



Port of Milford Haven

Annual Report and Consolidated Financial Statements

31 December 2014

MILFORD HAVEN PORT AUTHORITY

Annual Report and Consolidated Financial Statements

31 December 2014

MILFORD HAVEN PORT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

CONTENTS

	Page
Officers and professional advisers	1
Strategic report	2
Members' report	5
Members' responsibilities statement	6
Independent auditor's report	7
Profit and loss account	8
Statement of total recognised gains and losses	9
Note of historical cost profits and losses	9
Balance sheet	10
Group consolidated cash flow statement	11
Notes to the financial statements	12

MILFORD HAVEN PORT AUTHORITY

OFFICERS AND PROFESSIONAL ADVISERS

CHAIRMAN

P Jones

VICE CHAIRMAN

C Martin

MEMBERS

S Davenport

A J W D Don

A Edwards

A M Jones

G E Lynn

D Snelson CB

R Squires

A Jessopp

(appointed 1 March 2015)

S Owen

(appointed 1 December 2014)

K Penney

(appointed 1 August 2014, resigned 11 January 2015)

Captain M C Andrews

(resigned 30 September 2014)

F Birt-Llewellyn

(resigned 30 June 2014)

CHIEF EXECUTIVE

A J W D Don

HARBOURMASTER

Captain W C Hirst

DEPUTY CHIEF EXECUTIVE

A M Jones

REGISTERED OFFICE

Gorsewood Drive

Milford Haven

Pembrokeshire

SA73 3EP

BANKER

Barclays Bank Plc

SOLICITORS

Blake Morgan LLP

AUDITOR

Deloitte LLP

Cardiff

MILFORD HAVEN PORT AUTHORITY

STRATEGIC REPORT

STRATEGY AND OBJECTIVES

The Port of Milford Haven's primary objective is to remain an efficient and competitive gateway within the UK's national transport network, facilitating easy access for our customers to their markets in the UK and overseas. Achieving this mission will ensure the Port continues to fulfil its role as a key driver of economic activity and growth, particularly in Pembrokeshire and the Swansea Bay City Region, whilst operating at the highest standards of safety and protection of the environment. The Port provides its customers with the ability to operate on a very large scale ensuring the resilient delivery of essential energy supplies to the UK market on a basis that minimises environmental impact across the global supply chain and helps keep UK PLC internationally competitive. In the interests of the local economy we are seeking to achieve greater diversity in the range of activities being undertaken in the Port. The sustainability of our core operation and the achievement of diversification require the Port to retain a strong ability to finance investment (with a focus on port-related infrastructure and services), promoting the development of additional linkages to the Port and working with partners to expand the range of activities carried out at the Port and in particular at our facilities at Pembroke Port and Milford Dock.

The vision of the Port is to deliver port infrastructure with energy and excellence. In order to achieve this, the Port has put in place certain strategies, the timing and delivery of these will depend on market conditions and the strength of the economy as a whole:

- To continue to provide high quality responsive services to customers, including the major energy terminals;
- To facilitate the development of Milford Docks focused on marine leisure, retail and fishing;
- To facilitate the development of Pembroke Port into a centre of excellence for marine-renewables, engineering and stevedoring services including ferry operations;
- To facilitate the effective and appropriate development of non-port-related landholdings;
- To work with existing infrastructure owners/operators to help achieve increased asset utilisation, commercial growth and inward investment;
- To introduce new deep water trades based on the development of new general purpose deep water berths; and
- To support the creation of additional transport linkages to the port.

THE BUSINESS MODEL

Milford Haven Port Authority (MHPA) is the statutory harbour authority for the Port of Milford Haven. It operates on a commercial basis, charging port fees for providing conservancy and pilotage services to the vessels delivering or collecting products at the principal terminals located on the Milford Haven waterway. It also owns and operates a property portfolio at Milford Docks and port facilities at Pembroke Dock. As a Trust Port, MHPA does not have shareholders and, accordingly, all profit is retained within the business and is available for re-investment into the Port in support of its key objectives. The Port sustains a nationally important portfolio of businesses engaged in the production of and distribution of energy and energy fuels. This activity accounts for over 5,000 jobs in Wales and substantial continuous investment into the local economy. As a commercial entity in active competition with all other ports, the organisation is financed through retained profit after corporation tax and conventional bank lending.

BUSINESS REVIEW

The Port of Milford Haven's group trading result for 2014 and 2013 is summarised below:

	2014	2013
	£'000	£'000
Turnover (excluding joint ventures)	23,074	22,553
Operating profit (excluding joint ventures and associate)	3,380	3,540
Profit before tax	3,198	1,448
Taxation	(923)	(1,041)
Profit after tax*	2,274	407
ROCE*	3.9%	1.7%
Cargo volume*	34.4m tonnes	41.2m tonnes

*Considered to be the Port's key financial performance indicators

ROCE is measured as earnings before interest and taxation, divided by total assets less current liabilities

MILFORD HAVEN PORT AUTHORITY

STRATEGIC REPORT (continued)

BUSINESS REVIEW (continued)

Liquefied Natural Gas (LNG) throughput and therefore income was higher in 2014 than in 2013, but this was offset by the decline of a major customer and subsequent closure of its refinery. Activity within the Short Sea division and property improved slightly over the preceding year with some growth at Pembroke Port and returns generated from solar investments. Fish volumes landed in the year at 3,200 tonnes were lower than in 2013. The marina and commercial property portfolio performed in line with the prior year. Significant costs continue in respect of recovery payments to the Pilots National Pension Fund (PNPF) and investment in the Milford Dock Masterplan. Capital expenditure (£5.2m) included works to complete the construction of the dock lock at Milford Haven, the completion of the solar farm and continuing investment in facilities to support the fishing industry at Milford Docks. The Port finished the year with £12.6m of cash and is therefore well placed to continue investment into its trading base.

Marimatech AS, an associate located in Denmark, is an Approach and Mooring Solutions company. There has been additional investment into the company in the year in order to develop its latest marine technology products which are now being actively and successfully marketed across the globe as well as being in use at the Port of Milford Haven, strengthening the resilience and safety of our own operations.

Milford Haven Properties Limited, a subsidiary company, operates a solar farm. A Pension Funding Partnership has been created resulting in MHPA's pension scheme investing in a financial instrument which is in turn funded from the profits of the solar farm. This structured investment has provided a cost effective mechanism for eliminating the deficit in the MHPA Pension Fund as explained further in Note 22 on page 24.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

The Port maintained its good Health, Safety and Environmental performance. In the year the Port had three reportable lost time accidents and five non lost time reportable accidents.

The Port also welcomes very close co-operation from all the major operators on the Haven in monitoring and taking active measures to reduce the risk of any form of oil spill. The number of pollution incidents in the Haven waterway for the year was 3 compared to 4 in 2013, all of these are considered to be minor. The total number of incidents for 2014 was 20, down from 25 in the preceding year. Near misses were slightly up with 89 reported in 2014 compared to 83 reported in 2013.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management and control is an integral part of corporate governance and the Board takes the management of risk seriously. The Board reviews the overall business risk register on an annual basis. Risk appetite has been defined for specific risk categories and is included in the risk management policy. A risk officer has been appointed to oversee the risk management processes which have in turn been embedded in the business.

The principal risks and uncertainties facing the business and actions taken to mitigate these risks are:

- Providing safe navigation in the Port. A Safety and Environmental Management System (SEMS) is used in conjunction with a marine risk register to identify and mitigate risks wherever possible. SEMS is monitored continuously and frequently reassessed ensuring continuous performance improvement.
- Failure of the Strategic Plan to improve the quality of earnings from new revenue streams and diversify away from oil and gas market influences that may result in the loss of a major customer. As we have experienced in 2014, the significant reduction in activity at a major terminal has required the business to adjust its operations accordingly. The Port is committed to developing other profitable income streams and maintain a level of cash flow to ensure the required Port infrastructure is maintained.
- Extraneous influences linked to political, environmental or legislative changes which lead to unexpected costs or an adverse impact on the ability of the Port to deliver its objectives. The Port is committed to working collaboratively with all levels of government and regulatory bodies to ensure the impact of proposed changes are clearly understood by all stakeholders.
- Increase in pension costs. Current employees are members of a defined benefit scheme based on career average earnings. The Port continues to work collaboratively with the Trustees to provide a cost effective solution in this regard. The Pension Funding Partnership (see note 22 on page 24) is a recent example of this working. Some operational pilots elected to become members of the Pilots National Pension Fund, a multi-employer defined benefit scheme. The Port continues to closely monitor the ongoing position of this Fund.

MILFORD HAVEN PORT AUTHORITY

STRATEGIC REPORT (continued)

CORPORATE AND SOCIAL RESPONSIBILITY

The Port had 176 members of staff at the end of 2014, down from the 186 at the previous year end reflecting the need to manage appropriately the resources required to deliver key services to the major terminals on the Haven. The Port has in place a team able to deliver on its plans for the development and growth of Milford Dock and Pembroke Port while ensuring that it operates safely and without incident 24 hours a day, 365 days a year. The Port is committed to maintaining a highly trained and well incentivised workforce who in turn are committed to the provision of the highest level of service to our customers, and the Members would like to thank all our staff for their dedicated service during the year.

Besides this direct economic benefit, the Port has also supported approximately £400k of investment directly back into the community with charitable donations and other support activity. For example, the Port has made Milford Dock available free of charge to Pembrokeshire County Council for its hugely successful 'Fishweek' event. The event was in danger of not happening in 2015, and we therefore decided to deliver the Milford Fish Festival Event ourselves. We are also committed to making a substantial annual donation to Pembrokeshire County Council for the maintenance of its pontoons on the Haven waterway, and provide on-going support to a wide range of local interest groups and charitable organisations. Donations are decided on by an employee committee. One of the larger projects sustained in 2014 was Pembrokeshire Coastal Forum which has been established as a self-sustaining marine energy community interest group in Pembrokeshire. The Port will continue to monitor and adjust the amount of cash it sets aside for such activity according to trading conditions.

FUTURE PROSPECTS

The Port remains overly dependent on energy fuel trades which can be subject to substantial swings in volume in either direction. LNG and oil markets will likely remain unpredictable in the short term, but we continue to anticipate strong longer term demand for LNG in the UK. Recovery costs paid to the PNPf to deal with historic liabilities are expected to continue to rise over the coming years. Besides the nationally important oil and gas industry, the economy of Pembrokeshire is primarily focused on agriculture and tourism. It is remote from major population centres and achieving significant levels of diversification and sustainability in our revenue streams will require consistent investment by the Port in new and less familiar sectors. The Port has achieved a significant milestone in being granted outline planning consent for its Milford Dock development. This, combined with the completion of the Dock Lock and the construction of new fish hall and food processing facilities at Milford secures the opportunity to achieve more significant levels of turnover growth. Diversification of the business base at Pembroke Port will be led by close collaborative working with renewable energy and engineering industry partners. The Members are not aware, at the date of this report, of any likely major changes in activities during the next year.

Approved by the Board of Members
and signed on behalf of the Board



P A Jones
Chairman

MILFORD HAVEN PORT AUTHORITY

MEMBERS' REPORT

The members present their annual report, together with the financial statements and auditor's report, for the year ended 31 December 2014. Certain information regarding principal risks and future prospects has been included within the Strategic Report.

RESULTS FOR THE YEAR

The Group made a profit for the year of £2,274,000 (2013: £407,000).

GOING CONCERN

The financial statements have been prepared on the going concern basis. After making due enquiries, the Members have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

MEMBERS

The members who served during the year are disclosed on page 1, Officers and Professional Advisers.

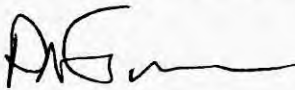
AUDITOR

Each of the persons who is a Member at the date of approval of this report confirms that:

- (1) so far as the Member is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the Member has taken all the steps that he/she ought to have taken as a Member in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Board Meeting.

Approved by the Board of Members
and signed on behalf of the Board



P A Jones
Chairman

MILFORD HAVEN PORT AUTHORITY

MEMBERS' RESPONSIBILITIES STATEMENT

The Authority's Members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Current law requires the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Authority and of the profit or loss of the Authority for that period. In preparing these financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business.

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Authority's transactions and disclose with reasonable accuracy at any time the financial position of the Authority and enable them to ensure that the financial statements comply with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981. 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 Members are responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILFORD HAVEN PORT AUTHORITY

We have audited the financial statements of Milford Haven Port Authority for the year ended 31 December 2014 which comprise the Profit and Loss Accounts, the Statements of Total Recognised Gains and Losses, the Notes of Historical Cost Profits and Losses, the Balance Sheets, the Group Consolidated Cash Flow Statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Authority's Members, as a body, in accordance with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981. 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 auditor's 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 Members and auditor

As explained more fully in the Members' Responsibilities Statement, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Authority's affairs as at 31 December 2014 and of their profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981.

Opinion on other matters

In our opinion the information given in the Strategic Report and the Members' Report 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 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Authority, or returns adequate for our audit have not been received from branches not visited by us; or
- the Authority's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

David Hedditch

David Hedditch (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom

27 March 2015

MILFORD HAVEN PORT AUTHORITY

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2014

	Note	Group		Authority	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
TURNOVER		-	-	22,525	22,553
Turnover including share of joint ventures		23,074	27,074	-	-
Less: share of joint ventures		-	(4,521)	-	-
Turnover excluding share of joint ventures	2	23,074	22,553	22,525	22,553
Cost of sales		(13,600)	(12,413)	(13,569)	(12,413)
GROSS PROFIT		9,474	10,140	8,956	10,140
Operating expenses (including 2013 exceptional impairment of Authority's interest in joint venture of £2,663,000)		(6,094)	(6,600)	(5,903)	(8,743)
OPERATING PROFIT (excluding results of joint ventures and associate)	3	3,380	3,540	3,053	1,397
Share of operating loss in joint ventures		-	(864)	-	-
Impairment of joint venture investments		-	(90)	-	-
Impairment of joint venture goodwill		-	(912)	-	-
Amortisation of joint venture goodwill		-	(110)	-	-
Share of operating loss in associate		(175)	(267)	-	-
Amortisation of associate goodwill		(1)	(1)	-	-
OPERATING PROFIT (including results of joint ventures and associate)		3,204	1,296	3,053	1,397
Profit on disposal of tangible fixed assets		40	4	40	4
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		3,244	1,300	3,093	1,401
Interest receivable and similar income	6	67	43	67	18
Share of associate interest receivable		19	14	-	-
Amounts written back on investments		-	93	-	93
Other finance income	22	51	177	419	177
Interest payable and similar charges	7	(145)	(128)	(137)	(127)
Investment income	9	-	-	19	-
Share of associate interest payable		(38)	(51)	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,198	1,448	3,461	1,562
Tax charge on profit on ordinary activities	10	(923)	(1,041)	(886)	(1,300)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,275	407	2,575	262
Minority interest	33	(1)	-	-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	21	2,274	407	2,575	262

All results derive from continuing operations.

MILFORD HAVEN PORT AUTHORITY

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2014

	Note	Group		Authority	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
Profit for the financial year		2,274	407	2,575	262
Actuarial profit/(loss) on pension schemes:					
- Actuarial loss on present value of scheme liabilities		(2,830)	(2,568)	(2,830)	(2,568)
- Actuarial gain on scheme assets		3,033	886	3,465	956
		203	(1,682)	635	(1,612)
Actuarial valuation of PNPf liability – first year recognition		-	(7,455)	-	(7,455)
Deferred tax relating to PNPf liability – first year recognition		-	1,491	-	1,491
Movement on unrecognised surplus on MDCSBS pension scheme	22	(70)	(10)	(70)	(10)
Movement on deferred tax relating to pension liability	19	(113)	323	(113)	323
Total recognised gains and losses relating to the year		<u>2,294</u>	<u>(6,926)</u>	<u>3,027</u>	<u>(7,001)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 December 2014

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	3,198	1,448	3,461	1,562
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	328	178	328	178
Historical cost profit on ordinary activities before taxation	<u>3,526</u>	<u>1,626</u>	<u>3,789</u>	<u>1,740</u>
Historical cost profit for the year after taxation	<u>2,603</u>	<u>585</u>	<u>2,903</u>	<u>440</u>

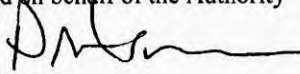
MILFORD HAVEN PORT AUTHORITY


BALANCE SHEET
At 31 December 2014

	Note	Group		Authority	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
FIXED ASSETS					
Tangible assets	11	69,908	68,308	64,642	63,607
Investments in subsidiaries	12	-	-	5,966	5,966
Investments in associates	12	278	121	684	331
		<u>70,186</u>	<u>68,429</u>	<u>71,292</u>	<u>69,904</u>
CURRENT ASSETS					
Stocks	13	63	47	63	47
Debtors	14	4,482	4,004	4,447	3,988
Current asset investments	15	-	-	-	-
Cash at bank and in hand		12,617	9,254	12,264	8,635
		<u>17,162</u>	<u>13,305</u>	<u>16,774</u>	<u>12,670</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(3,899)</u>	<u>(3,889)</u>	<u>(3,597)</u>	<u>(3,812)</u>
NET CURRENT ASSETS		<u>13,263</u>	<u>9,416</u>	<u>13,177</u>	<u>8,858</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>83,449</u>	<u>77,845</u>	<u>84,469</u>	<u>78,762</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	<u>(4,085)</u>	<u>(1,022)</u>	<u>(13,000)</u>	<u>(10,233)</u>
PROVISIONS FOR LIABILITIES	19	<u>(328)</u>	<u>-</u>	<u>(293)</u>	<u>-</u>
ACCRUALS AND DEFERRED INCOME	20	<u>(5,059)</u>	<u>(4,582)</u>	<u>(5,059)</u>	<u>(4,582)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>73,977</u>	<u>72,241</u>	<u>66,117</u>	<u>63,947</u>
PENSION LIABILITY	22	<u>(13,036)</u>	<u>(13,593)</u>	<u>(4,196)</u>	<u>(5,053)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>60,941</u>	<u>58,648</u>	<u>61,921</u>	<u>58,894</u>
RESERVES					
Revaluation reserve	21	25,939	25,939	25,939	25,939
Profit and loss account	21	34,976	32,682	35,982	32,955
		<u>60,915</u>	<u>58,621</u>	<u>61,921</u>	<u>58,894</u>
Minority interest	33	26	27	-	-
		<u>60,941</u>	<u>58,648</u>	<u>61,921</u>	<u>58,894</u>

The financial statements of Milford Haven Port Authority were approved by the Authority Members and authorised for issue on 27 April 2015

Signed on behalf of the Authority


Chairman


Chief Executive

MILFORD HAVEN PORT AUTHORITY

GROUP CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	24	4,739	5,869
Net cash outflow from returns on investments and servicing of finance	25	(80)	(110)
Taxation			
UK corporation tax paid		(235)	(891)
Net cash outflow from capital expenditure and financial investment	26	(4,184)	(10,274)
Net cash outflow from acquisitions and disposals	27	(353)	-
Net cash outflow before management of liquid resources and financing		(113)	(5,406)
Net cash inflow from management of liquid resources	28	4,000	5,881
Net cash outflow from financing	28	(524)	(215)
Increase in cash in year	29	3,363	260

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the Harbours Act 1964, as amended by the Transport Act 1981 and subsequent legislation, and in accordance with applicable United Kingdom accounting standards. The financial statements are prepared under the historical cost convention as modified by the revaluation of investment/owner occupied properties. The particular accounting policies, which have been adopted on a consistent basis in the current and prior year, are described below.

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the parent Authority and its subsidiary companies, joint ventures and associates for the year ended 31 December 2014 as listed in note 12.

Going concern

The financial statements have been prepared on the going concern basis. After making due enquiries, the Members have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Tangible fixed assets

As permitted under FRS 15 'Tangible Fixed Assets', the Authority has adopted a policy of revaluation in respect of its investment/owner occupied property assets and specialised marine assets. Interim valuations are undertaken in year three with full valuations undertaken every five years by independent qualified valuers. Any surplus or deficit on book value is transferred to a revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Investment properties are revalued in accordance with the policy described above. In accordance with SSAP 19, the policy of the Authority is not to depreciate investment property. The Members consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19.

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets, it is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Owner occupied property	10 - 50 years
Specialised marine assets	2 - 125 years
Plant and equipment	3 - 50 years
Capital dredging	20 years

Investments

Investments held as fixed assets are stated at cost less provision for impairment. Those held as current assets are stated at the lower of cost and net realisable value.

Joint ventures and associates

In the Group financial statements, investments in joint ventures and associates are accounted for using the gross equity and equity methods respectively. The consolidated profit and loss account includes the Group's share of profits less losses, while the Group's share of the respective assets and liabilities is shown in the consolidated balance sheet. Goodwill arising on acquisition is capitalised and written off over its useful economic life, which is 10 years.

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. This comprises revenue from charges to port users and from rents of both operational and estate property. Turnover is recognised in the period in which it is earned.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In accordance with FRS 19, deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Grants

Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2. TURNOVER

Analysis of turnover by class of business is stated below:

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Ship, passenger and goods dues	9,476	9,391	9,476	9,391
Marine services	5,439	4,767	5,439	4,767
Pilotage services (note 8)	5,615	6,322	5,615	6,322
Rents	1,583	1,578	1,583	1,578
Miscellaneous income	412	495	412	495
Solar income	549	-	-	-
	<u>23,074</u>	<u>22,553</u>	<u>22,525</u>	<u>22,553</u>

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. All turnover is attributable to the principal activities of the Group and arose in the British Isles.

3. OPERATING PROFIT

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting):				
Staff costs (note 5)	10,446	10,286	10,446	10,286
Depreciation of tangible assets (note 11)	3,499	2,873	3,316	2,873
Grant revenue (note 20)	(396)	(397)	(396)	(397)
Hire and operating leasing charges	81	74	81	74
Auditor's remuneration:				
- Audit of Authority and consolidated accounts	40	40	40	40
- Audit of Authority pension scheme	4	4	4	4
- Other non-audit services – corporate taxation and pension advice	18	127	18	127
- Audit of Milford Docks Company pension schemes	5	5	5	5

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

4. AUTHORITY MEMBERS REMUNERATION	Group and Authority	
	2014	2013
	£'000	£'000
Fees - Non-Executive Board Members	151	179
Aggregate emoluments (excluding defined benefit pension contributions) - Executive Board Members	467	416
Pension costs – Executive Board Members	67	81
	<u>685</u>	<u>676</u>

The number of Board Members to whom retirement benefits are accruing under defined benefit schemes is three, one of these board members resigned at the end of the year (2013: three).

Remuneration of the highest paid Member:	£'000	£'000
Highest paid Board Member	<u>202</u>	<u>195</u>

The accrued pension of the highest paid Board member under the MHPARBS defined benefit pension scheme at 31 December 2014 was £3,083 per annum (2013: £2,958).

5. STAFF COSTS	Authority	
	2014	2013
	£'000	£'000
Wages and salaries	7,982	7,676
Social security costs	705	694
Pension costs	1,759	1,916
	<u>10,446</u>	<u>10,286</u>

The above includes amounts paid to Authority Members as disclosed in note 4.

The group numbers differ in respect of the total pension costs which amount to £2,256,000, see notes 22 and 24.

The average monthly number of employees, excluding non-executive Board Members, during the year was as follows:

	2014	2013
	No.	No.
Operational staff	119	119
Office staff	70	66
	<u>189</u>	<u>185</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Other interest received	67	18	67	18
Exchange rate gain	-	25	-	-
	<u>67</u>	<u>43</u>	<u>67</u>	<u>18</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank overdrafts and loans	126	127	126	127
3.5% debenture stock	1	1	-	-
Exchange rate loss	18	-	11	-
	<u>145</u>	<u>128</u>	<u>137</u>	<u>127</u>

8. PILOTAGE

The revenue and expenditure relating to pilotage can be summarised as follows:

	Group and Authority	
	2014 £'000	2013 £'000
Turnover		
Providing pilotage services	5,531	6,287
Issue and use of pilotage exemption certificates	84	35
	<u>5,615</u>	<u>6,322</u>
Expenditure	£'000	£'000
Providing services of a pilot	3,263	2,948
Providing, maintaining and operating pilot boats	2,112	2,025
Administration and other costs	1,445	1,323
	<u>6,820</u>	<u>6,296</u>

9. INVESTMENT INCOME

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Distribution of profits from SLP	-	-	19	-
	<u>-</u>	<u>-</u>	<u>19</u>	<u>-</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group		Authority	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
(a) Analysis of charge for the year				
Current tax				
UK corporation tax on profit for the year	580	663	580	663
Adjustment in respect of previous years	(115)	(43)	(117)	(43)
Share of joint venture tax (Group only)	-	(259)	-	-
Total current tax charge	465	361	463	620
Deferred tax				
Origination and reversal of timing differences	458	741	423	741
Adjustment in respect of previous years	-	(61)	-	(61)
Tax on profit on ordinary activities	923	1,041	886	1,300

(b) Factors affecting tax charge for the year

The tax charge for the current and previous period differs from the corporation tax rate applicable to the Group/Authority of 21.49% (2013: 23.25%). The differences are explained below:

	Group		Authority	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Profit on ordinary activities before tax (excluding share of joint venture and associate results)	3,393	3,729	3,461	1,562
Profit on ordinary activities multiplied by the applicable rate	729	867	744	363
Differences between depreciation and capital allowances	(21)	(199)	97	(199)
Pension cost relief in excess of pension cost charge	(472)	(630)	(551)	(630)
Permanent differences	344	625	290	1,129
Adjustment in respect of previous years	(115)	(43)	(117)	(43)
Share of joint venture tax	-	(259)	-	-
Current tax charge for the year	465	361	463	620

(c) Factors that may affect future tax charges

The Group and Authority are not aware of any factors that will materially affect the future tax charge. The Group and Authority are aware that the phased reduction in corporation tax rates to 20% in 2015 has been announced and enacted.

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

11. TANGIBLE FIXED ASSETS

Group	Investment/owner occupied property assets and specialised marine assets £'000	Plant and equipment £'000	Dredging works £'000	Total £'000
Cost or valuation				
At 1 January 2014	53,443	22,276	2,038	77,757
Additions	471	4,695	-	5,166
Disposals	(10)	(702)	-	(712)
At 31 December 2014	53,904	26,269	2,038	82,211
Accumulated depreciation				
At 1 January 2014	-	7,795	1,654	9,449
Charge for the year	2,276	1,121	102	3,499
Disposals	-	(645)	-	(645)
At 31 December 2014	2,276	8,271	1,756	12,303
Net book value				
At 31 December 2014	51,628	17,998	282	69,908
At 31 December 2013	53,443	14,481	384	68,308
Authority				
	Investment/owner occupied property assets and specialised marine assets £'000	Plant and equipment £'000	Dredging works £'000	Total £'000
Cost or valuation				
At 1 January 2014	53,443	17,575	2,038	73,056
Additions	471	3,947	-	4,418
Disposals	(10)	(702)	-	(712)
At 31 December 2014	53,904	20,820	2,038	76,762
Accumulated depreciation				
At 1 January 2014	-	7,795	1,654	9,449
Charge for the year	2,276	938	102	3,316
Disposals	-	(645)	-	(645)
At 31 December 2014	2,276	8,088	1,756	12,120
Net book value				
At 31 December 2014	51,628	12,732	282	64,642
At 31 December 2013	53,443	9,780	384	63,607

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

11. TANGIBLE FIXED ASSETS (continued)

An interim valuation was carried out on 31 December 2013 on investment/owner occupied property assets by DTZ on the basis of market value in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. Atkins valued specialised marine assets on the basis of depreciated replacement cost in accordance with industry specific indexes and guidelines. Both DTZ and Atkins are suitably qualified external valuers. The last full valuation was on 31 December 2010.

Included within investment/owner occupied property is investment property with a value of £16,096,000 (2013: £15,978,000) which is not depreciated.

If the revalued assets were stated on the historical cost basis, the net book value of those assets would be £24,660,468 (2013: £25,944,688).

12. FIXED ASSET INVESTMENTS	2014	2013
	£'000	£'000
Group		
Associates	<u>278</u>	<u>121</u>
		Associates
Share of net assets		£'000
At 1 January 2014		114
Foreign exchange retranslation of opening balance		6
Additions in the year		352
Share of retained loss for the year		(200)
At 31 December 2014		<u>272</u>
Goodwill		
At 1 January 2014		7
Written off		(1)
At 31 December 2014		<u>6</u>
Net book value		<u>278</u>
Authority		
Investment in Group companies	2014	2013
	£'000	£'000
At beginning of year	6,297	3,926
Additions	353	4,529
Impairment of joint venture	-	(2,158)
At end of year	<u>6,650</u>	<u>6,297</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

12. FIXED ASSET INVESTMENTS (continued)

Subsidiaries	Nature of business	Class of share held	Proportion of nominal value held
Milford Docks Company	Dock operator	£1 Ordinary	98.2%
Milford Haven Properties Limited	Solar Park	£1 Ordinary	100%
MHPA PFP (General Partner) Limited	Pension Fund Partner	£1 Ordinary	100%
MHPA PFP Limited Partnership	Pension Limited Partner	£1 Ordinary	100%
MHPA RBS Trustee Company Limited	Pension Trustee Company	£1 Ordinary	100%
Associate			
Marimatech AS	Marine services	DKK Ordinary	40.78%

Milford Docks Company, Milford Haven Properties Limited and MHPA RBS Trustee Company Limited were incorporated in England and Wales, MHPA PFP (General Partner) Limited and MHPA PFP Limited Partnership were incorporated in Scotland, Marimatech AS was incorporated in Denmark.

The Group has an interest in a limited partnership registered in Scotland, MHPA PFP Limited Partnership, ("the SLP") which is fully consolidated into these Group accounts. The Group has taken advantage of the exemption conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008 and has therefore not appended the accounts of these qualifying partnerships to these accounts. Separate accounts for these partnerships are not required to be, and have not been, filed at Companies House.

During 2014, MHPA increased its share in Marimatech AS from 36.02% to 40.78% with the injection of a cash lump sum.

During 2013, The Green Electrician (South Wales) Limited, Pembrokeshire Marine Group (Property) Limited and Pembrokeshire Marine Group (Operations) Limited were all applied to be struck off. The joint venture, Mustang Marine (Wales) Limited, went into administration on 3 March 2014. The transactions accounting for these events were all consolidated into the 2013 figures.

13. STOCKS

	Group and Authority	
	2014	2013
	£'000	£'000
Stock of fuel and parts	63	47

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

14. DEBTORS

	Group		Authority	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade debtors	3,251	2,336	3,250	2,336
Inter-company	-	-	19	-
Deferred tax asset (note 19)	-	29	-	29
Other debtors	483	866	482	850
Prepayments and accrued income	748	773	696	773
	<u>4,482</u>	<u>4,004</u>	<u>4,447</u>	<u>3,988</u>

15. INVESTMENTS HELD AS CURRENT ASSETS

	Group and Authority	
	2014	2013
	£'000	£'000
Investment portfolio		
At 1 January	-	5,788
Disposal	-	(5,881)
Write back of provision	-	93
At 31 December	<u>-</u>	<u>-</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Authority	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Secured bank loan	633	220	633	220
Trade creditors	505	622	502	582
Pension contribution	250	-	-	-
Social security	216	225	216	225
Corporation tax	381	151	381	151
Other creditors	26	15	-	-
Accruals	1,888	2,656	1,865	2,634
	<u>3,899</u>	<u>3,889</u>	<u>3,597</u>	<u>3,812</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

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

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Amounts owed to Group undertakings	-	-	8,940	9,240
3.5% debenture stock	25	29	-	-
Secured bank loan:				
- between one and two years	647	233	647	233
- between two and five years	3,413	760	3,413	760
	<u>4,085</u>	<u>1,022</u>	<u>13,000</u>	<u>10,233</u>

18. BORROWINGS

	2014 £'000	2013 £'000
Debenture loans	25	29
Bank loans	4,693	1,213
	<u>4,718</u>	<u>1,242</u>
	£'000	£'000
Due within one year	633	220
Due after more than one year	4,085	1,022
	<u>4,718</u>	<u>1,242</u>
Analysis of loan repayments:	£'000	£'000
Bank loans and overdrafts:		
- within one year or on demand	633	220
- between one and two years	647	233
- between two and five years	3,413	760
	<u>4,693</u>	<u>1,213</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

18. BORROWINGS (continued)

The 3.5% debenture stock is secured on the undertakings of the Milford Docks Company and is not subject to repayment. In accordance with section 3 of The Milford Docks Act 1972, the 3.5% debenture stock can be purchased and cancelled by the Milford Docks Company at the discretion of the directors.

The Authority was authorised as at 31 December 2014 to borrow sums not exceeding £50 million. The Clydesdale bank loan of £993,000 as at 31 December 2014 is repayable by 2018 in monthly instalments of £24,000 which commenced in 2008. The loans are secured on the property known as Pembroke Port Gate 4 in Pembroke Dock and bear interest at 5.64%. In January 2014, a new loan of £4 million was drawn down from Barclays, £3,700,000 is outstanding at 31 December 2014 after repayments made quarterly at £100,000 principal plus interest variable in line with LIBOR rates. In the year, the Authority has also set up a £10 million revolving credit facility with Barclays.

Under the Milford Docks Act 1981, the Milford Docks Company is empowered to raise finance by the creation and issue of share capital, or by loans or mortgage of the undertaking, or by the creation and issue of debenture stock, or wholly or partly by one or more of those modes up to a maximum of £20 million. The amount raised by the company at 31 December 2014 under these provisions was made up as follows:

	2014 £'000	2013 £'000
- Ordinary shares – paid up amount	1,463	1,463
- 3.5% debenture stock – due after five years	25	29
	<u>1,488</u>	<u>1,492</u>

19. PROVISIONS FOR LIABILITIES

	Group 2014 £'000	Authority 2014 £'000
Provision for deferred taxation		
Deferred tax asset at 1 January 2014	(29)	(29)
Charge to profit and loss account	357	322
Deferred tax liability at 31 December 2014	<u>328</u>	<u>293</u>

	Group		Authority	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Accelerated capital allowances	1,225	1,206	1,116	1,206
Short term timing differences	(897)	(1,235)	(823)	(1,235)
Deferred tax liability/(asset)	<u>328</u>	<u>(29)</u>	<u>293</u>	<u>(29)</u>

Deferred tax relating to pension surplus/(deficit) (note 22)

Asset at 1 January 2014	(1,263)
Charge to profit and loss account	101
Charge to reserves	113
Asset at 31 December 2014	<u>(1,049)</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

20. ACCRUALS AND DEFERRED INCOME	Group and Authority	
	2014	2013
	£'000	£'000
Deferred capital grants		
At 1 January	4,582	4,979
Released to profit and loss account	(396)	(397)
Grant additions in the year	873	-
At 31 December	<u>5,059</u>	<u>4,582</u>

21. STATEMENT OF RESERVES

	Group	Authority
	Profit and loss account	Profit and loss account
	Revaluation reserve	Revaluation reserve
	£'000	£'000
Balance brought forward	32,682	25,939
Profit for the financial year	2,274	-
Actuarial profit on pension schemes	203	-
Movement in deferred tax on pension	(113)	-
Movement on unrecognised surplus on MDCSBS pension scheme	(70)	-
	<u>34,976</u>	<u>25,939</u>
	<u>32,955</u>	<u>25,939</u>

22. PENSION SCHEMES

The Group/Authority operates a number of schemes providing benefits for its employees as follows:

- (a) A defined contribution scheme where the assets of the scheme are held separately from those of the Authority in an independently administered fund. There were no pension contributions payable to the fund for the year (2013: £nil). There were no outstanding contributions payable to the fund at the end of the year (2013: £nil). Employees of the Authority are able to make additional voluntary contributions into this scheme.
- (b) A defined benefit scheme (MDCSBS) providing benefits based on final pensionable pay for its full-time staff. The most recent actuarial valuation of this scheme was as at 1 July 2011. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the return on investment, the rate of increase in salaries and the rate of mortality. It was assumed that the investment returns would be 5% per annum, salary increases would average 1.5% over RPI per annum and the rate of mortality would be based on the A67/70 and PA90 mortality tables.

The pension contribution for the year was £29,000 (2013: £27,000). There were no outstanding contributions payable to the fund at the end of the year (2013: £nil).

The most recent actuarial valuation showed that the scheme's assets amounted to 98% of the value of the liabilities of the scheme as they fall due. The Authority expects to contribute £nil to this scheme during the year to 31 December 2015, since it has no active members going forward, but this is subject to the results of the 1 July 2014 scheme funding assessment.

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

22. PENSION SCHEMES (continued)

- (c) A defined benefit pension scheme (MHPARBS) for its staff. During 2009 the Board made the decision to change this scheme with effect from 1 January 2010 to provide benefits based on either Career Average Revalued Earnings or final pensionable pay. Benefits provided up to 31 December 2009 were based on final pensionable pay. The assets of the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Authority. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The most recent valuation was as at 1 January 2012. The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investments and the rate of increase in salaries and pensions. It was assumed that the investment returns would be 6.5% per annum, salary increases would average 4.5% per annum and pensions would average 2.25% per annum.

The pension contribution for the year was £1,257,000 (2013: £1,645,000). There were no outstanding contributions payable to the fund at the end of the year (2013: £nil).

The most recent actuarial valuation showed that the value of the scheme's assets amounted to 75% of the value of the liabilities of the scheme. The Authority expects to contribute £1,153,000 to this scheme during the year to 31 December 2015.

- (d) In addition to the above schemes some operational pilots are members of the Pilots' National Pension Fund (PNPF). Contributions payable to the PNPF amounted to £91,000 (2013: £86,000). In the year the employers also paid deficit contributions of £383,000 (2013: £157,000).

FRS17 Retirement Benefits

The most recent actuarial valuations of the MHPARBS, MDCSBS and PNPF defined benefits schemes have been updated to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 December 2014. Scheme assets are stated at their market value at 31 December 2014.

The main assumptions used to calculate scheme liabilities under FRS17 are:

	2014			2013		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
Inflation rate	3.0%	3.0%	3.0%	3.4%	3.4%	3.4%
Discount rate for scheme liabilities	3.5%	3.5%	3.4%	4.5%	4.5%	4.3%
Rate of increase in salaries	n/a	n/a	3.5%	n/a	3.4%	3.9%
Rate of increase for deferred pensions and pensions in payment	2.0%	2.0%	2.0%	2.5%	3.1%	2.5%
CARE revaluation	2.9%	n/a	n/a	3.3%	n/a	n/a

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

22. PENSION SCHEMES (continued)

The mortality assumptions used were as follows:

	MHPARBS	2014		MHPARBS	2013	
	Years	MDCSBS	PNPF	Years	MDCSBS	PNPF
		Years	Years		Years	Years
Longevity in years at age 65 for current pensioners:						
- Men	22.4	17.3	22.3	22.7	17.3	22.5
- Women	24.3	21.7	24.3	25.0	21.7	24.9
Longevity in years at age 65 for future pensioners:						
- Men	24.1	17.9	24.0	24.4	17.9	24.3
- Women	26.2	22.4	26.2	27.0	22.4	26.9

Pension Funding Partnership

On 10 December 2013, the Group made a contribution to the pension scheme of £8.47m. On the same day, the Pension Scheme Trustees invested £8.47m in MHPA PFP Limited Partnership (SLP) as a limited partner.

SLP was established by Milford Haven Port Authority to hold loan notes issued by Milford Haven Properties Limited, a wholly owned subsidiary of the Group, with a value of £13m. The Group retains control over this partnership, and as such is fully consolidated within these group financial statements.

As a partner in SLP the Pension Scheme is entitled to an annual coupon share of the profits of SLP each year for 20 years.

Under FRS17, the investments held by the Pension Scheme in SLP, a consolidated entity, do not represent a plan asset for the purposes of the Group's consolidated accounts. This is because the definition of plan assets excludes any non-transferable financial instruments issued by the entity and held by the Pension Scheme. Accordingly, the Pension Scheme's deficit position presented in these Group financial statements does not reflect the £8.47m investment in SLP held by the Pension Scheme. Distributions from SLP to the Scheme will be reflected as pension contributions in these Group accounts on a cash basis. For the Authority, the investment held by the Pension Scheme represents a scheme asset, and accordingly, the pension deficit position reflects the £8.47m investment.

In the Authority, there is a deferred tax asset created as part of the Pension funding partnership of £823,000 as a result of the pension spreading rules.

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

22. PENSION SCHEMES (continued)

The value of assets in the scheme were: Group

	At 31 December 2014			At 31 December 2013		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
Equities	22,974	187	4,920	21,105	262	4,805
Bonds	5,531	748	5,530	4,690	1,048	4,406
Cash	1,057	-	268	370	-	46
Annuity contracts	327	-	-	370	-	-
Property	5,072	-	-	4,320	-	-
Total market value of assets	34,961	935	10,718	30,855	1,310	9,257
Present value of scheme liabilities	(42,304)	(839)	(17,460)	(38,282)	(1,258)	(16,712)
(Deficit)/surplus in the scheme	(7,343)	96	(6,742)	(7,427)	52	(7,455)
Unrecognised surplus	-	(96)	-	-	(26)	-
Related deferred tax	(299)	-	1,348	(223)	(5)	1,491
Net pension (liability)/asset	(7,642)	-	(5,394)	(7,650)	21	(5,964)

The value of assets in the scheme were: Authority

	At 31 December 2014			At 31 December 2013		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
Equities	22,974	187	4,920	21,105	262	4,805
Bonds	5,531	748	5,530	4,690	1,048	4,406
Cash	1,057	-	268	370	-	46
Annuity contracts	327	-	-	370	-	-
Property	5,072	-	-	4,320	-	-
Investment in SLP	8,840	-	-	8,540	-	-
Total market value of assets	43,801	935	10,718	39,395	1,310	9,257
Present value of scheme liabilities	(42,304)	(839)	(17,460)	(38,282)	(1,258)	(16,712)
Surplus/(deficit) in the scheme	1,497	96	(6,742)	1,113	52	(7,455)
Unrecognised surplus	-	(96)	-	-	(26)	-
Related deferred tax	(299)	-	1,348	(223)	(5)	1,491
Net pension asset/(liability)	1,198	-	(5,394)	890	21	(5,964)

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

22. PENSION SCHEMES (continued)

Reconciliation of market value of scheme assets: Group

	At 31 December 2014			At 31 December 2013		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
At 1 January	30,855	1,310	9,257	27,269	1,245	-
Expected return on scheme assets	2,013	46	470	1,662	55	-
Actuarial gains/(losses)	1,445	145	1,443	903	(17)	-
Benefits paid	(1,393)	(595)	(983)	(891)	-	-
Members' contribution	284	-	61	267	-	-
Change in year	-	-	-	-	-	9,257
Contributions paid by employer	1,757	29	470	1,645	27	-
At 31 December	34,961	935	10,718	30,855	1,310	9,257
Actual returns on scheme assets in the year	3,458	43	1,913	2,565	38	n/a

Reconciliation of market value of scheme assets: Authority

	At 31 December 2014			At 31 December 2013		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
At 1 January	39,395	1,310	9,257	27,269	1,245	-
Expected return on scheme assets	2,381	46	470	1,662	55	-
Actuarial gains/(losses)	1,877	145	1,443	973	(17)	-
Benefits paid	(1,393)	(595)	(983)	(891)	-	-
Members' contribution	284	-	61	267	-	-
Change in year	-	-	-	-	-	9,257
Contributions paid by employer	1,257	29	470	10,115	27	-
At 31 December	43,801	935	10,718	39,395	1,310	9,257
Actual returns on scheme assets in the year	4,258	43	1,913	2,635	38	n/a

The overall expected long-term rates of return on the scheme assets are 6.4% (2013: 6.5%) MHPARBS, 3.5% (2013: 4.5%) MDCSBS and 4.2% (2013: 5.2%) PNPF.

The overall expected return on assets has been derived by considering the long term expected rate of return for each asset class and taking the average of these rates weighted by proportion invested in each asset class at the year end.

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

22. PENSION SCHEMES (continued)

Reconciliation of present value of scheme liabilities: Group and Authority

	At 31 December 2014			At 31 December 2013		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
At 1 January	38,282	1,258	16,712	33,429	1,191	-
Current service cost	1,582	12	160	1,421	15	-
Past service cost	-	-	(86)	-	-	-
Members' contribution	284	-	61	267	-	-
Interest cost	1,733	44	702	1,488	52	-
Benefits paid	(1,393)	(595)	(983)	(891)	-	-
Actuarial loss	1,816	120	894	2,568	-	-
Change in year	-	-	-	-	-	16,712
At 31 December	42,304	839	17,460	38,282	1,258	16,712

Analysis of amounts charged to the profit and loss account: Group

	At 31 December 2014			At 31 December 2013		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
Current service costs						
- operating expenses	1,582	12	160	1,421	15	-
Past service cost	-	-	(86)	-	-	-
	1,582	12	74	1,421	15	-
Expected return on pension scheme assets	(2,014)	(46)	(470)	(1,662)	(54)	-
Interest on pension scheme liabilities	1,733	44	702	1,488	51	-
Other finance charges/(income)	(281)	(2)	232	(174)	(3)	-
Total	1,301	10	306	1,247	12	-

Analysis of amounts charged to the profit and loss account: Authority

	At 31 December 2014			At 31 December 2013		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
Current service costs						
- operating expenses	1,582	12	160	1,421	15	-
Past service cost	-	-	(86)	-	-	-
	1,582	12	74	1,421	15	-
Expected return on pension scheme assets	(2,382)	(46)	(470)	(1,662)	(54)	-
Interest on pension scheme liabilities	1,733	44	702	1,488	51	-
Other finance charges/(income)	(649)	(2)	232	(174)	(3)	-
Total	933	10	306	1,247	12	-

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

22. PENSION SCHEMES (continued)

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the Group statement of total recognised gains and losses is £8,822,000 (2013: £8,955,000). The Authority equivalent is £8,320,000 (2013: £8,885,000).

Amounts for current and previous four years for MHPARBS, MDCSBS and PNPf (2013 onwards only):
Group

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligations	(60,603)	(56,252)	(34,620)	(32,051)	(30,332)
Plan assets	46,614	41,422	28,514	25,997	26,215
Deficit	<u>(13,989)</u>	<u>(14,830)</u>	<u>(6,106)</u>	<u>(6,054)</u>	<u>(4,117)</u>
Experience adjustments on plan assets	<u>2,884</u>	<u>900</u>	<u>496</u>	<u>(2,408)</u>	<u>1,323</u>
Experience adjustments on plan liabilities	<u>(256)</u>	<u>(7)</u>	<u>(324)</u>	<u>(182)</u>	<u>(21)</u>
Total actuarial gains and losses recognised in the statement of total recognised gains and losses	<u>133</u>	<u>(1,692)</u>	<u>(78)</u>	<u>(2,508)</u>	<u>1,294</u>

Amounts for current and previous four years for MHPARBS, MDCSBS and PNPf (2013 onwards only):
Authority

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligations	(60,603)	(56,252)	(34,620)	(32,051)	(30,332)
Plan assets	55,454	49,962	28,514	25,997	26,215
Deficit	<u>(5,149)</u>	<u>(6,290)</u>	<u>(6,106)</u>	<u>(6,054)</u>	<u>(4,117)</u>
Experience adjustments on plan assets	<u>3,316</u>	<u>970</u>	<u>496</u>	<u>(2,408)</u>	<u>1,323</u>
Experience adjustments on plan liabilities	<u>(256)</u>	<u>(7)</u>	<u>(324)</u>	<u>(182)</u>	<u>(21)</u>
Total actuarial gains and losses recognised in the statement of total recognised gains and losses	<u>565</u>	<u>(1,622)</u>	<u>(78)</u>	<u>(2,508)</u>	<u>1,294</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

22. PENSION SCHEMES (continued)

Pilots' National Pension Fund

The Authority, in common with other competent harbour authorities, has been made aware of a significant deficit in the Pilots National Pension Fund (PNPF). Litigation initiated by the Trustee to establish liability for this deficit has concluded with the result of a 16 year recovery plan.

Payments are now made as they are invoiced by the Trustee. The Authority share of the deficit is calculated and recognised in line with defined benefit scheme accounting under FRS 17.

23. TRANSACTIONS WITH RELATED PARTIES

The following summarises the Group's transactions from the point of the investment, all of which were on an arm's length basis:

Associates

In 2012, the Authority invested into Marimatech AS, a marine services company located in Denmark. During the year Marimatech AS invoiced the Authority £30,454 of which £nil was outstanding at the year end. There were no sales to Marimatech AS in the year.

Joint ventures

At the beginning of April 2012, the Authority purchased shares in Mustang Marine (Wales) Limited. During the year Mustang Marine (Wales) Limited went into administration. All outstanding amounts at 2013 were provided for in the 2013 financial statements as per the notes. During 2014, Mustang (including Mustang in administration) invoiced the authority £265,565 of which £nil was outstanding at the year end. The Authority invoiced Mustang Marine (Wales) Limited £255,456 during the year, of which £255,456 and £144,032 owed and provided for at the 2013 year end was written off in the books of MHPA (total £399,488). The Authority also invoiced Mustang in administration £105,569 in the year, of which £nil was outstanding at the year end.

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2014 £'000	2013 £'000
Operating profit (excluding joint ventures and associate)	3,380	3,540
Depreciation charges (net of grants released)	3,103	2,476
Increase in stocks	(16)	(4)
(Increase)/decrease in debtors	(507)	532
Decrease in creditors	(633)	(439)
Difference between pension charge and cash contributions	(588)	(236)
Net cash inflow from operating activities	4,739	5,869

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2014 £'000	2013 £'000
Group		
Interest received	47	18
Interest paid	(127)	(128)
	<u>(80)</u>	<u>(110)</u>
26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2014 £'000	2013 £'000
Group		
Payment to acquire tangible fixed assets	(5,165)	(10,298)
Receipts from sales of tangible fixed assets	108	24
Grants received	873	-
	<u>(4,184)</u>	<u>(10,274)</u>
27. ACQUISITIONS AND DISPOSALS	2014 £'000	2013 £'000
Group		
Acquisition of shares in associates	(353)	-
	<u>(353)</u>	<u>-</u>
28. FINANCING AND MANAGEMENT OF LIQUID RESOURCES	2014 £'000	2013 £'000
Group		
Repayment of loan stock by associates	(4)	(6)
Capital repayments in respect of bank loan	(520)	(209)
Disposal of current asset investment	-	5,881
New loan	4,000	-
	<u>3,476</u>	<u>5,666</u>

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

29. ANALYSIS OF THE CHANGES IN FUNDS

Group	At 1 January 2014 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2014 £'000
Cash at bank and in hand	9,254	3,363	-	12,617
Debt due within one year - bank loan	(220)	(400)	(13)	(633)
Debt due after one year - bank loan	(993)	(3,080)	13	(4,060)
Debt due after one year - 3.5% debenture stock	(29)	4	-	(25)
	(1,242)	(3,476)	-	(4,718)
Net funds	8,012	(113)	-	7,899

30. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Group	2014 £'000	2013 £'000
Increase in cash in the year	3,363	260
Cash outflow from repayment of debt	524	215
Cash inflow from financing and management of liquid resources	(4,000)	(5,881)
Movement in net funds in the year	(113)	(5,406)
Other non-cash changes	-	93
Net funds at beginning of year	8,012	13,325
Net funds at end of year	7,899	8,012

31. CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Contracted for but not provided in the financial statements	2,420	3,970
Projects	2014 £'000	2013 £'000
Liddeston Ridge Solar Park	86	227
Dock Lock	874	3,399
Concrete Crossheads	-	18
Leading Transit Lights	-	51
Carr Jetty Access Brow	-	51
PDFT Surfacing	-	224
F Shed & Packaway building	1,161	-
Happy Days modular building	170	-
IT Financial software	72	-
Eastern Hangar doors	57	-
	2,420	3,970

MILFORD HAVEN PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

32. OPERATING LEASE COMMITMENTS

At 31 December 2014 and 31 December 2013 there were no operating lease commitments.

33. MINORITY INTEREST

Group

£'000

At 1 January

27

Minority interest in year (1.8% of loss of £974, rounded up as rounded down previously)

(1)

At 31 December

26



Port of Milford Haven

Gorsewood Drive, Milford Haven, Pembrokeshire SA73 3EP

T: +44 (0)1646 696100

F: +44 (0)1646 696125

E: enquiries@mhpa.co.uk

W: www.mhpa.co.uk