ Actively identifying risks and opportunities.
- ~ Considering the environmental impact of business decisions.
- ~ Placing health and safety of staff, contractors, port users and others at the heart of all decision-making.
- ~ Striving to maintain safe, efficient, cost-effective sustainable harbour operations.
- ~ Continually examining its internal processes to ensure they remain effective and efficient.



138,840kg

-
OF SHIPS'
WASTE DISPOSED

426 hours

-
TRAINING
COMPLETED

32,295 litres

-
OF WASTE OIL
RECYCLED

6

-
MENTAL HEALTH
FIRST AIDERS TRAINED

Zero

-
MAIB REPORTABLE
INCIDENTS

Zero

-
RIDDOR
ACCIDENTS

70

-
TREES PLANTED IN
REWILDING EFFORTS

21

-
INTERNAL AUDITS
COMPLETED

44

-
H&S INSPECTIONS
CARRIED OUT

3

-
EXTERNAL
AUDITS



TACKLING CLIMATE CHANGE

In support of the Scottish Government's Climate Change Plans, existing good practices already rolled out across port operations have been reinforced with the Board moving ahead to set a Net Zero Policy and new processes to support this. The Authority's management system centres around continuous environmental improvement and sustainability and has done for many years, to ensure greener port operations, increase efficiency and explore new opportunities.

The existing activity at the port must be maintained whilst also supporting emerging industries, such as offshore floating windfarms and clean fuel bunkering. This strategy will ensure the long-term prosperity of the industries using the port and help to create opportunities for the local supply chain.

The Authority's capital programme for improving port infrastructure will play a vital role in the energy transition, support for which includes:

- ~ Ultra-Deep-Water Quay in development through Islands Growth Deal
- ~ Orion Project Partner to develop Shetland's Energy Hub
- ~ Two existing quayside decommissioning bases

Emissions reductions across operations and electrification of key plant and equipment are ongoing. Other examples include:

- ~ Air source heating at Albert Building offices
- ~ Biomass heating at Holmsgarth Passenger Terminal
- ~ Plate chilling at replacement fishmarket
- ~ LED lighting rolled out across port estate
- ~ High-capacity shore power for pelagic fleet

Waste and recycling initiatives:

- ~ Reuse of tyres for fendering avoiding landfill
- ~ Tree planting to offset paper usage
- ~ Donating redundant equipment to charity for reuse
- ~ Support for marine waste recovery and net recycling



PORT MARINE SAFETY CODE

Across all marine operations, there is a commitment to implementing the good practice of the Port Marine Safety Code (PMSC) to improve safety and management of processes to nationally agreed standards. Significant safety risks are identified and evaluated, and suitable control measures are put in place to manage them.

The Authority's fully integrated Health, Safety Environment and Quality (HSEQ) Management System covers processes for navigational safety, environmental protection and conservancy in its area of jurisdiction. In doing so, the Authority maintains an effective navigational Safety Management System (SMS) based on a formalised risk assessment process which is kept under continuous review.

The Board was presented with the findings of the annual PMSC compliance audit at their October meeting, which reported no non-conformances and four opportunities for improvements which have all been closed out.

~ [LEARN MORE ABOUT PMSC KEY PROCESSES](#)

AIDS TO NAVIGATION

Lerwick Port Authority is the Local Lighthouse Authority and as such must meet statutory duties associated with those responsibilities.

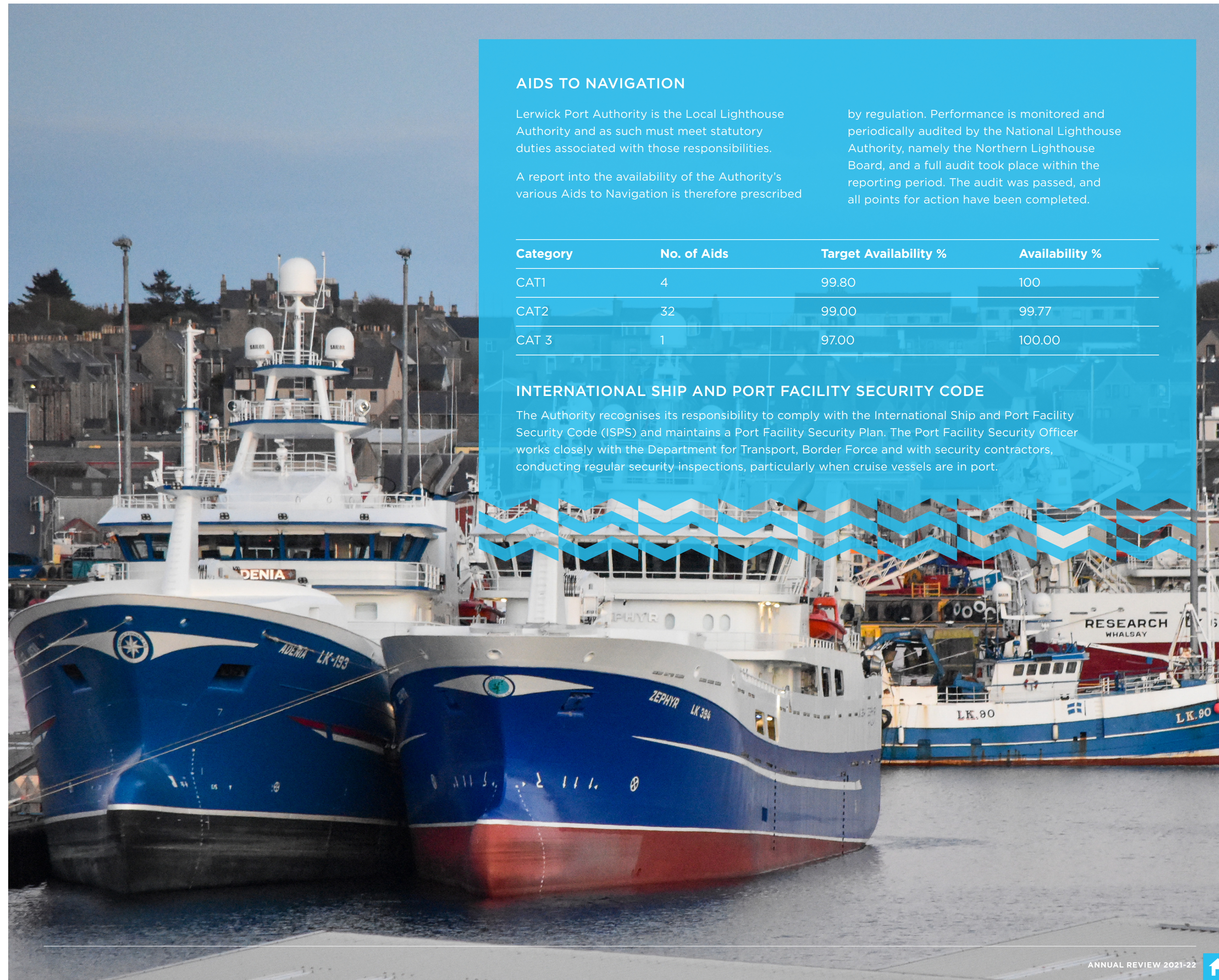
A report into the availability of the Authority's various Aids to Navigation is therefore prescribed

by regulation. Performance is monitored and periodically audited by the National Lighthouse Authority, namely the Northern Lighthouse Board, and a full audit took place within the reporting period. The audit was passed, and all points for action have been completed.

Category	No. of Aids	Target Availability %	Availability %
CAT1	4	99.80	100
CAT2	32	99.00	99.77
CAT 3	1	97.00	100.00

INTERNATIONAL SHIP AND PORT FACILITY SECURITY CODE

The Authority recognises its responsibility to comply with the International Ship and Port Facility Security Code (ISPS) and maintains a Port Facility Security Plan. The Port Facility Security Officer works closely with the Department for Transport, Border Force and with security contractors, conducting regular security inspections, particularly when cruise vessels are in port.



COMMUNITY AND STAKEHOLDERS

As a Trust Port, the Authority carefully manages its assets for the benefit of all its stakeholders and actively supports local community activities. Working closely with all interested parties is a key priority to maintain a safe harbour, protect the environment and promote the use of our facilities.

The Modern Trust Ports for Scotland: Guidance for Good Governance defines a Trust Port as “a valuable asset presently safeguarded by the existing Board, whose duty it is to hand it on in the same or better condition to succeeding generations. This remains the board’s ultimate responsibility, and future generations remain the ultimate stakeholder”.

Our key stakeholders include employees, harbour users, commercial businesses, tenants, customers using third-party services, membership organisations, the local community, the Local Authority, elected representatives, NGOs, regulators and Governments, UK and Scottish.

The use of digital platforms carried on throughout 2021 and offered flexibility for maintaining and starting new relationships with industry customers around the globe. International travel was still affecting regular industry trade show attendance, with many organisers opting for virtual conferences throughout the year.

ROYAL VISIT

King Charles III (then the Duke of Rothesay), travelled north to open both the Lerwick and Scalloway fishmarkets. Hosted in partnership between the Authority and Shetland Islands Council, the visit commemorated the first anniversary of the initial landings to the market and included a tour of the facility, engaging with various representatives from the industry.

~ ROYAL OPENING

FISHING PORT OF THE YEAR

Former Chair Ronnie Gair took delivery of the Fishing News award, in recognition of all the port’s stakeholders involved in developing and operating the replacement state-of-the-art market which makes a valuable contribution to the industry and the Shetland and wider economy. It was humbling to receive the award on a nomination by the late Dave Linkie, former Editor of Fishing News, who had many friends across the local fishing fleet.

~ FISHING PORT OF THE YEAR

Annual assistance continues to be directed towards marine-related charities, as are donations and sponsorships towards local community interest groups, small groups, charities and fundraising campaigns which are all part of the Authority’s stakeholder benefits.

Support goes beyond financial donations or sponsorship and often involves benefits in kind, such as staff time and other resources and contributing to maritime causes that involve the wider community, some examples of which are:

LIGHT THE NORTH

A 2.5 metre lighthouse, with its eye-catching ‘knitted’ design sponsored by the Authority, was located temporarily at the town centre waterfront from August 2021. It was one of 50 sculptures in a ‘Light the North’ interactive trail run by CLAN Support throughout Shetland, Orkney, Aberdeen, Aberdeenshire and Moray.

~ LIGHT THE NORTH

THE TALL SHIPS RACES

Excitement is building with the appointment of a Project Manager to lead the delivery of this prestigious event for the third time. A wide range of festivities, attractions and activities will be offered to the colourful and spectacular fleet and their crews.

The Tall Ships Races will provide a valuable boost to our economy and community in July 2023.

~ THE TALL SHIPS RACES

SUPPORT FOR SAIL TRAINING

As well as providing facilities for the vessels and crews in the Tall Ships Races, the port is proud to be an annual sponsor of Sail Training Shetland - to recruit and place young

people between the ages of 15-25 years onboard the magnificent vessels - with the experience being a once-in-a-lifetime adventure for all those that take part in the Races.

~ SAIL TRAINING SHETLAND

BRESSAY HISTORY GROUP

The port donated towards the Bressay community volunteers who gathered bruck through April in “Da Voar Redd Up”. Shetland’s largest community litter pick contributes greatly to reducing the impact of marine litter and waste by clearing debris washed up by winter storms on roadways, beaches and the coastline.

~ DA VOAR REDD UP



FINANCIAL AND BUSINESS PERFORMANCE

Lerwick Port Authority is the largest commercial port for the Shetland Islands and is pivotal to the local economy.

TURNOVER

Turnover for 2021 was £10.0m, representing an increase of 5.5% on 2020, though still below pre-pandemic levels.

Harbour dues on ships increased by £0.4m, a 15.3% increase on 2020. While overall vessel arrivals were down, vessel tonnage was boosted by the arrival of 18 cruise ships as restrictions lifted and also by roll-on/roll-off (ro-ro) services returning to a more normal schedule.

Dues related to passengers increased by £0.1m with the tentative return of cruise ships and the passenger capacity services increasing.

Dues on goods reduced compared to the previous year, by 1.8%, but there were areas where cargo has increased. Ro-ro shipments were up due to the onshore Viking Windfarm Project bringing in materials via this route and cargo movements for the oil & gas sector rose because of offshore decommissioning activity.

Dues related to white and pelagic fish decreased slightly in the year, but there was a significant drop in salmon landings with only four months of activity, compared to 11 months in 2020.

PROFIT

Operating profit for the year was £1.8m. This is below pre-pandemic levels and below the previous year's result, by £0.5m.

Expenditure levels have not reduced significantly due to the pandemic. Wages and salary costs make up 52% of cost of sales in the year, with our staff being key to delivery of port operations. The Authority retained all its staffing during the pandemic, with support from the UK Government's Retention Scheme, but costs related to staffing increased in 2021 due to a £0.6m pension adjustment required.

PORT COMPETITIVENESS

The Authority works hard to provide a competitive, cost-effective harbour with as high a capacity as possible. In line with this aim, we are pleased that, once again, for 2021 the core harbour charges increases were limited to inflation.

To satisfy our customer base and attract additional business to the port, importance is placed on being proactive in identifying new opportunities which will sustain and grow our operations and the wider Shetland economy. The Authority continues to support a diverse range of activities and sectors and during recent years has developed support for decommissioning, the offshore energy sector and renewables, and greatly expanded involvement in the cruise sector.

In March 2021, a portfolio of projects through the Islands Growth Deal were signed off by the UK/Scottish Government, which included the Dales Voe Ultra-Deep-Water Quay as a key project for investment. Progressing this project will ensure that Lerwick can compete in attracting further large-scale decommissioning projects and support the renewables sector which requires deep-water facilities for transferring large structures directly to the quayside.

BANK FACILITIES

With the support of Bank of Scotland, the Authority has invested significantly in quayside infrastructure in recent years. We have a long-term and close working relationship with the Bank and the facility provided was tailored to suit the planned investments.

The uncertainty surrounding the downturn in activity through the Covid-19 pandemic, meant that to preserve cash levels and avoid cash constraints, a 12-month capital repayment holiday was agreed from April 2020. As a result, borrowing was repriced in 2021 with bank covenants reset. Loan repayments recommenced in full during 2021, with the total borrowing outstanding as at 31 December 2021, being £16.8m.

PENSIONS

The Authority provides two pension schemes for employees, a defined contribution scheme through the Ensign Retirement Plan, and a defined benefit scheme as an admitted body to the Shetland Islands Council's Local Government Pension Scheme (LGPS). In line with many defined benefit schemes in recent years, the contribution levels have been increasing significantly and the level of the deficit accruing in the scheme continues to be uncertain. The Authority has continued throughout the year to work with professional advisors and continues a dialogue with the scheme managers. The LGPS scheme was closed to new entrants from 1 April 2019. The pension scheme deficit as at 31 December 2021, was £8.0m.

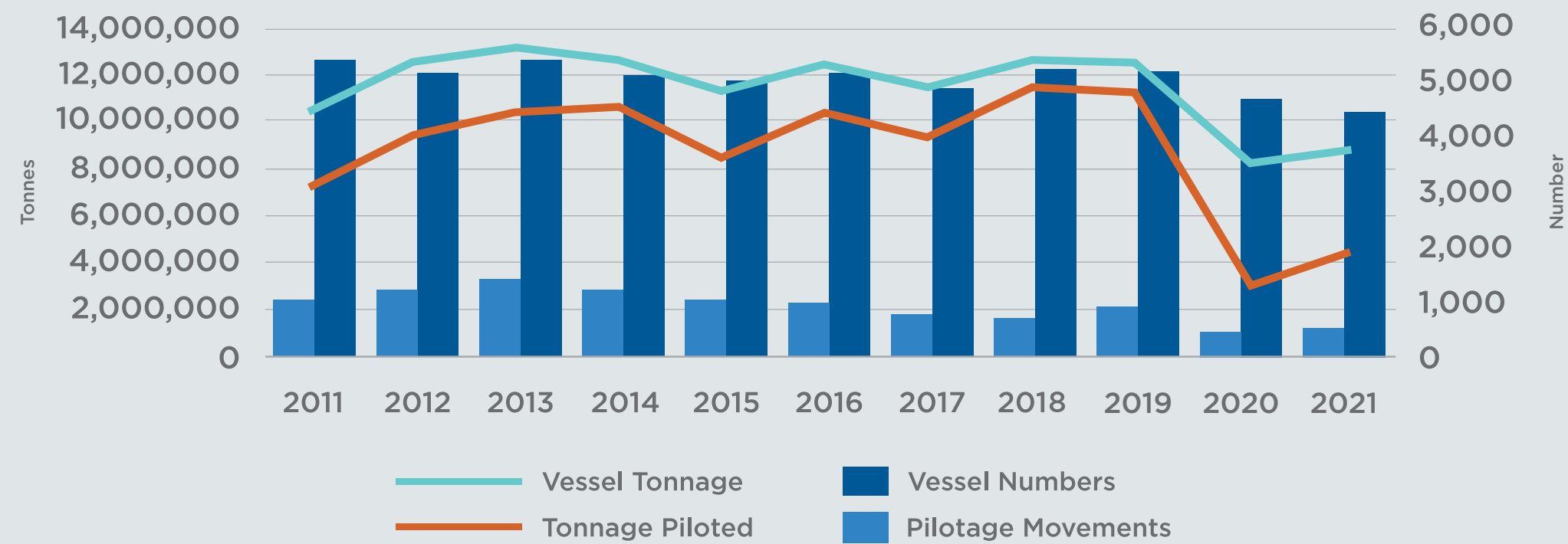
INTEREST RATE RISK

The Authority decided to take advantage of the low-interest rates available and "lock in" a significant portion of its borrowings to a low rate, using an interest rate swap in 2017. This has allowed the business to take advantage of the historically low-interest rates and given certainty over the cost of repayment of borrowings, hedging against the risk of any future interest rate increases.

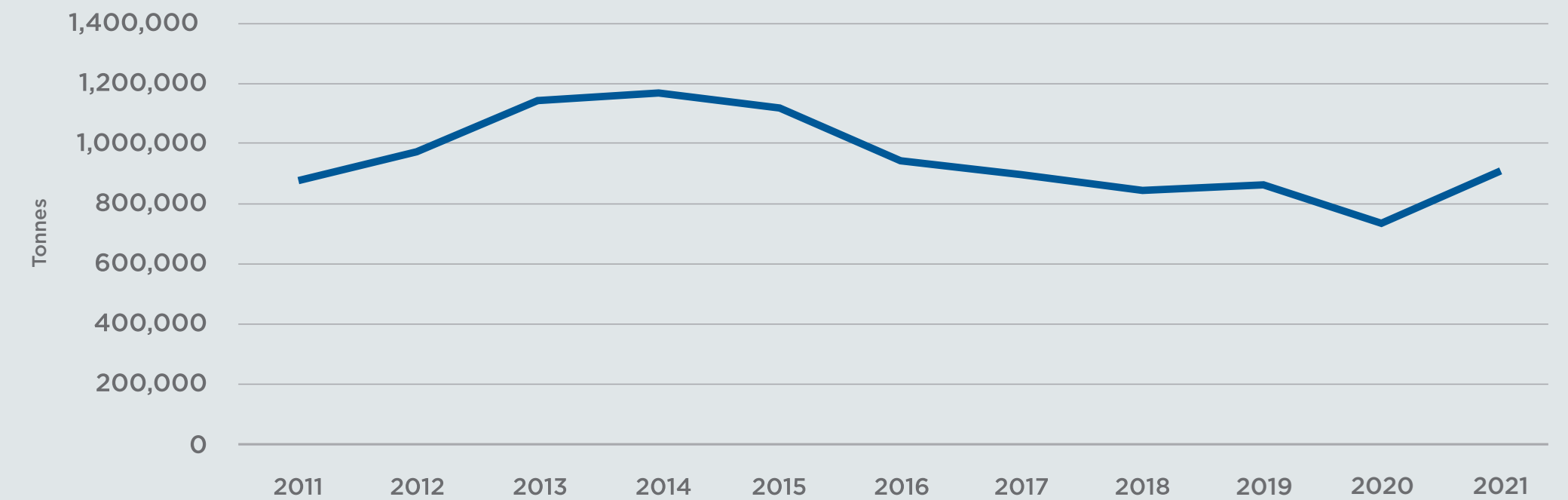


KEY PERFORMANCE INDICATORS 2021

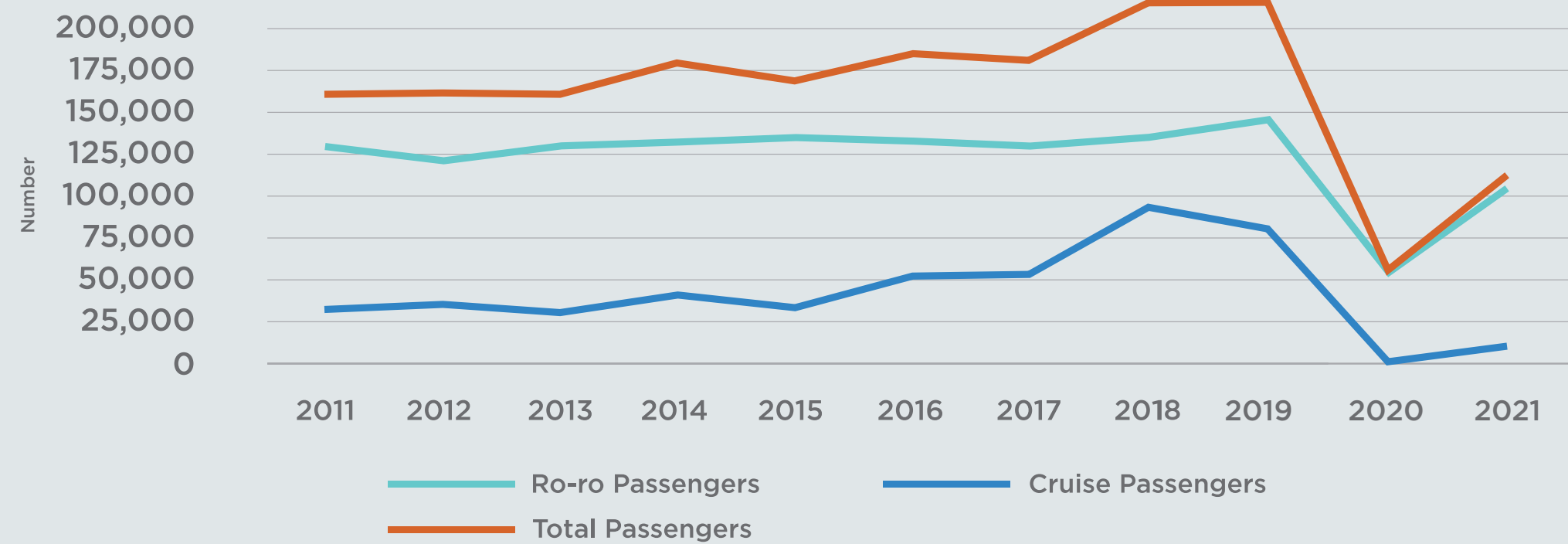
VESSELS



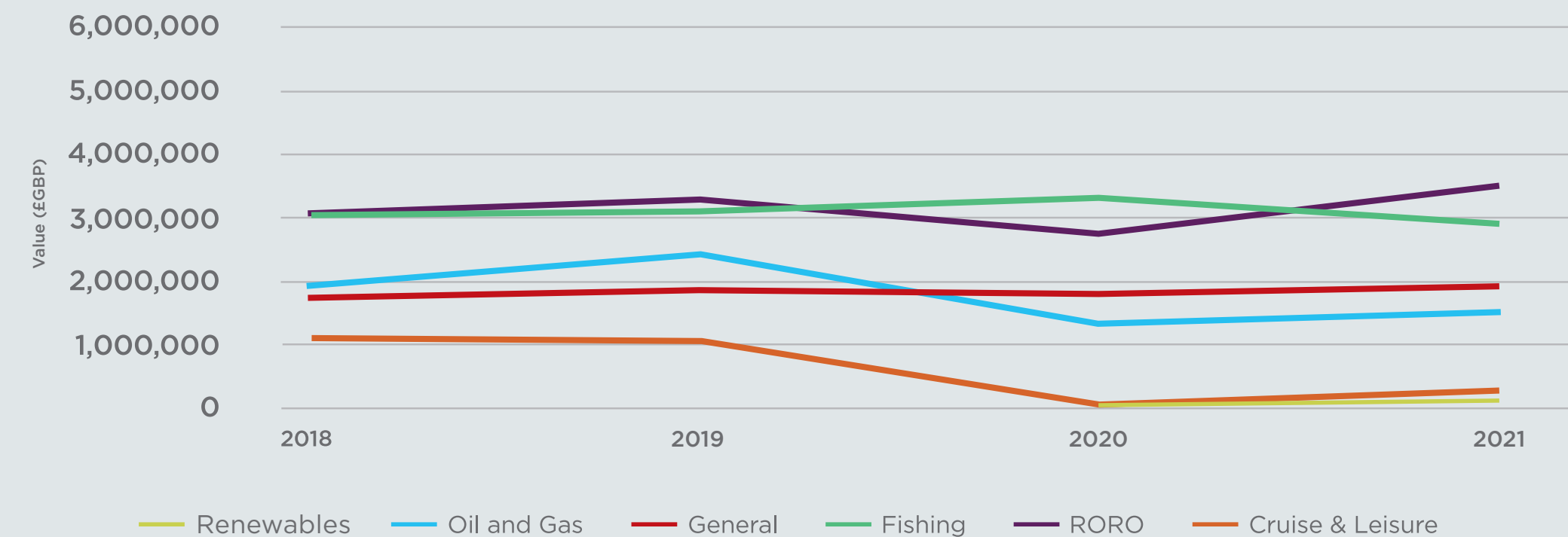
CARGO MOVEMENTS



PASSENGERS



INCOME SPLIT BY SECTOR





FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 31 December 2021

	2021	2020
	£000	£000
TURNOVER	10,008	9,487
Cost of sales	(7,153)	(6,413)
GROSS PROFIT	2,855	3,074
Administrative expenses	(1,319)	(1,155)
Other Income	273	420
OPERATING PROFIT	1,809	2,339
Fair value (losses)/gains on financial instruments	370	(92)
Interest receivable and similar income	1	1
Interest payable	(851)	(806)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,329	1,442
Taxation	(460)	(554)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE YEAR	869	888

The operating profit for the year arises from the Group's continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	£000	£000
RETAINED PROFIT FOR THE YEAR	869	888
OTHER COMPREHENSIVE INCOME		
Actuarial gains on defined benefit pension scheme	3,916	(4,382)
Tax relating to other comprehensive income	(308)	767
	3,608	(3,615)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,477	2,727

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	2021		2020	
	£000	£000	£000	£000
FIXED ASSETS				
Tangible assets		80,286		81,979
Investments		1,666		1,666
		81,952		83,645
CURRENT ASSETS				
Debtors falling due within one year	1,804		1,946	
Debtors falling due after more than one year	819		1,086	
Cash at bank and in hand	4,870		4,202	
	7,493		7,234	
CREDITORS				
Amounts falling due within one year	(4,347)		(4,030)	
NET CURRENT LIABILITIES		3,146		3,204
TOTAL ASSETS LESS CURRENT LIABILITIES		85,098		86,849
CREDITORS				
Amounts falling due after more than one year		(14,758)		(17,737)
PROVISIONS FOR LIABILITIES				-
DEFERRED INCOME		(9,994)		(10,078)
NET ASSETS EXCLUDING PENSION LIABILITY		60,346		59,034
Pension liability		(8,026)		(11,191)
NET ASSETS INCLUDING PENSION LIABILITY		52,320		47,843
CAPITAL AND RESERVES				
Savings fund		70		70
Profit and loss account		58,269		56,838
Pension reserve		(6,019)		(9,065)
TOTAL EQUITY		52,320		47,843



LERWICK PORT AUTHORITY

www.lerwick-harbour.co.uk

