



Port of Milford Haven | Annual Report & Financial Statements 2017

Building the Haven's prosperity



Contents

2017 Highlights	3
Chair's Statement	4
Chief Executive's Report	6
Strategic Report	10
Environment	16
Transportation	18
Energy, Renewables and Engineering	21
Retail, Leisure and Tourism	23
Fishing, Fish Processing and Aquaculture	26
Stakeholder Engagement	28
Our People	32
Non-Executive Directors	33
Senior Management Team	35
Financial Statements	37



The Port of Milford Haven is driving a dynamic diversification strategy and has a wide portfolio of specialisms



Transportation



**Retail,
Leisure &
Tourism**



**Energy,
Renewables &
Engineering**



**Fishing, Fish
Processing &
Aquaculture**

2017 Highlights...

Profit before tax
of £2.6m

Cargo volumes of
32.1m tonnes

Swansea Bay City
Deal signed

New Chair
appointed

Havens Head
Retail Park
acquisition
completed

Investment in
Water Ranger RHIB

PI Welsh Grand
Prix of the Sea
held at Milford
Waterfront

New Harbourmaster
took the helm

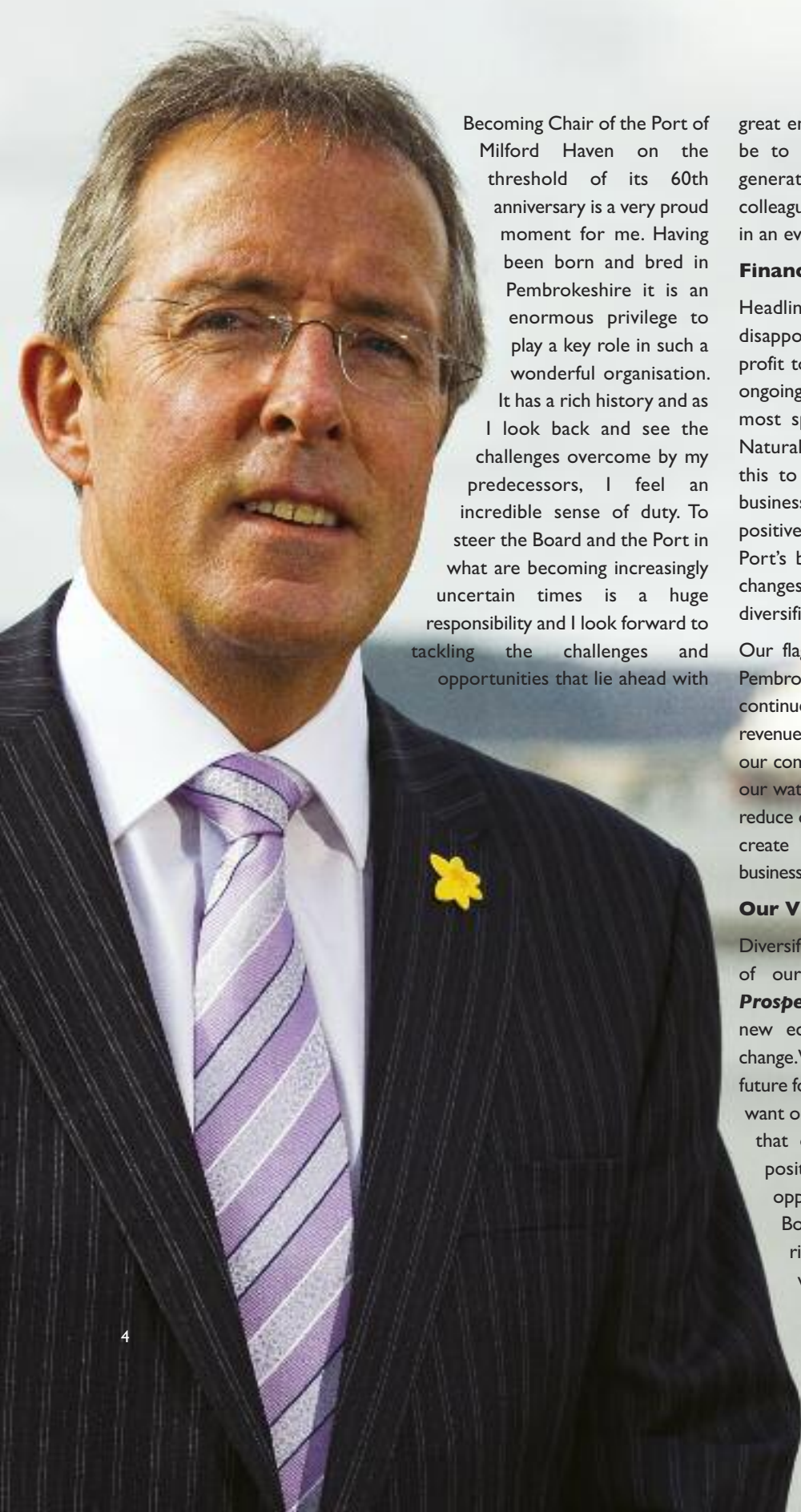
341,000 ferry
passengers

Over 100,000
visitors to Milford
Waterfront

Paul Sartori
Foundation voted
Charitable Cause
of the Year

Under the Bridge
project wins
national award

Chair's Statement



Becoming Chair of the Port of Milford Haven on the threshold of its 60th anniversary is a very proud moment for me. Having been born and bred in Pembrokeshire it is an enormous privilege to play a key role in such a wonderful organisation. It has a rich history and as I look back and see the challenges overcome by my predecessors, I feel an incredible sense of duty. To steer the Board and the Port in what are becoming increasingly uncertain times is a huge responsibility and I look forward to tackling the challenges and opportunities that lie ahead with

great energy and professionalism. My goal will be to ensure the Port is here for future generations and, along with my Board colleagues, will strive to protect and pass it on in an even better position than it is today.

Financial Overview

Headline figures do, at first glance, indicate a disappointing trading performance. The fall in profit to £2.6m before tax largely reflects the ongoing issues with our core marine business, most specifically the reduction in Liquefied Natural Gas (LNG) traffic and we will act on this to manage the associated risks to our business. However, the fall in profit masks the positive performance of the other areas of the Port's business and is a confirmation of the changes the Port has been making to deliver its diversification strategy.

Our flagship projects, Milford Waterfront and Pembroke Dock Marine, demonstrate this continued commitment to pursue sustainable revenue streams. Together these projects widen our commercial portfolio and make the most of our waterfront asset base. Our aim is to further reduce our over-reliance on one industry, and to create the right environment for attracting businesses to trade and flourish in Pembrokeshire.

Our Vision and Values

Diversification and sustainability are at the heart of our vision to **'Build the Haven's Prosperity'**. We will use our assets to create new economic opportunities, and to drive change. We want to create the brightest possible future for the Port and for our stakeholders. We want our port environment and the businesses that operate here to thrive and be best positioned to provide rewarding career opportunities for our communities. The Board will remain focused on taking the right decisions to make this vision a reality while ensuring we promote and deliver our strong core values.

“Our aim is to further reduce our over-reliance on one industry, and to create the right environment for attracting businesses to trade and flourish in Pembrokeshire”

Safety will always be our prime concern. The Port is a busy multi-use environment and we must keep it and those who live, work and play here safe. We all want a safe port that delivers high quality services and offerings. We will always invest in delivering this goal on and off the water.

Our focus on **collaboration** is continuing to grow. We seek out increasing opportunities to work together with all stakeholders to create jobs and encourage the growth of new businesses supported by inward investment from the national and international business community.

We honour the need for **excellence** in all that we do. This is not simply a standard service measurement but a commitment to continuous improvement and a culture that respects and values our customers. The Port will go further to seek out ways to innovate and nurture new market opportunities.

With Thanks

In moving forward, I would like to thank all employees and Directors that have gone before me. I would also thank those who continue to play a key role in the Port's performance and I look forward to working with you all over the coming years. The success of any organisation is down to the quality of its workforce and we have a great team here at the Port.

I single out Peter Jones, who remained Chair until August 2017. Working alongside Peter has stood me in good stead for my tenure and I thank him for his leadership, knowledge and support. David Snelson, Sue Davenport and Steven Owen all retired from their board positions towards the end of 2017/beginning of 2018 and each have played important roles in the Port's development. Finally, we welcome Tim Bownes as an Executive Director and Ian Shipperley, Steve Phillips and Debra Williams as Non-Executive Directors.



Our Outlook

Sometimes it's worth stepping back and reminding ourselves of the big picture. And there is no better time than as we approach a milestone anniversary.

The Milford Haven Waterway is an incredible place. A deep-water harbour capable of accommodating super tankers yet with pretty beaches and attractive marinas. It is home to thousands, many of whom actively rely on the Waterway industries for their livelihoods.

Yet it faces many challenges, the volatility of LNG markets and the delivery of our flagship projects are just two, however as a Port we will continue to create the brightest possible future for the region and share in the Haven's prosperity.

A handwritten signature in black ink, appearing to read 'Chris Martin'.

Chris Martin



Chief Executive's Report

In 2017 the Port achieved a turnover of £22.4m and profit before tax of £2.6m.

With profit at less than half the figure for 2016, the numbers demonstrate very forcefully the continued impact of extreme volatility in our earnings from Liquefied Natural Gas (LNG).

Total volumes through the Port in the year were 32.1m cargo tonnes, down 2.8m tonnes from the previous year. The balance of where our revenues come from is, however, steadily changing. In August, the Port completed the acquisition of Havens Head Retail Park, and new development is now underway at Milford Waterfront. On a full year basis, the five major terminals handling large vessels now account for just over 60% of our revenues compared to 70% in 2015, and the Group generated operating cash flow of £7.6m. Whilst we are reducing our dependence on earnings from energy fuels, they are still the majority of our business.

LNG

The Port of Milford Haven is a deep water port and the UK's largest energy port. The infrastructure and the skill base retained along the Waterway is positioned to accommodate very large vessels safely, efficiently and without harm to our natural environment. This requires substantial and continuous investment over a long cycle which is not matched by the pattern of trade, specifically of LNG throughput. To illustrate the volatility, in 2011 the Port handled 126 LNG vessels. In 2013 this had fallen to 54, rising again to 91 in 2015, before falling to a low of 36 in 2017 - just over one quarter of the throughput in 2011. This volatility is driven by the differential in the price of wholesale gas in the UK market compared to other markets

such as the Far East and Latin America. The impacts of this are potentially substantial, not only in terms of the over-arching ability of the Port to finance its investment plans, but also simply in the context of delivering a sustainable marine operation able to support the trading patterns of its customers over the cycle.

Operating Costs

At the headline level, total operating costs appear relatively stable at £19.8m in 2017 compared to £19.9m in 2016. This does however mask a number of pluses and minuses that warrant explanation.

Pension costs in 2017 were, at £2.3m, nearly £1m higher than in the preceding year. This additional charge taken through the profit and loss account is based on a technical calculation driven by accounting standards of the true annual cost to the Port of funding pension obligations. The calculation is highly dependent on current long term interest rates which reduced significantly in 2016 and which led to the £6.6m reversal of the Port's scheme into a 10% deficit position shown in 2016's accounts. The accounting entries serve to underline why, in terms of employee benefits, it is now almost universally the case that businesses have moved substantially towards offering defined contribution schemes only. The Port's policy is to provide employee pay and benefits in line with the median market and therefore it is currently consulting on a move to a defined contribution scheme for new employees.

Strategy

Against this background, the Port is moving forward with plans for new development and investment at Milford Waterfront and Pembroke Port.

Our vision for Milford Waterfront is to create a desirable place to live, work and play. The development will bring together innovative leisure experiences, smart living and vibrant retail spaces creating almost 600 new jobs in

“Whilst we are reducing our dependence on earnings from energy fuels, they are still the majority of our business”

Milford Haven. Intrinsic to the plan is to revitalise the fishing industry based at Milford Waterfront and to stimulate opportunities for businesses to diversify into onsite processing and aquaculture. Construction of the first new build property is now underway at Milford Waterfront and our revised plans have been substituted in connection with finalising the outline consent. It is pleasing to report that, as a result of addressing community concerns, the proposed entrance arrangements have been successfully amended, completely removing the need to relocate the listed Old Docks Office building - a substantial heritage gain achieved through close collaborative working with the Welsh Government and Pembrokeshire County Council. It demonstrates the important role played by all our stakeholders in delivering our goals. Having acquired Havens Head Retail Park we are now also investing in our capacity to market and grow Milford Waterfront as a visitor destination within Pembrokeshire.

For Pembroke Port the vision is no less forward looking. The global face of energy is changing; hydrocarbons remain a key commodity but are fast being joined in importance by renewables and our activities and investments look to accommodate both industries. Pembroke Port is envisaged as the heart of a new development, Pembroke Dock Marine, which seeks to support the growth of marine renewables. The revised facilities will also have relevance to multiple marine facing industries such as boat building, ship repair, nuclear, and other project-based fabrication and logistics which will help attract additional industries and increase supply chain resilience. Significant progress was made in 2017: The Swansea Bay City Deal (SBCD) bid, which is expected to deliver £1.3bn investment into the Swansea Bay City Region, was signed by

Theresa May with Pembroke Dock Marine accounting for £76m of this package. The Port has subsequently committed to an early stage investment of up to £650,000 to go through the design and consenting process for the proposed changes to its port infrastructure.

Both of these plans are closely aligned with the objectives of the Wellbeing of Future Generations Act, the Welsh Government’s Economic Action Plan and the UK Government’s Industrial Strategy. All of these depend upon the delivery of a prosperous local economy with good career opportunities that allow individuals to approach life with growing levels of confidence, prosperity and personal fulfilment in a clean environment rich with culture and vibrancy. We see clear alignment between these aims and our own vision to ‘Build the Haven’s Prosperity’.





Our focus is to establish strong clusters of interrelated activity able to attract inward investment, increase opportunities for Pembrokeshire's existing businesses and grow the region's economy. The gain is not just for industry; enhanced revenues will drive higher taxes which can be invested within the region's social services and there will be employment and upskilling opportunities to drive enhanced personal growth.

Brexit

Britain's expected exit from the European Union continues to be negotiated by the Government. We do not see that our investment plans will be substantially affected by the outcome of the Brexit negotiations, although it is possible to envisage that some of our business areas could be affected. We have been working with national and local politicians and industry to provide information and work towards beneficial outcomes. With our ferry operation in mind, we have set out to ensure that any future border relationship with Ireland is structured to minimise financial impact and maximise growth for both Ireland and Wales. We continue to represent the needs of our fishing fleet including our Belgian and Spanish customers who provide opportunities for local inshore fishermen to access higher value markets via cost effective logistics. With Welsh control of quotas alongside new fleet investment, we believe there could be a substantial opportunity to provide additional support and breathe new life into this valuable industry.

We do believe that post-Brexit, the level of competition between regions and between countries will increase. We therefore continue to make the case that, as it takes back control, Britain in general and Wales in particular need to adopt an industrial and development strategy that empowers port areas to attract investment and drive economic activity and growth.

Safety and the Environment

The Port is a complex environment with multiple operations. At all times our focus is to ensure that all these operations are running safely and people are protected in their activities. A lot of work has been undertaken in 2017 and is ongoing to review our Safety and Environmental Management System, as well as reviewing our Risk Register and strengthening the performance of our Assurance Framework, which is designed to use near-miss data to analyse events and improve our operation.

Alongside the rest of the UK, increasing attention is being paid to mental health. We signed a Mental Health pledge with Time to Change Wales which has in turn led to the development of a wellbeing programme. I am delighted to report that after a successful partnership with the Paul Sartori Foundation in 2017 as our Charitable Cause of the Year, staff have voted for Mind Pembrokeshire to be our Charitable Cause of the Year in 2018.

We remain vigilant towards Waterway pollution and place emphasis with all the major users of the Haven on recording all spills, no matter how small. We conducted a major multi-agency pollution exercise during 2017 to test our combined response capability.

Closer to Home

The Port is fortunate to have a dedicated body of staff who are fully committed to doing their jobs to the highest possible standards and working together as a team to ensure, first and foremost, that the Port is a safe operation.

“The Port is a complex environment with multiple operations”

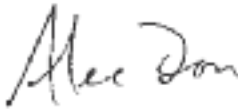
Our challenges include being able to adapt to the opportunities and challenges thrown up by changing digital horizons. I continue to be amazed at our employees' ability to simultaneously deliver our daily operations whilst also driving internal change. Change that occurs at a seemingly ever-increasing pace yet is vital in ensuring we continue to deliver excellence and support regional growth.

Our staff are the lifeblood of our business and I thank them for making it a success. We have many longstanding employees at the Port who have worked hard to shape our business. They are joined this year by new team members across the organisation and together we will learn from each other and shape the direction of our united futures.

I would also like to personally recognise Bill Hirst, who retired as Harbourmaster and a member of my Senior Management Team, after almost 18 years' service with the Port. Bill played a key role in coordinating the safe arrival of the LNG industry to Pembrokeshire, and we wish him well in his retirement.

Prosperity

We firmly believe that prosperity is greater than just increased financial wealth - it is about developing opportunities for employment, upskilling, and enhancing personal wellbeing. We work tirelessly on delivering that prosperity, moving forward with steady confidence. It is unquestionably a challenge to have to deal with the extreme volatility of the energy markets. We have to face these challenges head-on but, with both Pembroke Dock Marine and Milford Waterfront now emerging as plans in delivery mode, the Port is playing a key role in creating a new economic reality for Pembrokeshire.



Alec Don



Strategic Report

Strategy

The Port of Milford Haven is a diverse organisation, however as the global oil and gas industries are subject to market fluctuations the need to diversify further is becoming increasingly important. The Port has identified its strategy as:

- **Targeting and securing long-term sustainable income streams**

It is identifying and developing new business that will improve its earnings and provide security now and into the future;

- **Managing and maintaining property, land and equipment**

Looking after and creating new economic opportunities for the Port;

- **Building strong partnerships**

The Port is working with other organisations to make its plans happen as they cannot be executed in isolation;

- **Understanding customers**

The Port is aiming to provide the best service possible to all of its customers. To do that it needs to fully understand their needs.



“Capital expenditure included continued investment in the Milford Waterfront development”

Business Model

Milford Haven Port Authority (the Port) is the statutory harbour authority for the Port of Milford Haven. The Port, along with its subsidiaries, represents the Group. 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 sites in Milford Haven, port facilities at Pembroke Dock and the newly acquired retail park at Havens Head. As a Trust Port, the Port does not have shareholders. All profit is retained and is available for re-investment into the business in support of its key objectives. The Port sustains a nationally important portfolio of businesses engaged in the production 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 Port is financed through retained profit after corporation tax and conventional bank lending.

Business Review

The Group's trading result for 2017 and 2016 is summarised below:

	2017	2016
	£'000	£'000
Turnover	22,384	25,259
EBITDA*	6,926	9,678
Profit before interest	3,203	5,962
Profit after tax	1,806	4,431
Return on capital employed	3.2%	6.5%
Cargo volume*	32.1m tonnes	34.9m tonnes

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

Liquefied Natural Gas (LNG) throughput, and therefore income, was lower in 2017 than in 2016. Activity unrelated to the marine

operations improved slightly over the preceding year with some growth at Pembroke Port, returns generated from solar investments and rental streams from the property portfolio. The retail park acquired in the year has substantially increased the property portfolio and is a means of diversification to assist with profits during times when LNG volumes are volatile. Fish volumes landed in the year at 2,990 tonnes were higher than the 2,791 tonnes landed in 2016. The marina portfolio showed a growth in turnover and profit from the previous year. Capital expenditure included further investment in the Milford Waterfront development and the purchase of Havens Head Retail Park, installing a petrol facility to support the fishing industry and berth holders at Milford Marina, and a new patrol boat. The Port finished the year with £16m of cash and is therefore well placed to continue investment into its trading base and maintain business critical assets as the need arises.

Milford Haven Properties Limited, a subsidiary company, operates a solar farm. A Pension Funding Partnership has been created resulting in the Port'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 as explained further in Note 20 on page 61. Significant costs continue in respect of recovery payments to the Pilots National Pension Fund (PNPF).

Future Prospects

The uncertainty of gas volumes is expected to continue into 2018 and beyond, although the Port notes market analysis pointing to increases in supply over the coming years. The Port is currently conducting a consultation with employees to close the MHPA Retirement Benefit Scheme to new entrants. While operating cash flow therefore could dictate the



speed of investment, the Port continues its strategy of diversification with a focus on its key projects - Milford Waterfront and Pembroke Dock Marine. The Port expects to renew and expand its borrowing facilities to support these developments but will manage the associated risk accordingly. It will take a more active role in the promotion of the Milford Waterfront destination in 2018 including provision of tourism operations. The Port expects the Pembroke Dock Marine project to continue within the Swansea Bay City Deal and is focused on obtaining planning and associated consents in 2018. Both of these key projects support the vision of 'Building the Haven's Prosperity'.

Principal Risks and Uncertainties

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. The

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

- **Failure to Provide Safe Navigation:** A Safety and Environmental Management System (SEMS) is used in conjunction with a marine risk register to identify and mitigate risks as low as reasonably practicable. The SEMS is monitored continuously and frequently reassessed ensuring continuous performance improvement. The Port is committed to complying with the Port Marine Safety Code (PMSC) and reviews the Maritime Coastguard Agency's emerging PMSC compliance trends report to determine where improvements could be made.
- **Acts of Terrorism:** The Haven is considered a vital part of the UK critical national infrastructure. In conjunction with the major terminals on the Haven, regular exercises are conducted with authorities that have responsibility for preventing terrorism and supporting response plans.
- **Uncertain LNG Activity:** As experienced in 2017, the significant reduction in LNG activity supports the need to diversify the Port's revenues into new areas of business, reducing the impact of oil and gas market influences or the loss of a major customer.
- **Loss of Port Infrastructure:** These critical assets are required to deliver services to the Port's customers. The Port is committed to ensuring adequate stewardship and maintenance, and sustains a strong balance sheet to support this.
- **Inability to Deliver Development Plans:** The development of Milford Waterfront and Pembroke Dock Marine are key strategic goals for the Port. The required consenting

“The Port will take a more active role in the promotion of the Milford Waterfront destination in 2018 including provision of tourism operations”

processes coupled with inherent construction risks are closely managed.

- Impact of 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 of that scheme to provide a cost-effective solution in this regard. The Pension Funding Partnership is such an example. 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.

Other Financial Risks

The Port’s financial instruments comprise borrowings, cash and various items such as trade debtors and creditors that arise directly from its operations.

The Port is not generally exposed to movements in exchange rates as it trades in sterling (GBP) with major customers and currencies other than sterling are only occasionally used.

The Port’s policy is to ensure that current cash reserves are held for future development of its infrastructure. The Port invests its cash balances in UK banks with low-return/low-risk deposits. The Port finances its operations with a mixture of retained earnings and term debt. Loans are at a fixed rate or based on LIBOR and the Port has a revolving credit facility to support short-term needs and future investments.

Key Non-Financial Performance Indicators

The Port runs an effective Assurance Framework (AF) to provide a mechanism for reporting incidents, near misses and concerns, whether they are minor or major in nature. Employees are encouraged to submit AF reports which resulted in the number rising from 247 in 2016 to 318 in 2017. During the year the number of near misses fell from 81 to 20, concerns increased from 67 to 124 and incidents rose from 99 to 174. It was pleasing to record zero lost time accidents in 2017.



Zero lost time injuries in 2017



“The Port of Milford Haven has delivered improvements in several key areas”

Health and Safety

The Port is considered to have achieved a high level of health and safety compliance. 2017 saw continued focus on promoting an even stronger health and safety culture across every aspect of the business.

In 2017 the Port's ability to deliver solid results safely was due in no small part to the commitment of employees. Operating safely is the Port's highest priority. In 2017 there were zero lost time accidents. However, the number of non-lost time accidents increased from 3 in 2016 to 9 in 2017. The Port has delivered improvements in several key areas including development of new procedures, local work instructions and working practices. While the Port already meets strict international and national health and safety standards, it is further committed to continual improvement in order to make sure it meets or exceeds benchmarks set by the UK ports industry.

The ongoing investment in health and safety measures has delivered steady improvements. The Port has established a number of new initiatives to address health and safety performance across the organisation and to reinforce the message that health and safety is everyone's responsibility.

Initiatives for 2017 included:

- Developing further and reinforcing the Assurance Framework to ensure the comprehensive management of risk in all its forms are being managed appropriately in pursuit of the Port's objectives
- Reviewing and updating the SEMS
- Providing improved safety-critical communications to employees, contractors and visitors through the HSE notice boards and other communication processes
- Reviewing and assessing contractor competence to ensure that work is carried out safely

The Port's focus on increasing its public facing activities introduces new challenges. 2017 proved to be another busy year with a wide range of events, all of which were delivered safely without any reported incidents. Unfortunately during the summer months, Milford Marina and Hakin Point once again became popular for the dangerous activity of tombstoning. The proactive approach undertaken by the Port and local police helped prevent further tombstoning activities from taking place and ensured that no one was injured.

Port Marine Safety Code

The PMSC sets out a national standard for every aspect of port marine safety. Its aim is to enhance safety for everyone who uses or works in the UK port marine environment. The PMSC is endorsed by the UK Government, the devolved administrations and representatives from across the maritime sector. While it is not mandatory, these bodies have a strong expectation that all harbour authorities will





comply. The PMSC is intended to be flexible enough that any size or type of harbour or marine facility will be able to apply its principles in a way that is appropriate and proportionate to local requirements.

As the duty holder under the PMSC, the Board is fully committed to providing a safe environment for any person within the Port of Milford Haven limits. A SEMS has been formulated in such a way as to embrace the concepts and standards of both the PMSC and the Guide to Best Practice, and is subject to both internal and external audit.

During the year the improvement plan included the following:

- Review the Milford Haven and Pembroke Dock Bye-laws
- Engage more actively with Port stakeholders
- Update navigational risk assessments
- Update the SEMS
- Update the Port Emergency Plan

Under the PMSC, the Port is expected to have an annual Safety Plan and to publish the results of how it performs against the plan. In 2017 this consisted of 73 actions for the marine division to achieve, with a target of 95% completed. 69 of the 73 were completed, achieving the 95% target rate.

The Board formally declares its compliance to the PMSC every three years; this is now due and has been completed for 2018.

Port Security

The Port recognises that terrorist threats seriously disrupt society, not only through direct terror-like attacks but also via indirect threats. International seaports and large goods flow form vulnerable targets.

During 2017, terrorism continued to be a global concern, further emphasising the need to follow the requirements of the International Ship and Port Facility Security Code (ISPS Code). The ISPS

Code does not state specific measures that each port and ship must take to ensure the safety of the facility against terrorism, due to the many different types and sizes of these facilities. Instead it outlines a standardised, consistent framework for evaluating risk - enabling governments to offset changes in threat with changes in vulnerability for ships and port facilities. This includes:

- Port facility security plans
- Port facility security officers
- Security equipment and infrastructure

In addition, the requirements for port facilities include:

- Monitoring and controlling access
- Monitoring the activities of people and cargo
- Ensuring security communications are readily available

These plans are constantly reviewed, updated and approved by the Department for Transport. The security of the nation's borders and the prevention of terrorism is the responsibility of the UK Border Force and Security Services. These services work daily with all main operators on the Haven to keep the Waterway secure.

There were no reported security incidents during 2017.

Approved by the Board of Directors and signed on behalf of the Board.

Chris Martin

Chair



Environment

The Port of Milford Haven is a diverse organisation. Its complex range of activities have a broad spectrum of environmental aspects and potential impacts. The Port takes its environmental responsibilities seriously and seeks to ensure that its activities are as sustainable as can be practically achieved. Considerable monitoring, liaison and management activities are invested in maintaining the special qualities of the Milford Haven Waterway and its surroundings, and in improving the Port's environmental performance.

Oil Pollution Incidents

The prevention of hydrocarbon pollution is a central focus of the Port's environmental performance, as would be expected in an environment with such high levels of hydrocarbon transport. Accordingly, all pollution incidents are taken seriously, whatever their magnitude. In 2017, eight pollution incidents were reported, an increase of three on the previous year. Each represented extremely low volume and were of minimal significance, so the trend of increase over the last three to four years indicates a rise in reporting rather than an increase in the quantity of hydrocarbons spilled. The Port welcomes this increased vigilance as a powerful way of reducing the likelihood of a significant spill.

Waste

The EU Waste Framework Directive requires all Member States to implement measures to ensure that, from 2015, four key waste materials

are segregated from other waste for recycling. All of the waste generated by the Port adheres to the Waste Hierarchy, and, as a matter of default, is separated into waste streams at source where Technically, Economically, and Environmentally Practicable (TEEP).

In 2017, the Port achieved an average monthly recycling rate of 86%. This is achieved partly by streaming at source and partly by further segregation undertaken by the Port's waste management contractors.

There has been a recent rise in the level of public awareness of the effects of waste, and especially plastic waste, on the marine environment. The Port has for many years been committed to the reduction of marine litter and has supported disposal of marine waste encountered by fishermen through the Fishing for Litter scheme. The Port has also maintained active involvement in the Welsh Government's Marine Litter Task and Finish Group, now named the Welsh Clean Seas Partnership.

External Liaison and Engagement

The Port is an enthusiastic participant in various stakeholder engagement activities across Wales (the list of groups engaged with by its Environmental Manager can be seen opposite). The Port seeks to maintain an open and positive working relationship with stakeholders, including Government colleagues, and is committed to continuing this engagement.

Marine Protected Area Management

As part of its commitment to the good environmental management of the Milford Haven Waterway, the Port provides hosting and in-kind facilities for the Pembrokeshire Marine Special Area of Conservation (SAC) Officer. The SAC Officer is independent of the Port and reports to a Relevant Authorities Group, whose members collaborate to achieve good management of the SAC. As a result of increasing interest in marine environmental issues during 2017, the SAC now

Key liaison groups

Local:

- SAC Relevant Authorities Group (SACRAG)
- Milford Haven Waterway Environmental Surveillance Group (MHWESG)
- Haven HES Technical Group (Haven Energy Forum sub-group)
- Pembrokeshire Biodiversity Partnership, Non-Native Species working group (corresponding member)

Welsh Assembly:

- EPRA EU Exit Round Table Group
 - Round Table Sub-group: Seas and Coasts
 - Round Table Sub-group: Legislation and Regulation

Welsh Government:

- Wales Marine Action and Advisory Group WMAAG

- Natural Resources Reference Group - concluded
- Western Wales Water Framework Directive RBMP Liaison Panel
- Welsh Government Stakeholder Reference Group for Marine Planning
- Welsh Marine Protected Areas Management Steering Group

Industry:

- Port Sector Trade Organisation:
 - BPA / UKMPG Environmental Policy Committee
 - BPA Environmental Contacts Group.
 - Welsh Ports Group
- Marine Energy Wales Consenting Workshop Group



has an online presence on Facebook and Twitter to assist public engagement with this important marine protected area. The Port supports the SAC Officer in this endeavour.

Carbon Footprint

The Port's carbon footprint arises from many sources: marine craft fuel use, plant and vehicle fuel use, indirect energy emissions, water, heating fuel and gas use. Combined, these all contribute to the amount of CO₂ released as a result of the Port's activities. One of the Port's scholarship students (see page 30) was tasked to redesign the approach taken, and tools used, by the Port to calculate its carbon footprint and this approach has now been adopted. When comparing 2017 figures to earlier figures, it is important to note the change of methodology (alongside updated inputs that reflect changes in port plant and activities).

In 2017, the Port's CO₂ emissions are estimated at a total of over 3,900 tonnes. The largest single sector of emissions generation remains marine craft, followed by indirect energy emissions.

Photo-Voltaic Generation

In 2017, the Port continued to generate zero-carbon energy from its range of photovoltaic panels installed across port properties and from the large solar array at Liddeston Ridge. The total generated by the building-mounted panels was over 570,000 kWh, with the solar array generating over 4,500,000 kWh. The carbon emissions saving embodied in this generation equates to over 1,800 tonnes, which is offset against the carbon footprint arising from Port activities.





Transportation



Marine

Effective management of commercial and recreational traffic movement on the Haven, and the protection of the marine environment, remains at the heart of the Port's operations. 2017 saw cargo activity decrease to 32.1m tonnes from 34.9m tonnes in 2016. This was due to fewer ships calling at the terminals than expected, in particular LNG vessels.

As part of the Port's ongoing commitment to safe operations, a Tier Two oil pollution clean-up multi-agency exercise was held with Valero in October. The exercise, which brought together fifty representatives from twelve agencies, tested cooperation on the water and the critical associated shore-side command and control functions. The Port's new simulator suite modelled the slick during the exercise, as well as co-ordinating traffic response and management, creating a very 'real' exercise. The event tested inter-agency teamwork and dialogue and key outputs have been taken forward to help shape the Port's emergency response processes. The Port also conducted a Port Control Emergency Evacuation Exercise to prove the efficiency of re-locating to its back-up facility without any impact on operations on the Haven.

In late October ex-hurricane Ophelia caused damage

to the navigational aids in both the East and West channels. Temporary corrective measures reopened the West Channel swiftly with final rectification work completed shortly thereafter, enabling both channels to return to full operational use. The rough weather also resulted in lock gate damage at Milford Marina (see page 24) and several mooring failures for the leisure community, resulting in damage to boats on the Waterway. With increasing adverse weather conditions, the need for a clear stakeholder engagement focus on this issue will be progressed.

A new rigid hulled inflatable boat (RHIB) was brought into service to enhance the current operational capacity of the Water Ranger. Front and rear cameras will aid in its patrolling capacity, and the enviro-beneficial engine technology will increase fuel efficiency and reduce associated emissions. The RHIB was effectively deployed throughout a busy, incident free leisure season assisting with key events such as the PI powerboat racing.

Unfortunately, a second incident occurred on one of the new Saint Class pilot launches. While there were no injuries or damage, the Saint Class vessels are now subject to restricted operations, to allow for full investigation. This action underlines the Port's commitment to safety while also maintaining full operational capability.

A trial vessel, Portunus, was purchased by the Port in 2008 to test its operational potential as an additional pilot vessel. With limited capacity beyond St Ann's Head and a new fleet coming online, the vessel was sold to Cookmarine of Hartlepool in August.

Towards the end of the year, Mike Ryan joined the Port as the new Harbourmaster and Marine Director, taking over from Bill Hirst on his retirement. Mike's background with the Royal Navy brings extensive experience to this role. Bill leaves a strong legacy having been instrumental in the safe arrival of LNG to the Waterway, amongst other key developments.

A new RHIB was brought into service to enhance the capacity of the Water Ranger



“Towards the end of the year, Mike Ryan joined the Port as the new Harbourmaster and Marine Director”



Mike Ryan joined the Port as Harbourmaster in August 2017

Simulator Suite

The simulator suite, launched in 2016, is building a strong reputation for delivering accurate and precise training scenarios. As the suite's client base grows, the focus will be to demonstrate its wider potential in supporting a diverse range of applications. Its situation modelling capacity can help de-risk activity in civil marine energy projects, as well as conducting risk and incident reviews for the legal and insurance sectors. Its application in this year's multi-agency exercise is a case in point and enabled a port-wide modelling and training exercise. The simulator was shortlisted for an industry Innovation Award.

Pembroke Port

2017 saw revenue growth for cargo handling. Animal feed has become a strong cargo at the Port with revenues increasing by almost 40% compared to the previous year. The transfer of the decommissioned Murco refinery was a major focus for 2017 with over 3,240 tonnes

being stored and moved through the site. The Port's capacity to hold and manage heavy lift cargoes ensured a convenient departure point and enabled efficient movement of the parts to Pakistan. Transfers will continue throughout 2018 and into 2019.

Pembroke Port also became the transportation hub for the supply of armoured rock to Hinkley Point. Over 14,000 tonnes was transferred over the quay in 2017.

The Waste to Energy cargo was affected as a result of the operator's license suspension by Natural Resources Wales. Landfill charges are at an all-time high and this is driving the need to identify a solution and re-establish this effective cargo route.

For cargo, the Port will continue to support its existing relationships while looking to attract





new bulk cargoes. The Port will also look towards the excellence of its stopover (both planned and emergency) and operational base proposition. Its western coast location combined with the strength of doorstep services and supply chain create an attractive temporary or permanent base for shipping operators. A major review of Pembroke Port's capacity and pricing structure was undertaken in 2017. This reflects the strength of offer while also recognising the needs of the industry to maintain maximum cost efficiency. Pembroke Port will remain focused on exploiting this new approach to attract new business.

Pembroke Dock Ferry Terminal (PDFT)

While 2016 performance was particularly strong for PDFT, 2017 saw reduced volumes with numbers more aligned with PDFT's traditional growth rate. During the course of the year, plans to

enhance the current service offered by the Port were shared with Irish Ferries. The plans have been positively received and implemented and the Port's relationship with Irish Ferries remains strong.

While few in number, and reflective of the experience across the UK ferry industry, some cancellations due to weather were experienced. The Port enjoyed continued fast turnaround times ensuring the ferry and its users reached their destination quickly and efficiently.

Pembroke Dock Ferry Terminal is South Wales' largest ferry port, handling around 70,000 freight units and 340,000 passenger movements each year. For traffic using the south Wales corridor, Pembroke Dock Ferry Terminal is by far the busiest and most accessible sea-trade route to Ireland for international commercial traffic. The Common Travel Area agreement with Ireland and the free movement of goods across the Irish-UK border is of vital importance to the ferry services. Swift processing of goods and passengers at the Port is important and helps to contribute to a competitive and efficient economy - from border security, customs procedures, HGV safety enforcement to animal and plant health checks. The Port is closely observing the ongoing Brexit negotiations relating to trade between the UK and Ireland as the outcome could have a very significant impact on these ferry services.



Energy, Renewables and Engineering



The Port of Milford Haven remains the UK's largest energy port. It has taken a proactive strategy to maintain this position and increase the diversity of its energy portfolio, including both traditional and renewable energies.

The Port recognises the continued importance of the Waterway's hydrocarbon industry. Valero's investment of £127m into a Combined Heat and Power cogeneration facility is a clear indicator of the industry's focus towards increasingly efficient management of resources and emissions. The Port welcomes this development and its clear commitment to the region and the supply chain. The Port's own investment in supporting the industry continues with its involvement with the Haven Energy Forum and continued focus on maintaining maximum safe traffic management along the Waterway.

2017 was notable for the development of two key energy initiatives; Pembroke Dock Marine, and aligning Milford Waterfront with Welsh

Government's Smart Living program. The £76m Pembroke Dock Marine development is one of eleven Swansea Bay City Deal projects, with the business case submitted in late 2017. The project represents an opportunity for Pembrokeshire to establish a key UK engineering hub for the emerging marine energy industry, while also creating appropriate operational spaces for other blue economy industries. The growth potential, looking towards the success of the wind turbine sector, is significant. Given the changing geo-political framework, the development would be a major contributor to economic growth as well as potentially establishing a new export industry. The Milford Waterfront progress towards a smarter, sustainable development also made key steps forward with the start of the piSCES (Smart Cluster Energy System) project. Launched in June 2017, the project is expected to run until 2020 and is bringing together academic partners Cardiff University and Waterford Institute

piSCES

piSCES is funded by the European Regional Development Fund through the Interreg Ireland Wales Cooperation Programme. It is being developed principally to reduce utility overheads for the shore-based fish processing industry. This will be achieved through monitoring and control of energy use via the development of a bespoke software platform. The software is being designed to predict future energy consumption, maximise use of cheap off-peak power and renewable energy, and automate energy intensive processes such as ice production. Individual sites will then be able to join together in the formation of 'smart energy clusters' - buying and selling energy between partners within a private network regulated by a self-owned energy company.



Pembroke Dock Marine

Pembroke Dock Marine is the culmination of intense collaboration with the marine energy industry. It recognises a significant gap in the UK energy sector and the clear potential within Pembrokeshire to address the issue.

The project will establish a dedicated marine energy cluster offering the facilities and spaces to take a developer from device inception through to testing, and onwards to long term operations and decommissioning. There is a specific focus on bringing together industry and academia to drive innovation. Combining these two areas of focus (increased innovation and maximised operational efficiency) will be a key part in achieving full scale commercialisation of marine energy. Key partners: Marine Energy Wales, ORE Catapult, the Port of Milford Haven, and WaveHub.

(Ireland), and implementation partners Port of Milford Haven and Bord Iascaigh Mhara (Ireland's Seafood Development Agency). This Ireland-Wales project is funded by Interreg IVC - which supports interregional cooperation - and is financed through the European Regional Development Fund.

The Port has attended key national and international industry conferences and exhibitions during 2017 alongside Welsh Government, Marine Energy Wales and other key businesses. Focus has been a combination of showcasing the potential of Pembroke Dock Marine while also profiling the benefits that already exist in the region, and are already attracting developers for early phase design, build and testing of renewable energy devices. Developers based in Pembrokeshire saw significant advances during the year: Sir Steve Redgrave visited the Milford Haven Waterway to officially launch Wave-tricity's test device in 2017, Marine Power Systems launched their device, and Bombora Wave Power relocated from Australia to access the region's excellence in energy source and supply chain and in anticipation of Pembroke Dock Marine.

The Port has been working to maximise the long term resilience of Pembrokeshire's high-

skill supply chain. The components being undertaken as part of Pembroke Dock Marine are focused on supporting this and rounding out the supply chain offer in Pembrokeshire. Advances in 2017 include: Marine Energy Wales receiving £1.2m to develop a device test area on the Waterway, WaveHub's plug and play Wave Array Demonstration Zone receiving a £324,000 award for a major feasibility study, and the Port's further investment of £650,000 in the consenting process to create enhanced facilities at its Pembroke Port site. Separately, the Port has part funded a supply chain collaboration event with Marine Energy Wales.

On a more operational note, investment in the Port's energy infrastructure continued with the introduction of low carbon land and water based fleet. Return on investment remains strong with the capital investment having been paid off in 2017 for the 2011 £1.5m investment in building mounted photovoltaic panels, earlier than anticipated. The Port remains focused on recognising the potential of alternative energies both in its own operations and as a potential for regional economic growth.



Milford Waterfront Smart Living

Milford Waterfront is a flagship development for the Port. The retail, leisure and residential space is uniquely positioned and allows the Port to continue its low carbon focus. Adjacent to the Port's solar farm, the generated energy will form a key part in establishing Milford Waterfront as a Smarter, Sustainable Destination. With clear environmental benefits, the reduced associated energy costs will also be of great value to the onsite businesses and residents. More about Milford Waterfront on page 23.

Retail, Leisure and Tourism



Milford Waterfront

The Milford Waterfront development is continuing to increase its market profile and currently supports over 700 jobs at the site.

The Port's aim to deliver spaces that appeal to both national and independent businesses is proving providential with gains made in both markets. For smaller businesses, 2017 was a strong year with Milford Waterfront welcoming the opening of Anna Waters Studio & Gallery, COCO's Restaurant, Boobaloo Boutique, Haven Acupuncture and the relocation of Healthaspire. These businesses are helping to create the desired authentic, vibrant experience that is at the heart of the Milford Waterfront experience.

Acquisition of five retail units also enabled two existing tenants, Physiofit and Image by Vanessa, to expand their respective businesses, and means that over 50% of the retail space on the west side of the development is in Port ownership.

Opportunities for national businesses also progressed this year with the acquisition of Havens Head Retail Park (adjacent to the main Milford Waterfront development site). As freeholder of the site, the £15.3m purchase of Havens Head Retail Park Limited was a key investment for the Port. It is expected to add approximately £1m per annum to operating profit from 2018 onwards. The acquisition also complements the wider development's aims and creates more opportunities for businesses looking for larger, pre-built units which are already home to businesses such as Tesco, Boots and the Food Warehouse by Iceland in the Retail Park. The acquisition of land at Ward's Yard (as well as the old railway track linking Ward's Yard with the marina) was also completed in 2017 and further strengthens the overall potential of the Waterfront development.

Anna Waters has opened a gallery at Milford Waterfront

Milford Waterfront is a core component of the Port's dynamic diversification strategy to secure regional economic growth and stability.

A 'floating' restaurant could form part of the Milford Waterfront development





“The Port is dedicated to delivering year round appeal and attracting more visitors and residents to Milford Waterfront”

Having established Resolution to Grant Planning Consent in 2015, specific planning approval has been granted for both a Drive Thru Costa Coffee (which has commenced build in 2018) and for four floating accommodation units (Floatel Cabins). Located in the marina, the Floatel Cabins will add to the region's visitor accommodation profile with the first guests anticipated for spring 2019. The Port recognises the support it has received from funding bodies in 2017 as part of the planning and development phases: The Welsh Government's Ports Development Fund approved applications for Milford Waterfront focused on the installation of Wi-Fi across the development and a detailed investigation into Smart Grid application. The Floatel Cabins received a grant from the Coastal Communities Fund, and an interest free loan from Welsh Government's Vibrant & Viable Places Programme is supporting the development for the Quay Stores site.

The Port is dedicated to delivering year round appeal and attracting more visitors and residents to Milford Waterfront. As well as the expanding leisure and retail opportunities, the Port hosted an exciting series of events throughout 2017 which has delivered a positive impact on visitor numbers. The new website (www.milfordwaterfront.co.uk) was launched prior to last summer's powerboat racing event. This is an early phase component of the Port's long term digital strategy that will enhance and revolutionise the visitor experience. Preparation work carried out in 2017 will enable the Port to support its customers with a true Digital Tourism offering as part of its omni-channel approach to attracting visitors. It will ensure the visitor experience starts before their visit, continues with ways to interact and support while at Milford Waterfront and onwards to continue the relationship and encourage return

visits. Initiatives such as the customer Wi-Fi will ensure that the Port interacts with customers with sensitivity to their needs, and places customer insight at the forefront of the Waterfront's digital components.

Milford Marina

The Port's Four Gold Anchor marina performed well in 2017 with an average occupancy rate of 85%. The Gold Cards introduced to reward annual berth holders have proved popular, with members saving almost £2,000 since the scheme was introduced in 2016. Feedback from berth holders has also led to monthly social events.

Looking towards the needs of both berth holders and wider Waterway users, a new petrol pump facility has been installed alongside the existing diesel fuel berth at the marina. This addition has enabled berth holders, commercial customers and Waterway users to access petrol twenty four hours a day, seven days a week.

Notable visitors to the marina included HMS Pembroke, Gipsy Moth IV as part of a 50th anniversary voyage to raise money for the trust, MV Balmoral and a 35-strong Cornish Shrimper boat delegation who took part in a regatta. The marina also hosted its own regatta in August - and this will return in 2018.

In October, ex-hurricane Ophelia saw winds gust up to 87mph at Milford Marina. During the storm one of the outer mitre gates broke off its hinges and as a result was left floating in the lock. The integrity of the lock and marina remained intact due to the backup available from the new Samson gates. While the gate was initially blocking the lock it was moved within 48 hours to allow vessel access. A detailed repair programme ensured that the gate was ready for reinstatement in January 2018 which coincided with scheduled repairs for the newer Samson mitre gates.

The £15.3m acquisition of Havens Head Retail Park will deliver an anticipated £1m annual operating profit.



Cruise

The 2017 cruise season saw five bookings with two cancellations due to poor weather conditions. Passengers from the vessels Silver Explorer, Prinsendam and Europa all enjoyed a warm shoreside welcome and explored popular Pembrokeshire attractions such as St Davids Cathedral and Pembroke Castle, as well as increasing numbers of independent passengers exploring Milford Waterfront and the town of Milford Haven.

Nine cruise calls are scheduled to visit Milford Haven and Pembroke Dock between May and September 2018. The expanding offer at Milford Waterfront means that cruise visitors benefit from enhanced alongside entertainment opportunities.

More details on 2018 visits can be found online at www.mhpa.co.uk/cruise





Fishing, Fish Processing and Aquaculture

Milford Fish Docks

Landed tonnage in 2017 lifted slightly (7%) to 2,990 tonnes. However, issues continue and are reflective of the wider UK industry experience; notably poor weather shortening the opportunities for time at sea, and quota issues limiting what can legally be landed.

The Port is engaging at a national level to address industry issues. There is intense focus on the challenges and opportunities created by Brexit, and the real need to secure Welsh quota and maximise fleet investment in order to secure a strong future for the Welsh fishing industry.

A new petrol pump facility has now been installed alongside the existing diesel facility to enhance onsite operational activities for the fleet. Following on from feedback gained through a fishermen's survey conducted by the Port, options are being looked at that extend the onsite facilities even further.

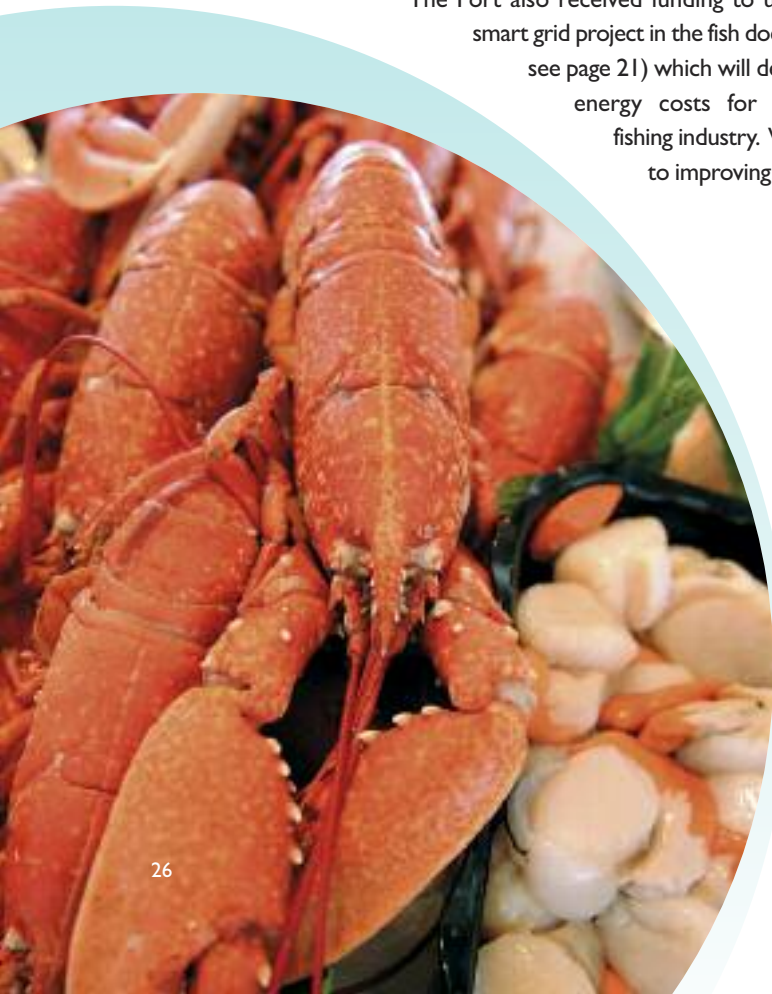
The Port also received funding to undertake a smart grid project in the fish docks (piSCES, see page 21) which will deliver lower energy costs for the onsite fishing industry. With a view to improving fishermen's

safety beyond the docks, the Port launched its own Fisherman's Safety Fund in 2017 designed to act as match funding, allowing fishermen to leverage access to European funding. The focus will be on increasing awareness of the fund in 2018.

Aquaculture

The Port recognises the importance, and potential, of aquaculture on the Milford Haven Waterway and is investing resources accordingly. Building on the seminar held in 2016, the Port is working with nine companies with a view to developing aquaculture across west Wales. On the ground, a new small-scale shellfish processing business has started up on site, with a bio-science project specifically looking at Slipper Limpets taking space at Pembroke Port. Additionally, both seaweed and native oyster projects have commenced in the Haven. Looking to the future, the Port is seeking to conduct an initial feasibility study (a European Maritime and Fisheries Fund application is underway) for an aquaculture village utilising shared services, equipment and resource planning. It is also in the process of applying for Interreg funding for an Aquacoast project that will model species viability in key regional sites.

The Port's long term aim is to establish itself as a key operational hub for the landing, farming and processing of seafood and biomaterials in the UK. This clustering is a key part of maximising operational efficiencies, adding value and securing industrial resilience. A key step towards this aim took place in 2017 when the Port secured a grant from Welsh Government's Ports Development Fund for a shellfish supply chain feasibility study. The study will research opportunities, develop models and produce a business plan supporting the potential establishment of the Port as a live seafood supply hub connecting Wales and Ireland to major European Markets.



“The Port launched its own Fisherman’s Safety Fund in 2017”



Stakeholder Engagement

As a Trust Port, the Port has many stakeholders ranging from statutory bodies to residents in local communities.

Throughout the year a programme of visits, projects and events were held to engage with stakeholders at all levels to ensure the Port's objectives and strategy were communicated effectively.

Stakeholder Accountability Committee

The Stakeholder Accountability Committee was established in 2015 and is a sub-committee of the Board. It is responsible for ensuring that the Port, as a Trust Port, holds itself properly accountable to stakeholders. During 2017, the committee scrutinised the Port's Key Performance Indicators, reviewed the annual stakeholder survey results, as well as the allocation of public benefit expenditure. Members also review strategic issues and opportunities being progressed by the Port as well as issues such as the Welsh Government's Wellbeing of Future Generations (Wales) Act 2015 and Free Ports Zones.

Stakeholder Survey Results

The 2017 stakeholder survey was conducted by Pembrokeshire Coastal Forum on the Port's behalf. A broad spectrum of stakeholders were targeted such as business owners, suppliers, customers and shipping agents, with over 350 people responding. Among the highlights were:

80%
of customers described the service they received as good or very good compared with 69% in 2016.

95%
of people agreed that the Port should invest in a way that creates opportunities for local businesses to emerge and grow.

97%
of respondents agreed the Port should continue its community work - an 8% increase on last year.

The full survey results can be viewed online at www.mhpa.co.uk/stakeholder-survey



Haven Energy Forum

The Port continues to be an active member of the Haven Energy Forum. The body comprises the six major facilities on the Waterway and works to share best practice in the enhancement of safety and environmental commitment, as well as raising awareness of the importance of the Haven as a driver for economic success. Members of the Haven Energy Forum are:

- Dragon LNG
- Port of Milford Haven
- Puma Energy
- RWE Pembroke Power Station
- SemLogistics
- South Hook LNG
- Valero Pembroke Refinery

Political Engagement

Engaging within the national and regional political arenas gained momentum during 2017.

In March, a high profile event was organised by the Port for the National Assembly for Wales' members in Cardiff Bay. Hosted by Paul Davies, Assembly Member for Preseli Pembrokeshire, the event showcased the vibrant economic cluster that exists around Wales' largest port. Attendees included Assembly Members and key representatives from the Port, Pembrokeshire County Council and other partners on the Milford Haven Waterway.

Ministerial visits remain a key focus at the Port and play an important role in representing the region's capacity at a national level. Throughout

The Port welcomed the chance to talk with Ministers and Cabinet Members about the opportunities and challenges in delivering economic growth.



Julie James visited the Port and learnt about the range of educational programmes on offer

2017, Port representatives welcomed Julie James, then Welsh Government Minister for Skills and Science; Cabinet Secretary for Energy, Planning and Rural Affairs Lesley Griffiths AM; Eluned Morgan AM and Simon Thomas AM. The Port welcomed the chance to talk with Ministers and Cabinet Members about the opportunities and challenges the Port and the region faces in delivering economic growth.

The need to secure economic growth and new regional employment opportunities has been a theme that has extended into the local government arena with engagement taking place with regards to the Swansea Bay City Deal and other issues.

A quarterly e-newsletter was introduced in 2017 to provide political stakeholders with updates on port activities and its views on consultations. The response has been positive and it is a new form of communication that will be continued moving forward.

Benchmarking

The Port continues to be a member of London Benchmarking Group (LBG) and submitted data on its community investment programme for the second time in 2017. The framework enables businesses to review their own progress, compare information against their sector and also other companies of a similar size in terms of inputs, outputs and impacts. In 2017 the Port

contributed almost £199,000 in public benefit. The results showed that the majority of projects focused on education, economic development and environmental matters. LBG is proving to be a useful data collection and measurement tool, providing a benchmark for the Port's community based projects.



“102 charities and community groups from across Pembrokeshire submitted successful applications to the Port’s Community Fund over the course of the year”



HR Director Vidette Swales met representatives from the Paul Sartori Foundation

Community Projects

Community Fund

102 charities and community groups from across Pembrokeshire submitted successful applications to the Port’s Community Fund over the course of the year. A new online application system was implemented to improve efficiency and consistency. All requests are considered by a committee of employees on a monthly basis against set criteria.

Charitable Cause of the Year

Employees voted for the Paul Sartori Foundation to be the Port’s 2017 Charitable Cause of the Year. The charity offers specialised, supportive care and advice for those in the later stages of any life-limiting illness. As well as providing financial assistance which paid for new equipment and fundraising items, staff were proactive in organising fundraising activities, volunteering and making donations to the charity shops. Employees have voted for Mind Pembrokeshire to be the Port’s Charitable Cause of the Year during 2018.



Environmental Manager Jonathan Monk (right) with three of the scholarship winners

Scholarship Scheme

Four undergraduate students from Pembrokeshire: Ben Pepper, Sian Thomas, Harriet Sleight and Claudia Belli, secured scholarships from the Port at the end of 2016. They received awards of £1,500 each, with a three-week placement completed during the summer of 2017.

The students undertook projects on pricing analysis, town regeneration schemes, carbon footprint assessments and tender processes. Ben, Sian, Harriet and Claudia’s contributions have been highly valued and helped shape ongoing activity within the respective business units.

The winners of the 2017/18 scholarship scheme are Rebecca Foster, Isabelle Hughes, Elizabeth Jenkins and Rhiannon Morgan and they will join the Port for their placements in the summer of 2018.

Tombstoning Initiative

The Port embarked on a new project to tackle problems with tombstoning at Milford Marina during the summer months. A partnership was formed with Cardiff Harbour Authority (experiencing similar issues) and Arts & Business Cymru to commission a play entitled ‘Would You Jump?’ that was produced and performed by Theatr na n’Og. The play was taken into secondary schools in Milford Haven and Cardiff and creatively highlighted the consequences of tombstoning.



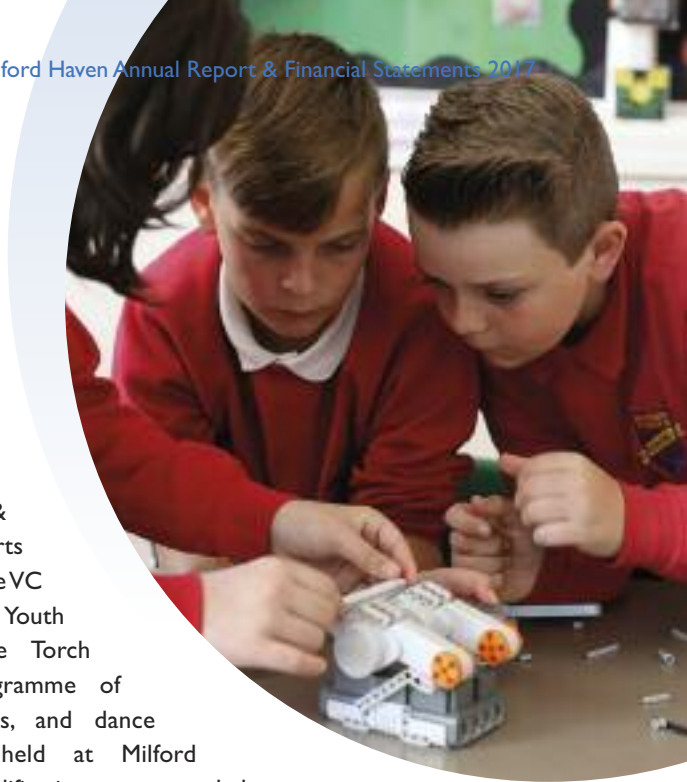
Waterway Robotics Challenge

Almost two hundred Year Six pupils from four local schools participated in the Waterway Robotics Challenge. This initiative encouraged engagement with science, technology, engineering and maths (STEM) subjects while also learning about the region's maritime economy. Dark Sky Wales delivered the lessons with pupils constructing robots and programming them to navigate around a 3D map of the Milford Haven Waterway. This was the project's second year and included an additional benefit that saw attendees gain an accredited Agored Cymru qualification.

Under the Bridge

The Port was presented with an Arts & Business Cymru award for its Under the Bridge project, in June. The project ran during the summer of 2016 as a collaboration between the

Port, Arts & Business Cymru, Arts Care Gofal Celf, the VC Gallery, Milford Youth Matters and the Torch Theatre. A programme of urban music, arts, and dance activities were held at Milford Waterfront and qualifications were awarded to a number of participants. Plans are underway to co-ordinate another Under the Bridge in summer 2018.



Pupils compete in the Waterway Robotics Challenge

The Port has identified its stakeholders as:

- Cadw
- Customers
- Department for Transport
- Dyfed Powys Police
- Employees
- Engineering supply chain
- Fishing, fish processing and aquaculture industry
- Hywel Dda University Health Board
- Leisure users of the Waterway
- Local associations
- Local MPs and AMs
- Local schools
- Local traders
- Maritime and Coastguard Agency
- Mid & West Wales Fire & Rescue Service
- Milford Harbour Users Association
- Milford Haven Town Council
- National Trust
- Natural Resources Wales
- Network Rail

- Neyland Town Council
- Other professional users of the Waterway
- Pembroke Dock Town Council
- Pembroke Town Council
- Pembrokeshire Coast National Park Authority
- Pembrokeshire College
- Pembrokeshire County Council
- Pembrokeshire residents
- Pembrokeshire Tourism
- Pembrokeshire tourists and visitors
- Royal Yachting Association (RYA)
- Shipping agents
- Suppliers
- Swansea Bay City Region Board
- The Crown Estate
- Towage companies
- Voluntary control bodies
- Voluntary organisations e.g. RNLI
- Welsh Government



Our People

“Action for others continues to be a core employee focus”

The Port’s customer base has a diverse set of needs, often around the clock and in all weathers. The continued ability to meet these needs, frequently in challenging environments, is a direct result of the skills and dedication of the Port’s employees. The Port’s focus is to create the right conditions to ensure employees can continue to deliver and to increase satisfaction levels for the contribution they make.

The annual employee survey was conducted in December 2017. As well as providing valuable insight to managers on how to strengthen team engagement, the results help shape the future strategy. The 2016 results led to a leadership development programme and the establishment of an Employee Forum. It is anticipated that the 2017 results will further shape plans for 2018.

The Port’s employee recognition scheme remained popular with over 100 individual instant rewards awarded during the year.

The dedication and skills of the Port’s employees remain at the heart of delivering the needs of a diverse customer base.

Employee numbers remained stable during 2017 with 176 at year end. Turnover also remained low at 11% and voluntary turnover stood at 7.6%. Sickness levels for 2017 increased to 3.8% (largely due to long term sickness) which, for the first time, is comparable with the UK national average. The Port will strive to better support and manage sickness during 2018.

Action for others continues to be a core employee focus. As well as annually voting to support a Pembrokeshire-based Charitable Cause of the Year (2017 was Paul Sartori; 2018 is Mind Pembrokeshire), every employee receives a 12-hour allocation to spend volunteering during work hours. In 2017, Port employees went one step further, with a 14-strong team challenge on the difficult and very muddy ‘Tough Mudder’ event. As well as raising money for the charitable cause of the year, it was an excellent example of how Port employees commit to continuous improvement and participate as one team to achieve their collective goals.

As part of a general drive to promote workplace health and wellbeing, a Wellbeing Programme was launched in 2017. The Port also signed a mental health pledge as part of the Wellbeing Programme and this will become a key area of focus.



Non-Executive Directors



Chris Martin
Chair

Born and bred in Pembrokeshire, Chris gained an honours degree in Pharmacy in Cardiff before starting working life with Boots the Chemist in Cwmbran,

subsequently going on to own and build two successful community pharmacy businesses in the West Country and back in Pembrokeshire.

He has a number of roles in the private and public healthcare sector including being a Non-Executive adviser of Alliance Healthcare Distribution Ltd. He is Deputy Chairman of the Bevan Commission, Vice Chairman of the Life Sciences Hub Wales Ltd, Non-Executive Director to the Audit and Risk Assurance Committee for Health and Social Services at Welsh Government and recently appointed on the Advisory Board of the School of Management, Swansea University.

He is also Managing Director of a property development company and runs a portfolio of rental properties across Pembrokeshire. Chris is the Chairman of the Wales Advisory Board of Marie Curie, Trustee of the Marie Curie UK Board and a governor of Pembrokeshire College.

Chris became Chair of the Board in August 2017, having been Vice Chair since 2012 and serves as a member of both the Remuneration and Nominations Committees.



Andrew Edwards
Non-Executive Director

Following graduation from the University of Wales, Aberystwyth, Andy spent two years working on civil engineering projects in the UK and the

Middle East before joining the police service in 1979. He undertook a variety of operational and administrative roles and was the Acting Chief Constable for Dyfed-Powys Police before being appointed Deputy Chief Constable for all Wales in 2009 where he had operational responsibility for serious and organised crime and counter-terrorism. Andy is Chair of Victim Support Wales and also sits on the Welsh board for the Equality and Human Rights Commission.

Andy is an honorary fellow and part time lecturer at the University of Wales, Trinity St David, was previously a visiting lecturer at the John Jay College of Criminal Justice in New York and is a graduate of the FBI National Academy.

He is based in Carmarthenshire and is a Welsh speaker.

Andy joined the Board in 2012 and is a member of the Nominations Committee, as well as Chair of the Stakeholder Accountability Committee.



Rick Squires
Non-Executive Director

Rick has extensive experience in the energy sector as a Non-Executive Director and Chair of a number of renewable energy businesses, based not

only in the UK but also North America, including wind (onshore and offshore), solar and biomass.

Rick has an honours degree in electrical engineering and a masters in business studies. He spent 28 years with the Royal Dutch Shell Group with roles in business areas including coal, oil trading, shipping and power generation before becoming a Senior Vice President with InterGen, an international power company based in Boston USA, with assets spread across 10 countries. In 2003 he founded UK based consultancy, PiEnergy Ltd, pursuing a portfolio of roles including advising on clean technology, renewable energy, executive recruitment and providing training to the power and energy sectors.

His current Non-Executive Directorships include: Good Energy Group plc, a UK based 100% renewable domestic electricity generation and supply company; and Green Energy for Education Limited, an unquoted business backed by VCT funding managed by Triple Point Investment Management LLP. Rick joined the Port in 2012 and is a member of the Audit Committee.



Anne Jessopp
Non-Executive Director

Anne has worked in HR across a number of sectors, gaining manufacturing experience early in her career at Rolls Royce and Procter and Gamble. She went on to gain consumer experience at Radio Rentals and RAC.

She was HR Director of an industrial services company and Remploy, before joining The Royal Mint in 2008 as HR Director. Particular areas of focus during her career have involved working with companies who are developing their culture and undergoing significant change.

Anne has carried out a number of roles at The Royal Mint. Starting as the HR Director, she then went on to lead the core Business Services in the organisation for a number of years before becoming the Director of Consumer for The Royal Mint in 2015. Anne has led the strategic diversification of the business, resulting in significant growth.

Anne was proud to be part of the team that launched the organisation's new visitor attraction, The Royal Mint Experience, in May 2016 which received over 100,000 visitors in its first year. Anne was appointed Acting Chief Executive on 1st October 2017.

She is a member of the Port's Remuneration and Nominations Committees.



Ian Shipperley CBE
Non-Executive Director

In a career in the Royal Navy spanning 40 years, Ian has operated in command positions at sea in almost every part of the globe undertaking disaster relief, peacekeeping and, in the 2003 Iraq War, commanding the engineering department of the aircraft carrier HMS Ocean. Ian has built an enviable track record in project delivery, leadership of strategic transformational change and management of risk and safety at Board level gained through 20 years in key senior positions. His recent working life has been focused on providing logistics and engineering support to the Royal Navy through innovative contracting arrangements, whilst also redefining the vital contribution of the Royal Navy's own 5,000 strong highly skilled technical workforce.

For the last three years he has commanded HM Naval Base Devonport, the largest Naval Base in Western Europe, where his multi-faceted role as the public face of the Royal Navy in the South West combines nuclear and conventional safety responsibilities with management of the entire Port of Plymouth. An experienced Chair and Board member, he leads a major capital infrastructure optimisation programme and works closely with Plymouth City Council on a City Deal programme to regenerate redundant docks and waterfront facilities.

In his spare time, Ian chairs the Board of a charity involved in equine therapy whilst also pursuing interests in land management, sailing, cycling and walking. Awarded a CBE in the 2017 New Year's Honours list, he joined the Port in January 2018.



Debra Williams
Non-Executive Director

Debra Williams joined the Port in March 2018.

Debra has wide commercial experience incorporating leadership, e-commerce and mentoring, having held executive and non-executive positions at national companies including the Admiral Group, Tesco Bank and Ospreys Rugby. She currently holds board level positions at Swansea University, Careers Wales, the Alacrity Foundation and international data company DriveRight Ltd.

Debra has collected a number of awards throughout her career including Welsh Woman of the Year (Innovation), Life Time Achievement and was recognised as one of the UK's top 200 business women by Her Majesty The Queen in 2007.



Steve Phillips
Non-Executive Director

Steve Phillips joined the Port in March 2018.

Group Finance Director at the Welsh Rugby Union, Steve will bring 25 years of commercial expertise to the role. During his time at the WRU, financial performance has significantly improved and a major capital expenditure programme has been undertaken including a new National Centre of Excellence training facility at the Vale Resort, as well as various upgrades to the Principality Stadium.

Steve's background was previously within the airports industry at TBI plc. where he worked on projects covering Sweden, Costa Rica and the United States. Steve is currently in non-executive director positions at Celtic Rugby Limited, Dragons Rugby Limited and Millennium Stadium Experience Limited.

Senior Management Team



Alec Don
Chief Executive & Executive Director

Alec has over 20 years of international experience leading port businesses. He was appointed Chief Executive of the

Port in 2010.

He began his Port career in 1994 when he joined the Mersey Docks and Harbour Company as Director of Planning. In 2002 he became Chief Executive of the Port of Maputo where he completed the first full port privatisation in Africa and then, at the same time as developing the commercial activity of the port, delivered on a \$70m reconstruction programme finished on time and below budget within 18 months. He returned to Mersey Docks as Director of the Port of Liverpool in 2004.

He is Chair of the British Ports Association and is also Chair of the separate statutory entity The Port Security Authority. In his early career, Alec left Oxford University with a degree in Engineering Science to join UK merchant bank Robert Fleming & Co, where he had a successful career for seven years in corporate finance.



Tim Bownes
Engineering Director & Executive Director

Tim joined the Port as Engineering Director in May 2014, becoming an Executive Director in June 2017. He has

a wide range of experience covering ports and the construction industry both in the UK and overseas, including work in environmentally sensitive areas.

He is a Chartered Civil Engineer and initially worked in construction contracting for large building and civil engineering companies on offices, industrial installations and large road and rail projects.

In 1997, Tim was appointed Chief Engineer of Mersey Docks and Harbour Company, taking responsibility for a wide range of projects and maintenance activities for the group's ports at Liverpool, Birkenhead, Heysham, Sheerness and Chatham. Whilst in Liverpool, Tim was responsible for the consenting and construction of the Twelve Quays ferry terminal and for obtaining consent for the in-river terminal now known as Liverpool 2.

Tim moved into consultancy in 2008 and worked for Royal Haskoning, based initially in Liverpool and then Dubai. Projects ranged from construction assistance in India to port master planning in Djibouti. Major projects included the Doha New Port in Qatar, a new coastguard harbour near Muscat in Oman and a new port on Boubyan Island in Kuwait.



Andy Jones
Deputy Chief Executive & Executive Director

Andy joined the Port as Finance Director in 2011 bringing with him extensive working knowledge in senior financial,

commercial and operational roles across a broad range of industries. In 2014, Andy accepted the role of Deputy Chief Executive adding responsibility for the marine operations and risk management aspects of the Port.

He qualified as a Chartered Accountant with PricewaterhouseCoopers in Cardiff before continuing with the firm in Toronto, Canada. In 2000, he was appointed as Finance Director for a division of S&P500-listed machinery and equipment manufacturing giant Manitowoc. He subsequently moved into an Operations Director role within their commercial cooking equipment business and worked closely with chefs, restaurant owners and food chains such as McDonalds. In 2007, Andy took over as Commercial Director for the Canadian distribution business of Manitowoc, growing the business by double digits each year. In 2009, he started his own successful company focused on providing trusted advisory services to SME business owners, before returning to the UK.

Andy is a member of the CBI Council in Wales, a Trustee Director of the Pilots National Pension Fund and a Board member at Pembrokeshire College.



Mike Ryan
Harbourmaster & Marine Director

Former Royal Navy Commanding Officer, Mike Ryan, joined the Port in August 2017 as Harbourmaster and Marine Director.

He has extensive experience of delivering operations safely and successfully worldwide, and in complex situations.

Having studied Oceanography at Swansea University, Mike joined the Royal Navy in 1988, commencing a naval career that spanned almost 30 years. Completing his navigation and bridge watch-keeping qualifications in patrol craft and frigates he then sub-specialised as aircrew, qualifying as an anti-submarine warfare observer flying Sea King helicopters (including a tour as an instructor and Search and Rescue duties), before converting to the anti-surface warfare role flying the Lynx.

Mike continued to build his ship driving experience throughout and has undertaken four ship and aviation command appointments, serving on a wide variety of ships encompassing aircraft carriers (where he was the last Commander (Air) of HMS Illustrious) and Royal Fleet Auxiliaries. Highlights included commanding a minehunter (which involved Fishery Protection duties) and contributing to the security of the London 2012 Olympics. Ashore, he served in the Navy Headquarters in Portsmouth and the Ministry of Defence in London.

Mike is an Associated Fellow of the Nautical Institute.



Neil Jenkins
Development Director

Neil joined the Port in March 2016 and brings a wealth of property experience having spent the previous 32 years developing commercial and residential

property in London, Wales and the Channel Islands.

Following graduation from the University of Wales in 1983 and completing his training to become a Chartered Surveyor, Neil joined London Transport Property developing sites above and adjacent to tube stations in central London, including a large mixed use development, Gloucester Park in Kensington. This was followed by three years working for McInerney Estates in London and Jersey, and with Muller International in London. From 1995, Neil ran Bilfinger + Berger Development's London office with responsibility for the company's expanding UK development programme including the development of luxury flats and offices in central London.

In 2000, Neil formed his own development company to focus on commercial and residential property in London. He also founded Jersey Waterfront Hotel Holding Limited, a Jersey based company that developed and owns the 4-star, 195-bedroom Radisson BLU Hotel and Conference Centre on the Jersey Waterfront in St Helier. The hotel opened for business in 2007 and recently won Best Hotel and Best 4/5 Star Hotel awards for the second year running.



Vidette Swales
HR Director

Vidette was appointed as Human Resources Director in January 2011. She joined the Port in 2001 to provide a generalist HR service. During her

time in this role, Vidette was instrumental in helping the Port achieve recognition as an Investors in People organisation and continues to ensure this standard is retained.

Vidette is a Chartered Fellow of the Chartered Institute of Personnel and Development. Her career started in the private sector in HR/recruitment roles before moving to work as Personnel Officer for Pembrokeshire County Council for five years before joining the Port.

Vidette is a Trustee for the Port's pension schemes and an executive committee member of the Association of Participating Bodies of the PNPf (Pilots National Pension Fund). She is also a panel member for the Danny Fellows Training Trust and a member of the Pembrokeshire College Advisory Forum.

Financial Statements

Officers and Professional Advisers

Chair

C Martin (Appointed 1 August 2017)

P A Jones (Resigned 31 July 2017)

Vice Chair

C Martin (Resigned 31 July 2017)

D Snelson CB (Appointed Vice Chair 1 October 2017, Resigned 31 Jan 2018)

Directors

T Bownes (Appointed 2 June 2017)

S Davenport (Resigned 31 January 2018)

A J W D Don

A Edwards

A Jessopp

A M Jones

S Owen (Resigned 30 November 2017)

S Phillips (Appointed 1 March 2018)

I Shipperley (Appointed 26 January 2018)

R Squires

D Williams (Appointed 1 March 2018)

Chief Executive

A J W D Don

Harbourmaster

M Ryan (Appointed 29 September 2017)

Captain W C Hirst (Resigned 28 October 2017)

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

United Kingdom

Report of the Board

The Directors present their Annual Report for the year ended 31 December 2017. Certain information regarding principal risks and future prospects has been included within the Strategic Report.

The Port of Milford Haven Board

The 2002 Act, as amended by the 2012 Act, specifies that the Board shall comprise the Chair, the Chief Executive, between six to eight other non-executive Directors and up to three other executive Directors.

The Chair is appointed by the Secretary of State for Transport after an open competitive selection process. All other non-executive Directors are appointed by the Board itself through a similarly open process. For any board position, including the Chair, the position is advertised and an independently-led appointment panel is formed to shortlist and interview candidates. In every case the appointment panel recommends its preferred candidate for appointment. Each appointment is for a three-year term. This is in line with government policy - Ports Good Governance Guide.

The means of selection of Directors is in accordance with guidelines laid down by the Government for all Trust Ports and follows what are commonly termed 'Nolan principles'.

All Directors must adhere to the following guiding principles of conduct:

- Independence
- Accountability
- Openness
- Selflessness
- Integrity
- Objectivity
- Honesty
- Leadership

The duties of a Director are akin to those of a director of a company. In particular, to be accountable for the proper exercise of the Port's statutory functions, the identification and setting of business policies, the delivery of port and harbour services, and to provide proper oversight and direction in relation to the safety of operations and the financial performance of all business activities.

Selection and appointment of non-executive Directors should be based on each non-executive bringing a particular skill set or specialisation to the Board to cover the following headings:

- Chair
- Marine
- Energy
- Finance
- HR
- Stakeholders
- Commercial

These skill sets may be amended from time-to-time to reflect the changing business interests of the Port.

The Board meets regularly, at least six times a year. A Vice Chair is appointed from amongst the non-executive Directors and in such capacity serves as the Senior Independent Director. The non-executive Directors meet on a regular (but not frequent) basis without the executive Directors and on occasion without the Chair, to review general workings of the Board.

A register of Directors' interests is maintained which includes landholdings, shareholdings and other responsibilities and appointments, together with the requirement to identify any issues that could be perceived as a conflict of interest. The Port also maintains a hospitality register for all Directors and managers.

The determination and implementation of the Group's strategy is the key remit of the Board. In addition, the Board is ultimately responsible for the operational performance, including safety performance, of the Group. It is therefore part of the Board's role to monitor the performance of the management and satisfy itself, through review of the risk register and other reporting systems and procedures, that the Port operates in compliance with the law and regulation to the highest standards of safety and with appropriate financial prudence.

The Board operates a number of committees to support its functions. These are described below

Audit Committee

The audit committee comprises three non-executive Directors. The Chief Executive and the Deputy Chief Executive also attend audit committee meetings.

Its terms of reference allow it to consider any matter relating to the financial affairs of the Port and include the monitoring of financial reporting, accounting policies, matters relating to the auditors, the adequacy of the Port's internal financial controls and, at the request of the Board, to review and monitor the Port's risk management systems.

The audit committee has primary responsibility for the appointment, reappointment and removal of external auditors and safeguards the auditor's independence. The chair of this committee is the non-executive Director with the appropriate finance and accounting background.

This committee meets at least three times a year.

Remuneration Committee

The remuneration committee consists of not less than three non-executive Directors including the Chair. The Chief Executive and the HR Director also attends the remuneration committee meetings. The Chief Executive acts as a non-voting secretary to this committee.

The primary duties of the remuneration committee are to determine the remuneration and employment conditions of the senior managers and to make recommendations to the Board as to the fees and emoluments of non-executive Directors and of non-executive Directors of any subsidiary companies. No member of this committee takes part in the decision-making process about his/her own remuneration or other benefits.

This committee is also charged with determining bonus structures for senior managers and staff and for reviewing employment policies for the Port. It also ensures that remuneration policies facilitate the employment and motivation of senior personnel on a best practice basis, and to ensure that levels of Board remuneration and expenses claimed are detailed in the Annual Accounts.

This committee is also able, at the request of the Board, to advise or act on its behalf in a senior management appointment and, at the request of the executive, as a wages and salaries committee, being the final referral body in pay and conditions negotiations.

Nominations Committee

The nominations committee undertakes a formal process of reviewing the balance and effectiveness of the Board, identifying the skills and job descriptions required for individual Board positions, including executive members. It is also tasked with managing the recruitment process and recommending appointments to the Board.

In particular, this committee must assess the time commitments of Board posts and ensure that the individual has sufficient available time to undertake them. It will meet as appropriate to consider whether or not non-executive Directors coming to the end of their term of office should be put forward for reappointment. Membership of this committee is determined by the Board but will be made up of at least four members including the Chair or Vice Chair and Chief Executive.

Stakeholder Accountability Committee

The stakeholder accountability committee is responsible for ensuring that the Port, as a Trust Port, holds itself properly accountable to its stakeholders. This entails ensuring that the Port correctly obtains and understands the needs and views of its stakeholders and, in the context of the Port's statutes and relevant public guidance and policy, sets an appropriate strategy and direction for the business.

This committee has particular oversight of the setting of measurable targets for the performance of the Port and acts as an appeals committee to which stakeholders should direct concerns in the first instance. It corresponds directly with

stakeholders and reports on its proceedings to the Board.

Membership of this committee comprises two non-executive and two executive Directors and four external stakeholder members appointed by the Board.

Executive

The Chief Executive and Senior Management Team (SMT) are accountable to the Board for the implementation of Board policy, the management of the business and affairs of the Port. The SMT meets regularly as a group.

Port Advisory Committee

In accordance with its Act of Parliament 1983, the Port meets twice a year with representatives from groups of major stakeholders. These representatives sit on the port advisory committee and the meetings provide a forum for confidential discussion and interaction between the Port and these stakeholders.

The objectives of this committee are to enable relevant statutory authorities and users of the Port and the Waterway to meet and interact with each other and the Port, with the particular objective of focusing on the work of the Port and the operation of the Waterway. To promote further engagement, this committee is supported by a secure, interactive website that facilitates the exchange of views between committee members and the Port, and allows those views to be fed into the Port's decision-making.

Corporate Governance

The Directors are committed to high standards of corporate governance and have implemented systems of corporate governance compliant with the principles of the Ports Good Governance Guide and the relevant sections of the UK Corporate Governance Code.

Internal Control and Risk Management

The Directors are responsible for the Port's system of internal control. Such a system provides reasonable but not absolute assurance against material loss or misstatement.

Key procedures that have been established include an organisational structure with clear operating procedures, lines of responsibility and delegated authority. In particular, there are defined procedures for:

- capital investment covering appraisal and authorisation
- financial reporting within a comprehensive financial planning and accounting framework
- internal audit to monitor the system of internal control and risk management
- the procurement of goods and services

The Directors have reviewed the effectiveness of the system of internal control in accordance with the principles included in the UK Corporate Governance Code and other relevant guidance.

Investment Policy

The Group's policy is to ensure that investments achieve long-term commercial viability and sustainability for the Port, its users, its employees and stakeholders.

The primary objective of the Port of Milford Haven is to generate commercial rates of returns on its investments, while maintaining security of assets.

Details of the primary 2017 capital investments are provided within the Strategic Report.

Going Concern

The financial statements have been prepared on the going concern basis. After making due enquiries, the Directors 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.

Directors

The Directors who served during the year are disclosed on page 37.

Directors' Indemnities

During the year the Port has made qualifying third party indemnity provisions for the benefit of its Directors which remains in force at the date of this report.

Disclosure of Information to the Auditor

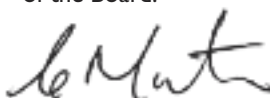
Each Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

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

Approved by the Board of Directors and signed on behalf of the Board.



Chris Martin Chair

Date: 23 March 2018

Gorsewood Drive, Milford Haven, Pembrokeshire, SA73 3EP

Attendance at Board meetings in 2017					
	Board	Audit Committee	Remuneration Committee	Nominations Committee	Stakeholder Accountability Committee
Total number of meetings	8	4	5	3	2
Board Members					
Peter Jones	5		4	2	
Chris Martin	8		4	3	1
David Snelson	6		1	3	2
Andrew Edwards	6			3	2
Rick Squires	8	4			
Sue Davenport	8	4	5		
Anne Jessopp	7		5	3	
Steven Owen	8	4			
Alec Don	8	3	5	3	2
Andy Jones	6	3			
Tim Bownes	3				
External Members					
Ed Tomp - Valero					2
Ian Westley - Pembrokeshire County Council					1
David Jones - Marine Energy Wales					1
Stan McIlvenny - Haven Waterway Enterprise Zone					0

Directors' Responsibility Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors 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 Group and the Port and of the profit or loss of the Group and the Port for that period.

In preparing these financial statements, the Directors 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 Port will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Port's transactions and disclose with reasonable accuracy at any time the financial position of the Port 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 Group and the Port and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Port'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 Directors of the Port

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Port's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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.

We have audited the financial statements of the Port and the Group which comprise:

- the consolidated and Port profit and loss account;
- the consolidated and Port statement of comprehensive income;
- the consolidated and Port balance sheets;
- the consolidated and Port statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Port in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Port's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Port's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless the Directors either intend to liquidate the Group or the Port or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Directors, 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 Directors 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 Port and its Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the board have been prepared in accordance with applicable legal requirements.

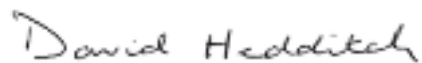
In the light of the knowledge and understanding of the Group and of the Port and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the report of the board.

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 Port, or returns adequate for our audit have not been received from branches not visited by us; or
- the Port's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



David Hedditch (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

23 March 2018

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2017

		Group		Port	
	Note	2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Turnover	3	22,384	25,259	21,413	24,717
Cost of sales		(12,713)	(13,307)	(12,615)	(13,266)
Gross Profit		9,671	11,952	8,798	11,451
Operating expenses		(6,684)	(6,507)	(6,419)	(6,239)
Operating Profit		2,987	5,445	2,379	5,212
Profit on disposal of associate	4	-	217	-	217
Gain on revaluation of fixed assets	11	530	300	496	300
Write off acquisition costs of subsidiary	12	(314)	-	-	-
Profit Before Interest		3,203	5,962	2,875	5,729
Net finance costs	5	(609)	(406)	(292)	(103)
Profit Before Taxation	6	2,594	5,556	2,583	5,626
Tax on profit on ordinary activities	10	(788)	(1,125)	(748)	(1,105)
Profit After Taxation		1,806	4,431	1,835	4,521
Minority interest	26	-	-	-	-
Profit For The Financial Year		1,806	4,431	1,835	4,521

All results derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

		Group		Port	
	Note	2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Profit for the financial year		1,806	4,431	1,835	4,521
Actuarial gain/(loss) on pension schemes:					
- Actuarial gain/(loss) on present value of scheme liabilities		3,177	(15,370)	3,177	(15,370)
- Actuarial gain on scheme assets		2,575	5,195	2,745	6,285
		5,752	(10,175)	5,922	(9,085)
Movement on deferred tax relating to pension liability	18	(1,138)	1,751	(1,138)	1,751
Total comprehensive income/(loss)		6,420	(3,993)	6,619	(2,813)

BALANCE SHEET

At 31 December 2017

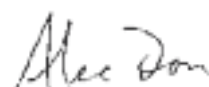
	Note	Group		Port	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Fixed Assets					
Tangible assets	11	86,151	72,566	66,098	67,642
Investments	12	-	-	21,466	5,966
		86,151	72,566	87,564	73,608
Current Assets					
Stocks	13	197	191	197	191
Debtors					
- due within one year	14	6,747	5,365	6,561	5,283
- due after one year	14	-	1,389	78	1,447
Cash at bank and in hand		16,025	17,796	15,218	17,531
		22,969	24,741	22,054	24,452
Creditors: Amounts Falling Due Within One Year	15	(10,809)	(6,644)	(9,757)	(6,324)
Net Current Assets		12,160	18,097	12,297	18,128
Total Assets Less Current Liabilities		98,311	90,663	99,861	91,736
Creditors: Amounts Falling Due After More Than One Year	16	(9,384)	(3,238)	(18,212)	(11,908)
Pension Liability	20	(16,200)	(21,118)	(7,298)	(12,096)
Net Assets		72,727	66,307	74,351	67,732
Reserves					
Revaluation reserve	25	26,077	25,547	26,043	25,547
Profit and loss account	25	46,624	40,734	48,308	42,185
		72,701	66,281	74,351	67,732
Minority interest (non-controlling interest)	26	26	26	-	-
		72,727	66,307	74,351	67,732

The financial statements of the Group were approved by the Directors and authorised for issue on 23 March 2018

Signed on behalf of the Board by:



Chair
C Martin



Chief Executive
A J W D Don

STATEMENT OF CHANGES IN EQUITY

At 31 December 2017

	Group		Port	
	Profit and loss account	Revaluation reserve	Profit and loss account	Revaluation reserve
	£'000	£'000	£'000	£'000
At 1 January 2016	45,027	25,247	45,298	25,247
Profit for the financial year	4,431	-	4,521	-
Actuarial loss on pension schemes (note 20)	(10,175)	-	(9,085)	-
Movement in deferred tax on pension (note 18)	1,751	-	1,751	-
Total comprehensive loss	(3,993)	-	(2,813)	-
Transfer to Revaluation reserve in relation to revaluation of fixed assets	(300)	300	(300)	300
At 1 January 2017	40,734	25,547	42,185	25,547
Profit for the financial year	1,806	-	1,835	-
Actuarial profit on pension schemes (note 20)	5,752	-	5,922	-
Movement in deferred tax on pension (note 18)	(1,138)	-	(1,138)	-
Total comprehensive income	6,420	-	6,619	-
Transfer to Revaluation reserve in relation to revaluation of fixed assets	(530)	530	(496)	496
At 31 December 2017	46,624	26,077	48,308	26,043

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	22	7,610	9,229
Cash flow from investing activities			
Proceeds from sale of fixed assets		87	86
Purchase of fixed assets		(2,601)	(3,842)
Acquisition of subsidiary		(14,205)	-
Write off investment fees on acquisition		(314)	-
Interest received		61	88
Grants received		-	43
Net cash outflow from investing activities		(16,972)	(3,625)
Cash flows from financing activities			
Interest paid		(153)	(111)
Repayment of bank loans		(696)	(647)
New bank loan raised		8,400	-
Consideration from associate		-	217
Net cash inflow/(outflow) from financing activities		7,551	(541)
Net (decrease)/increase in cash and cash equivalents		(1,811)	5,063
Cash and cash equivalents at beginning of year		17,796	12,728
Effect of foreign exchange rate changes		40	5
Cash and cash equivalents at end of year		16,025	17,796
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		16,025	17,796
Cash and cash equivalents		16,025	17,796

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

I. 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 properties and modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102). The particular accounting policies, which have been adopted on a consistent basis in the current and prior year, are described below. Currency is in GBP and any translation from the foreign associate is as described in the notes. Rounding is to the nearest thousand pounds.

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Port and its subsidiary companies, joint ventures and associates for the year ended 31 December 2017 as listed in note 12. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The financial statements have been prepared on the going concern basis. After making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current facilities. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Investment properties

Property (including land held for development) is classified as investment property if it is not occupied by the Group or used by such to provide operational port services that are material in nature. Completed investment property is measured at fair value after initial recognition at cost. Where it is considered that the fair value of investment property in the course of construction cannot be measured reliably without undue cost or effort, it is measured at cost, which will include interest and other appropriate net outgoings, until such time as it is possible to determine fair value with the exception of underlying land which is included at carrying value before construction commenced. The revalued carrying amount must not differ materially from fair value, so the fair value will be based on market evidence by appraisals undertaken each year and by professional valuers if the Directors deem necessary. All changes in fair value of investment property will pass through the profit and loss account and is transferred to the Revaluation reserve. Depreciation is not provided on investment properties.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Property (excluding investment property)	10 - 50 years
Specialised marine assets	2 - 125 years
Plant and equipment	3 - 50 years
Capital dredging	20 years

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. This is determined for an individual asset unless that asset does not generate cash inflows, in which case the cash-generating unit to which the asset belongs is used. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Investments in joint ventures and associates are accounted for using the equity method. 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.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. 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 investment property. Turnover is recognised in the period in which it is earned.

Taxation

Current tax, including UK corporation tax and foreign 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised

in the financial statements. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

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 comprehensive income.

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 and liabilities are measured on an actuarial basis using a discount rate equivalent to the current rate of return on a high quality (AA) corporate bond. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability 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.

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

Under FRS 102, the Port has adopted the performance model whereby grants are treated as deferred income and released to the profit and loss account when performance-related conditions have been met.

Other grants relating to revenue expenditure are credited to the profit and loss account in the year to which the expenditure relates.

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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Capitalisation of development costs

Included within investment property, are capitalised development costs in respect of the Milford Waterfront project. It is the Directors' judgement that this project will become a cash generating asset. It is recognised that, should the project not develop into an asset, the costs would need to be written off to the profit and loss account. The accumulated costs for this project to the year-end are £1.1m.

Employee benefits

The Group operates two defined benefit pension schemes and some operational pilots are members of the Pilots National Pension Fund. The value of scheme liabilities has been prepared by the actuary for each scheme based on assumptions agreed with management. The assumptions reflect the unique properties of each scheme where appropriate. See note 20 for further information.

Revaluation of assets

Investment properties are classified on the basis of FRS 102 definition and included at fair value. The Directors determine fair value by reference to market and consider advice received from an independent valuer who will in turn undertake desktop or full valuations as the Directors require, to support the determination of fair value. Further information regarding investment properties is in note 11.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. TURNOVER

Analysis of turnover by class of business is stated below:

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Ship, passenger and goods dues	8,537	10,382	8,537	10,382
Marine services	5,433	6,618	5,433	6,618
Pilotage services (note 9)	5,163	5,569	5,163	5,569
Rents	2,304	1,714	1,859	1,714
Miscellaneous income	161	135	161	135
Solar income	786	841	260	299
	22,384	25,259	21,413	24,717

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 United Kingdom.

4. DISPOSAL OF ASSOCIATE

	Group & Port	
	2017 £'000	2016 £'000
Gain on sale of associate	-	217

The investment in Marimatech was sold on 30 December 2015 with some deferred consideration received in 2016. No consideration was received in 2017, but we understand a further consideration payment may be due in 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

5. FINANCE COSTS (NET)

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest payable and similar expenses	113	106	53	122
Less: Interest receivable	(61)	(88)	(81)	(107)
Other finance costs	557	388	320	88
Total finance costs	609	406	292	103

Interest Payable And Similar Expenses

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank overdrafts and loans	153	110	92	110
3.5% debenture stock	-	1	-	-
Exchange rate (gain)/loss	(40)	(5)	(39)	12
	113	106	53	122

Interest Receivable

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Other interest received	61	88	61	88
Distribution of profits from SLP	-	-	20	19
	61	88	81	107

Other Finance Costs

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Net interest on defined benefit pension liability	557	388	320	88

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Staff costs (note 8)	10,887	9,362	10,887	9,362
Depreciation of tangible assets (note 11)	3,723	3,716	3,501	3,494
Grant amortisation (note 19)	(160)	(325)	(160)	(325)
Cost of stock	272	241	272	241
Hire and operating leasing charges	156	160	156	160
Profit on sale of fixed assets	(59)	(68)	(59)	(68)
Foreign exchange	(40)	(5)	(39)	12
Auditor's remuneration:				
- Audit of Port and consolidated accounts	51	43	51	43
- Audit of pension schemes	16	18	16	18
- Tax compliance services	13	8	9	7
- Tax advisory services	17	2	17	2
- Due diligence on acquisition of subsidiary	25	-	25	-

7. REMUNERATION OF KEY PERSONNEL

Key personnel includes executive and non-executive Directors and the Senior Management Team.

	Group & Port	
	2017 £'000	2016 £'000
Fees - Non Executive Directors	143	149
Aggregate emoluments (excluding defined benefit pension contributions) - Executive Directors	445	371
Pension costs - Executive Directors	61	49
Other senior management	431	481
	1,080	1,050

The number of Directors to whom retirement benefits are accruing under defined benefit schemes is two (2016: one).

	£'000	£'000
Remuneration of the highest paid Director	251	251

The accrued pension of the highest paid Director under the MHPARBS defined benefit pension scheme at 31 December 2017 was £nil (2016: £270). There are no longer retirement benefits accruing for this Director and a pension allowance of £28,976 was paid for the year (2016: £25,539) and is included in pension costs above.

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

	2017 No.	2016 No.
	10	10

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

8. STAFF COSTS

	Group & Port	
	2017	2016
	£'000	£'000
Wages and salaries	7,707	7,075
Social security costs	838	793
Pension costs (note 20)	2,342	1,494
	10,887	9,362

The above includes amounts paid to Directors as disclosed in note 7.

Pension costs include only those items included within operating costs. Interest costs are reported in finance costs as per note 5.

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

	2017	2016
	£'000	£'000
Operational staff	110	110
Office staff	71	69
	181	179

9. PILOTAGE

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

	Group & Port	
	2017	2016
	£'000	£'000
Turnover		
Providing pilotage services	4,991	5,438
Issue and use of pilotage exemption certificates	172	131
	5,163	5,569
Expenditure		
Providing services of a pilot	2,666	2,647
Providing, maintaining and operating pilot boats	1,625	1,527
Administration and other costs	1,868	1,995
	6,159	6,169

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group		Port	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
(a) Analysis of charge for the year				
Current tax				
UK corporation tax on profit for the year	924	806	859	806
Adjustment in respect of previous years	(2)	(11)	(2)	(11)
Total current tax charge	922	795	857	795
Deferred tax				
Origination and reversal of timing differences	(28)	710	(50)	681
Adjustment in respect of previous years	(30)	(339)	-	(339)
Effect of changes in tax rates	(76)	(41)	(59)	(32)
Total deferred tax (credit)/charge	(134)	330	(109)	310
Tax per profit and loss account	788	1,125	748	1,105
Deferred tax per statement of comprehensive income	1,138	(1,751)	1,138	(1,751)
(b) Factors affecting tax charge for the year				
The tax charge for the current and previous period differs from the applicable rate of corporation tax rate of 19.25% (2016: 20%). The differences are explained below:				
Profit on ordinary activities before tax	2,594	5,556	2,583	5,626
Profit on ordinary activities multiplied by the applicable rate	499	1,111	497	1,125
Expenses not deductible	604	604	490	603
Income not taxable	(207)	(199)	(95)	(157)
Effects of group relief/other reliefs	-	-	(83)	(84)
Adjustment in respect of previous years	(32)	(350)	(2)	(350)
Tax rate changes	(76)	(41)	(59)	(32)
Current tax charge for the year	788	1,125	748	1,105

(c) Factors that may affect future tax charges

The Group is not aware of any factors that will materially affect the future tax charge. The Group is aware that the phased reduction in the rate of corporation tax to 17% in 2020 has been announced and enacted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

II. TANGIBLE FIXED ASSETS

	Specialised marine assets £'000	Freehold land and property £'000	Investment property in construction £'000	Investment property £'000	Plant and equipment £'000	Dredging works £'000	Total £'000
Group							
Cost or valuation							
At 1 January 2017	36,048	4,462	762	15,615	33,208	2,038	92,133
Additions	146	-	369	15,521	771	-	16,807
Disposals	-	-	-	-	(573)	-	(573)
Revaluation	-	-	-	514	16	-	530
At 31 December 2017	36,194	4,462	1,131	31,650	33,422	2,038	108,897
Accumulated depreciation							
At 1 January 2017	6,382	377	-	-	10,849	1,959	19,567
Charge for the year	2,031	170	-	-	1,443	79	3,723
Disposals	-	-	-	-	(544)	-	(544)
At 31 December 2017	8,413	547	-	-	11,748	2,038	22,746
Net book value							
At 31 December 2017	27,781	3,915	1,131	31,650	21,764	-	86,151
At 31 December 2016	29,666	4,085	762	15,615	22,359	79	72,566
Port							
Cost or valuation							
At 1 January 2017	36,048	4,462	762	15,615	27,661	2,038	86,586
Additions	146	-	369	205	770	-	1,490
Disposals	-	-	-	-	(573)	-	(573)
Revaluation	-	-	-	480	16	-	496
At 31 December 2017	36,194	4,462	1,131	16,300	27,874	2,038	87,999
Accumulated depreciation							
At 1 January 2017	6,382	377	-	-	10,226	1,959	18,944
Charge for the year	2,031	170	-	-	1,221	79	3,501
Disposals	-	-	-	-	(544)	-	(544)
At 31 December 2017	8,413	547	-	-	10,903	2,038	21,901
Net book value							
At 31 December 2017	27,781	3,915	1,131	16,300	16,971	-	66,098
At 31 December 2016	29,666	4,085	762	15,615	17,435	79	67,642

Cushman & Wakefield, suitably qualified external valuers with detailed historical knowledge of the Group's assets, completed a valuation of all investment properties as at 31 December 2017. Their valuation confirmed the assessment of fair value, using a variety of bases such as market value, letting value and occupancy terms, which, for the Port, amounted to £16,300,000 (2016: £15,615,000). The depreciated historical cost of investment properties held at fair value is £16,929,000 (2016: £16,724,000). During the year, the Group acquired investment property of £15,316,000 which, at the year-end date, has been valued at £15,350,000 by Cushman & Wakefield.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

12. FIXED ASSET INVESTMENTS

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%
Havens Head Retail Park Limited	Retail Park	£1 Ordinary	100%

The Port and all of its subsidiaries have 31 December year-ends.

The investment in Marimatech was sold on 30 December 2015, further consideration was received in 2016.

Milford Docks Company is registered at The Old Sail Loft, Milford Docks, Milford Haven, Pembrokeshire, SA73 3AF.

Milford Haven Properties Limited is registered at Gorsewood Drive, Milford Haven, Pembrokeshire, SA73 3EP.

MHPA RBS Trustee Company Limited is registered at Gorsewood Drive, Milford Haven, Pembrokeshire, SA73 3ER.

Havens Head Retail Park Limited is registered at Gorsewood Drive, Hakin, Milford Haven, Pembrokeshire, SA73 3EP.

All of the above companies were incorporated in England and Wales.

MHPA PFP (General Partner) Limited and MHPA PFP Limited Partnership are registered at Lomond House, 9 George Square, Glasgow, Scotland, G2 1QQ and were incorporated in Scotland.

The Group has an interest in a limited partnership registered in Scotland, MHPA PFP Limited Partnership 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 MHPA PFP (General Partner) Limited are filed separately with Companies House but the accounts of MHPA PFP Limited Partnership are not required to be, and have not been, filed at Companies House.

Subsidiary undertakings

	Port	
	2017	2016
	£'000	£'000
Cost at 1 January	5,966	5,966
Addition	15,500	-
Carrying value at 31 December	21,466	5,966

On 3 August 2017, the Group acquired 100% of the share capital of Havens Head Retail Park Limited. The fair value of the total cash consideration was £15,500,000, including acquisition costs of £314,000 and deferred consideration of £981,000. In order to purchase the shares of Havens Head Retail Park Limited, the Port borrowed £8,341,000 from Havens Head Retail Park Limited which is shown as an amount due to Group undertakings in the Port's balance sheet. Havens Head Retail Park Limited has a loan with Svenska Handelsbanken AB of £8,400,000. The acquisition costs of £314,000 have been written off to the profit and loss account of the Group on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

12. FIXED ASSET INVESTMENTS (continued)

The acquisition has been accounted for under the acquisition method. The following table sets out the identifiable assets and liabilities acquired and their book value to the Group, there are no fair value adjustments:

	£'000
Fixed Assets	
Tangible assets	15,316
	15,316
Current Assets	
Debtors	12
Total Assets	15,328
Creditors	
Trade creditors	14
Accruals	128
Total Liabilities	142
Net Assets	15,186
Goodwill	-
Total	15,186
Satisfied By	
Cash	14,205
Deferred consideration	981
Total Consideration	15,186

In the year ended 31 December 2017, turnover of £444,000 and a profit of £301,000 was included in the Group profit and loss account in respect of Havens Head Retail Park Limited since the acquisition date.

13. STOCKS

	Group & Port	
	2017	2016
	£'000	£'000
Stock of fuel and parts	197	191

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14. DEBTORS

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts falling due within one year:				
Trade debtors	3,059	3,175	2,964	3,169
Deferred tax asset (note 18)	1,253	909	1,241	909
Other debtors	843	502	843	491
Prepayments and accrued income	1,592	779	1,513	714
	6,747	5,365	6,561	5,283
Amounts falling due after more than one year:				
Amounts due from Group undertakings	-	-	78	58
Deferred tax asset (note 18)	-	1,389	-	1,389
	-	1,389	78	1,447
	6,747	6,754	6,639	6,730

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank loans	2,892	661	2,752	661
Trade creditors	1,091	888	1,089	883
Pension contributions	264	257	-	-
Social security	238	227	237	227
Corporation tax	498	270	434	270
Other creditors	143	55	30	40
Accruals	3,734	2,444	3,418	2,418
Deferred tax liability (note 18)	1,789	1,682	1,637	1,665
Deferred income (note 19)	160	160	160	160
	10,809	6,644	9,757	6,324

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts owed to Group undertakings	-	-	17,071	8,836
3.5% debenture loan	18	18	-	-
Other creditors	981	-	981	-
Bank loans:				
- between one and two years	140	2,752	-	2,752
- between two and five years	8,085	-	-	-
Deferred tax (note 18)	-	148	-	-
Deferred income (note 19)	160	320	160	320
	9,384	3,238	18,212	11,908

17. BORROWINGS

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Debenture loans	18	18	-	-
Bank loans	11,117	3,413	2,752	3,413
	11,135	3,431	2,752	3,413
Due within one year	2,892	661	2,752	661
Due after more than one year	8,243	2,770	-	2,752
	11,135	3,431	2,752	3,413
Analysis of bank loan repayments:				
Due within one year	2,892	661	2,752	661
Due after more than one year	8,225	2,752	-	2,752
	11,117	3,413	2,752	3,413

The 3.5% debenture loan, mentioned above, 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.

Pursuant to The Milford Haven Port Authority Harbour Revision Order 2000, the Port is authorised to borrow sums not exceeding £50 million.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

17. BORROWINGS (continued)

The bank loans included above comprise the following:

	Note	Group		Port	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due to:					
Clydesdale	(a)	252	513	252	513
Barclays Bank PLC	(b)	2,500	2,900	2,500	2,900
Svenska Handelsbanken AB	(c)	8,365	-	-	-
Total		11,117	3,413	2,752	3,413

- a) The Clydesdale Bank loan above is repayable in monthly instalments of £24,000 (including interest) and will be fully repaid in the year ending 31 December 2018. The loan is secured on the property known as Pembroke Port Gate 4 in Pembroke Dock.
- b) The Barclays Bank PLC loan above is repayable in quarterly capital instalments of £100,000 plus interest payments variable in line with LIBOR. In 2014, the Port also entered into a £10 million revolving credit facility with Barclays which is due to expire in July 2018. This facility is not drawn at any of the balance sheet dates above.
- c) During the year, the Group acquired Havens Head Retail Park Limited and this company entered into a five-year bank loan agreement with Svenska Handelsbanken AB for a new loan of £8,400,000. At the year-end, £8,365,000 remains outstanding and is repayable by quarterly capital payments of £35,000 on £700,000 of the loan. An interest-only element of £7,700,000 is to be repaid in full after 5 years.

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 that company at 31 December 2017 under these provisions was £1,480,000 (2016: £1,480,000).

18. DEFERRED TAXATION

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Deferred tax (asset)/liability at 1 January	(468)	953	(633)	808
(Credit)/charge to profit and loss account	(134)	330	(109)	310
Charge/(credit) to statement of comprehensive income	1,138	(1,751)	1,138	(1,751)
Deferred tax liability/(asset) at 31 December	536	(468)	396	(633)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

18. DEFERRED TAXATION (continued)

	Group		Port	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Accelerated capital allowances	1,789	1,830	1,637	1,665
Short-term timing differences	(12)	-	-	-
Deferred tax arising in relation to retirement benefit obligations	(1,241)	(2,298)	(1,241)	(2,298)
Deferred tax liability/(asset)	536	(468)	396	(633)
- of which due to be recoverable in one year	(1,253)	(909)	(1,241)	(909)
- of which recoverable after one year	-	(1,389)	-	(1,389)
- of which due to be payable in one year	1,789	1,682	1,637	1,665
- of which due to be payable after one year	-	148	-	-

19. ACCRUALS AND DEFERRED INCOME

	Group & Port	
	2017 £'000	2016 £'000
Deferred capital grants:		
At 1 January	480	762
Additions	-	43
Released to profit and loss account	(160)	(325)
At 31 December	320	480
- of which due to be released in one year	160	160
- of which due to be released after one year	160	320

20. EMPLOYEE BENEFITS

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

- The Milford Docks Company Defined Contribution Scheme, a defined contribution scheme providing benefits to Port staff where the assets of the scheme are held separately from those of the Group in an independently administered fund. Since it has no active members, no contributions are payable to this scheme.
- The Milford Docks Company Staff Pension Scheme (MDCSBS), a defined benefit scheme providing benefits based on final pensionable pay for the Port's full time staff. The most recent actuarial valuation of this scheme was as at 1 July 2017, but this report is not yet final; accordingly, the 2014 actuarial valuation is referred to. The assumptions in the 2014 actuarial valuation, which had the most significant effect on the results of the valuation, were 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 2014 actuarial valuation showed that the scheme's assets amounted to 104% of the value of the liabilities of the scheme as they fall due. Since it has no active members, no contributions are payable to this scheme.
- Milford Haven Port Authority Retirement Benefits Scheme (MHPARBS), a defined benefit pension scheme providing benefit for the Port's staff. During 2009, the Port 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 service cost of the scheme is charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Port. The contributions are determined by a qualified actuary on the basis of triennial valuations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

20. EMPLOYEE BENEFITS (continued)

The pension contribution for the year was £954,000 (2016: £905,000). There were no outstanding contributions payable to the fund at the end of the year (2016: £nil).

The most recent actuarial valuation was at 1 January 2018 but this report is not yet final; accordingly, the 2015 actuarial report is referred to. The 2015 actuarial valuation showed that the value of the scheme's assets amounted to 109% of the value of the liabilities of the scheme. The Port expects to contribute £988,000 to this scheme during the year to 31 December 2018.

- (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 £72,000 (2016: £72,000). The Port, in common with other competent harbour authorities, is making recovery plan payments to the PNPF. The Port's share of the deficit is calculated and recognised in line with defined benefit scheme accounting under FRS 102 and payments are made as they are invoiced by the Trustee. During the year, the Port paid deficit contributions of £512,000 (2016: £495,000) and will continue to pay for the remaining 11 years of the current 16-year deficit plan.

FRS102 Employee Benefits

The main assumptions used to calculate scheme liabilities under FRS 102 are:

	2017			2016		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
Inflation rate	3.2%	3.3%	3.1%	3.4%	3.3%	3.3%
Discount rate for scheme liabilities	2.6%	2.4%	2.4%	2.7%	2.6%	2.5%
Rate of increase in salaries	n/a	n/a	3.1%	n/a	n/a	3.8%
Rate of increase for deferred pensions and pensions in payment	2.2%	2.3%	2.1%	2.4%	2.3%	2.3%
CARE revaluation	3.2%	n/a	n/a	3.4%	n/a	n/a

The mortality assumptions used were as follows:

	2017			2016		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	Years	Years	Years	Years	Years	Years
Longevity in years at age 65 for current pensioners:						
- Men	21.7	17.3	21.7	22.2	17.3	22.2
- Women	23.6	21.7	23.6	24.2	21.7	24.2
Longevity in years at age 65 for future pensioners:						
- Men	23.1	17.9	23.1	23.9	17.9	23.9
- Women	25.1	22.4	25.1	26.1	22.4	26.1

Pension Funding Partnership

On 10 December 2013, the Group made a contribution to the MHPARBS of £8,470,000. On the same day, the Trustee of this scheme invested £8,470,000 in MHPA PFP Limited Partnership (SLP) as a limited partner. SLP was established by the Port to hold loan notes issued by Milford Haven Properties Limited, a wholly-owned subsidiary of the Group, with a value of £13,000,000. The Group retains control over this partnership, and as such is fully consolidated within these Group financial statements. As a partner in SLP, MHPARBS is entitled to an annual coupon on the share of the profits of SLP each year for 20 years.

Under FRS 102, the investments held by MHPARBS in SLP, an entity included within the consolidated results; do not represent a plan asset for the purposes of the Group's consolidated accounts. This is due to the definition of plan assets excluding any non-transferable financial instruments issued by SLP and held by MHPARBS. Accordingly, MHPARBS's deficit position presented in these Group financial statements does not reflect the current value of the investment in SLP held by MHPARBS. Distributions from SLP to MHPARBS will be reflected as pension contributions in these Group accounts on a cash basis. For the Port, the investment held by MHPARBS represents a scheme asset, and accordingly, the pension deficit position reflects the current value of the investment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

20. EMPLOYEE BENEFITS (continued)

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	At 31 December 2017			At 31 December 2016		
	MHPARBS £'000	MDCSBS £'000	PNPF £'000	MHPARBS £'000	MDCSBS £'000	PNPF £'000
Group						
Service costs						
- operating expenses	2,091	-	190	1,342	-	124
Past service cost	-	-	-	-	-	(7)
Administration costs	-	-	61	-	-	35
	2,091	-	251	1,342	-	152
Other finance charges/(income)						
- net interest cost	387	(5)	175	185	(6)	209
Total	2,478	(5)	426	1,527	(6)	361
Recognised in other comprehensive income	4,635	41	1,076	(8,980)	30	(1,225)
Port						
Service costs						
- operating expenses	2,091	-	190	1,342	-	124
Past service cost	-	-	-	-	-	(7)
Administration costs	-	-	61	-	-	35
	2,091	-	251	1,342	-	152
Other finance charges/(income)						
- net interest cost	150	(5)	175	(115)	(6)	209
Total	2,241	(5)	426	1,227	(6)	361
Recognised in other comprehensive income	4,805	41	1,076	(7,890)	30	(1,225)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

20. EMPLOYEE BENEFITS (continued)

The analysis of the assets in the scheme were:

	At 31 December 2017			At 31 December 2016		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Equities	30,571	157	5,726	27,818	169	5,375
Bonds	6,612	627	5,521	6,575	678	5,543
Cash	435	-	160	694	-	280
Annuity contracts	109	3,663	-	124	3,743	-
Property	6,363	-	-	5,857	-	-
Total market value of assets	44,090	4,447	11,407	41,068	4,590	11,198
Present value of scheme liabilities	(54,451)	(4,207)	(17,486)	(55,067)	(4,396)	(18,511)
Pension (liability)/asset	(10,361)	240	(6,079)	(13,999)	194	(7,313)
Related deferred tax	248	(41)	1,034	946	(37)	1,389
Net pension (liability)/asset	(10,084)	194	(4,924)	(13,053)	157	(5,924)
Port						
Equities	30,571	157	5,726	27,818	169	5,375
Bonds	6,612	627	5,521	6,575	678	5,543
Cash	435	-	160	694	-	280
Annuity contracts	109	3,663	-	124	3,743	-
Property	6,363	-	-	5,857	-	-
Investment in SLP	8,902	-	-	9,022	-	-
Total market value of assets	52,992	4,447	11,407	50,090	4,590	11,198
Present value of scheme liabilities	(54,451)	(4,207)	(17,486)	(55,067)	(4,396)	(18,511)
Pension (liability)/asset	(1,459)	240	(6,079)	(4,977)	194	(7,313)
Related deferred tax	248	(41)	1,034	946	(37)	1,389
Net pension (liability)/asset	(1,182)	194	(4,924)	(4,031)	157	(5,924)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

20. EMPLOYEE BENEFITS (continued)

Movements in the fair value of scheme assets were:

	At 31 December 2017			At 31 December 2016		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
At 1 January	41,068	4,590	11,198	36,891	3,945	10,335
Interest income	1,105	117	274	1,390	146	353
Actuarial gains/(losses)	2,174	(59)	460	3,423	724	1,048
Benefits paid	(2,016)	(201)	(1,096)	(2,321)	(225)	(1,118)
Members' contribution	278	-	48	266	-	48
Expenses paid	-	-	(61)	-	-	(35)
Contributions paid by employer	1,481	-	584	1,419	-	567
At 31 December	44,090	4,447	11,407	41,068	4,590	11,198
Actual returns on plan assets	3,279	n/a	734	4,813	n/a	1,401
Port						
At 1 January	50,090	4,590	11,198	45,037	3,945	10,335
Interest income	1,342	117	274	1,690	146	353
Actuarial gains/(losses)	2,344	(59)	460	4,513	724	1,048
Benefits paid	(2,016)	(201)	(1,096)	(2,321)	(225)	(1,118)
Members' contribution	278	-	48	266	-	48
Expenses paid	-	-	(61)	-	-	(35)
Contributions paid by employer	954	-	584	905	-	567
At 31 December	52,992	4,447	11,407	50,090	4,590	11,198
Actual returns on plan assets	3,686	n/a	734	6,203	n/a	1,401

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

20. EMPLOYEE BENEFITS (continued)

Reconciliation of present value of scheme liabilities:

	At 31 December 2017			At 31 December 2016		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'000	£'000	£'000	£'000	£'000	£'000
Group & Port						
At 1 January	55,067	4,396	18,511	41,802	3,787	16,629
Service cost	2,091	-	190	1,342	-	124
Members' contribution	278	-	48	266	-	48
Interest cost	1,492	112	449	1,575	140	562
Benefits paid	(2,016)	(201)	(1,096)	(2,321)	(225)	(1,118)
Actuarial (gain)/loss	(2,461)	(100)	(616)	12,403	694	2,273
Change in year	-	-	-	-	-	(7)
At 31 December	54,451	4,207	17,486	55,067	4,396	18,511

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the Group statement of comprehensive income is £9,385,000 (2016: £15,137,000). The Port equivalent is £8,114,000 (2016: £14,036,000). Only 2014 onwards is calculated under FRS 102 and so cannot be compared to earlier years.

Amounts for current and previous four years for MHPARBS, MDCSBS and PNPF:

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Group					
Defined benefit obligations	(76,144)	(77,974)	(62,218)	(63,733)	(56,252)
Plan assets	59,944	56,856	51,171	49,744	41,422
Net liability recognised in balance sheet	(16,200)	(21,118)	(11,047)	(13,989)	(14,830)
Total actuarial gains and losses recognised in the statement of comprehensive income	5,752	(10,175)	2,996	997	(1,692)
Port					
Defined benefit obligations	(76,144)	(77,974)	(62,218)	(63,733)	(56,252)
Plan assets	68,846	65,878	59,317	58,584	49,962
Net liability recognised in balance sheet	(7,298)	(12,096)	(2,901)	(5,149)	(6,290)
Total actuarial gains and losses recognised in the statement of comprehensive income	5,922	(9,085)	2,510	1,424	(1,622)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

21. TRANSACTIONS WITH RELATED PARTIES

There are no related party transactions in the year.

22. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	2017	2016
	£'000	£'000
Operating profit	2,987	5,445
Gain on sale of fixed assets	(59)	(68)
Depreciation charges (net of grants released)	3,563	3,391
Operating cash flow before movement in working capital	6,491	8,768
Increase in stocks	(6)	(118)
(Increase)/decrease in debtors	(1,038)	2,768
Increase/(decrease) in creditors	2,579	(876)
Difference between pension charge and cash contributions (note 20)	277	(492)
Tax paid	(693)	(821)
Cash generated by operations	7,610	9,229

23. CAPITAL COMMITMENTS

	2017	2016
	£'000	£'000
Contracted for but not provided in the financial statements	95	449

24. OPERATING LEASE COMMITMENTS

At 31 December 2017 and 31 December 2016 there were no operating lease commitments.

25 RESERVES**Revaluation Reserve**

This reserve records any (i) excess of fair value over depreciated historic cost for investment properties and (ii) any excess of depreciated replacement cost revaluations of other property, plant and equipment in the Group and, at the balance sheet date, amounted to £26,077,000 (2016: £25,547,000). As explained in (ii), it includes historical valuations of specialised marine assets up to 31 December 2015 when deemed cost at the last formal valuation at 31 December 2013 was adopted and will remain an unrealised reserve.

Profit and loss account

This records cumulative profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

26. MINORITY INTEREST

	2017
	£'000
Group	
At 1 January and 31 December	26

27. CONTINGENT LIABILITY

The Port is dealing with a small number of legal claims. The Directors have reviewed all of these claims and, on the basis of legal advice received, believe that no provision is necessary. Consequently, no provision for these claims has been included in these financial statements.

It is currently impracticable to make any additional disclosures in relation to the estimated financial effects, their timing and the possibility of any reimbursement.



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