

together
making a difference



Port of Milford Haven
Annual Report & Financial Statements

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strategic report

“It is difficult to imagine a more challenging backdrop to trading than 2020. The spread of the coronavirus global pandemic (“Covid-19”) swept away many norms. I remain deeply impressed by the Port’s resilience and the aptitude all our staff have shown in extraordinary times.

My enduring memory of how the organisation has adapted to the challenges will be underscored with a sense of enormous pride in our whole team. As a designated key worker operation, it’s also underlined how critical the Port and the other Waterway businesses are to the UK energy infrastructure.”

Chris Martin, Chair





Chris Martin, Chair

welcome

from our Chair, Chris Martin

LNG shipment numbers continued on from their strong performance in 2019 with further increases at both terminals. We were also reminded of the critical importance of the Port to the UK's strategic energy mix. At one point in 2020, 85% of the gas consumed in the UK came from the terminals on our Waterway. The strong LNG volumes helped to counter some of the negative impact which Covid-19 has had on other areas of the business, however total revenue was down 10% year on year at £25.2m (2019 £28.1m). This has had a major impact on the Group's profitability and as a result we report an operating loss of £0.7m for the year (2019 £5.7m operating profit). Although it is disappointing to report a loss for the year, we fully expect to return to profitability in 2021.

Despite tough trading conditions we were able to continue our programme of investment in the resilience of our marine teams and assets to ensure we not only met the needs of our existing customers but have the capacity to handle growth, manage uncertainty and continue our strive for operational excellence.

In the first 60 years of its existence, the Port of Milford Haven successfully handled the emergence of two energy revolutions on behalf of the UK. First there was the domestic oil refining boom and then, just over 50 years on, the arrival of LNG. Now well into its seventh decade, the Energy Capital of the UK is gearing up for a third revolution – low carbon energy.

On the south banks of the Waterway, we took a huge step forward in our mission to create a world-class base for marine energy and engineering at Pembroke Port in Pembroke Dock. The UK and Welsh Governments approved the business case for the Pembroke

It is difficult to imagine a more challenging backdrop to trading than 2020. The spread of the coronavirus global pandemic ("Covid-19") swept away many norms. Whilst I wish this could be a retrospective analysis of our business in a pandemic, I know we are not out of the woods yet. However, I remain deeply impressed by the resilience of the business and the aptitude all our staff have shown in extraordinary times.

This report contains a section about the response to the Covid-19 pandemic so I will not go into too much detail here, but my enduring memory of how the organisation has adapted to the challenges will be underscored with a sense of enormous pride in our whole team. As a designated key worker operation, it's also underlined how critical the Port and the other Waterway businesses are to the UK energy infrastructure.

This time last year, I wrote that we should celebrate the successes of 2019 'even as we face the challenges of 2020'. This wasn't intended to be a foreboding comment. However, I'd like to take a cue from that and review the positives of 2020, even as we continue to face the challenges that year has brought us.

Overall, shipping was down, as the demand for aviation and other transport fuels fell. However,



“Marine renewable energy, such as offshore wind, wave and tidal generation, has enormous potential to help the UK meet its target of net zero emissions by 2050.”



Dock Marine project in June. As part of the Swansea Bay City Deal, this £60m investment where we are the principal private investor is expected to generate £73.5 million a year for the regional economy and create more than 1,800 jobs in the next 15 years. This would not be possible without the support of Pembrokeshire County Council, an important point which underlines the value of our close working relationship to the future economic prosperity of Pembrokeshire.

Marine renewable energy, such as offshore wind, wave and tidal generation, has enormous potential to help the UK meet its target of net zero emissions by 2050. The UK government has mapped out a strategy for a green industrial revolution that recognises the economic benefits of leading the world in the development of renewable technologies. The Port of Milford Haven has continued to work closely with the Welsh and UK Governments to do its part to ensure Pembrokeshire has a valuable stake in that revolution.

As the chairman of this Trust Port, it is my duty to ensure the business is in better shape when I leave than when I took up the position. Supporting the emergence of marine renewables is central to our strategy to manage the transition away from oil as an important source of energy in the UK.

I am also very pleased to report that we made good progress elsewhere in our mission to diversify our business.

Plans for Milford Waterfront, a destination that is fast becoming one of West Wales' gems, proceeded despite the pandemic. 2020 was obviously a challenge given almost an entire

year's carefully planned events diary was wiped out. However, our team adapted and kept spirits up over the long months of lockdown by working with great imagination to maintain a buzz and sense of community. The strategic focus on developing the 'sense of place' for Milford Waterfront has not wavered either and I was very excited to see construction of the Port's new 100 bed hotel commence towards the end of 2020, that will become part of The Celtic Collection's portfolio of Tŷ Hotels managed by the team responsible for Celtic Manor Resort.

Although our property assets have been negatively impacted by market conditions on a valuation basis, commercially the portfolio continued to perform well, achieving record occupancy levels. As someone who is deeply committed to charitable causes, I was also pleased that our Board was able to commit to rent-free periods for all our tenants with charity status during the lockdowns.

2020 also saw the final Brexit countdown to the official departure date from the European Union. Despite the uncertainty that remains, we were pleased to secure a continuation of our contract with Irish Ferries. This is a compelling counter to the narrative that Brexit would threaten our ferry terminal, and all credit is due to our Pembroke Port team. They have consistently provided an outstanding service to our partners at Irish Ferries.

Finally, we welcomed four new directors to our Board during the year: Jonathan Chitty has joined the Port as our new Chief Financial Officer and Executive Director, and Debra Bowen Rees, Erica Cassin and James Nyhan have joined as Non-Executive Directors. All four bring with them a wealth of experience which will be

highly valuable to our organisation. We also say farewell and heartfelt thanks to Andy Edwards, Anne Jessop, and Rick Squires who have stood down. They have contributed with great professionalism and they should all be proud of the legacy they will leave around the Haven.

I believe we come out of 2020 more confident. Not even the most ardent disciples of disruptive management would have prescribed, in 'peacetime', the measures we had to take to keep our operations running efficiently and safely through the pandemic. Yet because we are a resilient business with dedicated and professional personnel, I believe the disruption has served to make us stronger. That the staff have embraced change and crisis with such calm professionalism is testament both to them, and to the culture that Andy Jones and his team have instilled since he took over as Chief Executive Officer. Thank you, Andy.

I would also like to add my personal thanks to my Board for helping us all steer through 2020. Their resolute support, measured advice and wise counsel have been invaluable in the toughest of times. Thank you all, diolch yn fawr iawn i chi gyd.

Chris Martin, Chair



Andy Jones, Chief Executive

How would you summarise the performance in 2020?

2020 was the year that tested every aspect of our standing as a Trust Port. As a business, we acquitted ourselves well, ensured we had the resources to weather the storm and delivered the services our customers and stakeholders require and expect us to deliver while also bringing a fresh perspective on our collective need for sustainability. Our role enabling a critical link in the UK's supply chain of energy and goods was demonstrated in abundance. We made good progress with partners to further our exciting plans on both sides of the Waterway. The pandemic has had a clear negative impact on our financial results in 2020 and we will, of course, talk more about our financial performance within the report. However, it is not the only lens through which I would choose to judge our accomplishments in this very unusual year.

What was your key highlight for 2020?

At the outbreak of the pandemic, as its scale and reach became clear, we all asked ourselves what we would want to be remembered for in years to come. It was the values we uphold as a Trust Port, a business that exists within, and for the benefit of, our community - our employees, their

families, our customers and people living and working around the Waterway - that we decided warranted special focus.

Two thirds of our workers are on the front line. Thanks to the incredible commitment of all our staff, we were able to re-engineer the way we operate so that we could keep energy shipments moving, ferries running smoothly and goods arriving and leaving from our port. One third of our 190 staff, also key workers, were at home. Remote working is just that though, remote and tough for many. We did whatever we could to help staff adjust to home working, many balancing work and home schooling. In turn, our staff who worked from home offered to help out those on the front line with shopping and other chores. The community within our organisation strengthened as the lockdown continued. We were looking out for each other.

That duty of care extended outwards, to our customers. Some of our tenants' businesses were under threat. Where we could, we worked to help them through the lockdown. Beyond them were our communities; we asked what we could do to help? Staff opted for paying for face shields for NHS front line workers and topping



chief executive's Q&A

up funding for a charity that lost revenue when its high street stores were closed, to name a few. In summary, our staff have been terrific, and as a Trust Port I believe we have struck the right balance in the way we've operated through a challenging year.


What are the priorities for 2021?

Firstly, we must remain safe, strong and supportive as the Covid-19 response continues to affect all our lives.

During 2020 we looked afresh at how our business is shaped to deliver our strategy. We've made changes to our structures, and post-pandemic will see those changes start to make a difference.

As a Port Authority first and foremost, continuing to keep our customers' needs at the centre of all our efforts is vital. Our work to improve and enhance the resilience of our marine service will continue in 2021.

Collaboration is key to success in all parts of our business, and closer working with partners will be a priority for me and for my team. Nowhere more so than within our Port Services. At Pembroke Port, a huge collaborative project really starts taking shape this year. Pembroke Dock Marine is a centrepiece not only of our



“In 2021 and beyond, the reshaping of our business will allow us to demonstrate a clearer and better-structured sense of purpose. However, I want us to do more than that. By being able to express not simply *what* we do, but *why* we do what we do, we want to help inspire our stakeholders to join us in the common cause of driving economic, cultural, environmental and social improvement in Pembrokeshire. Quite literally everything we do as a business has a shared purpose with everyone who has a stake in Pembrokeshire’s future.”

own diversification strategy (it represents a £13.5m investment by the Group itself), but of a wider effort to put Pembrokeshire at the centre of the marine renewable energy revolution, involving the support of Pembrokeshire County Council, the Welsh and UK Governments.

We have also put the value of sustainability at the core of our business. The word means many things, but for us it is about making the right development decisions to meet today’s needs, without compromising the needs of the future. Pembroke Dock Marine is an exemplar of this kind of sustainable development. The extensive work we do to make Pembroke Port a home for marine renewable development, the investment we and others make, will deliver returns for Pembrokeshire for generations to come. It will provide a sustaining industry in an environmentally sustainable sector. All this in a part of the country that is rich in natural resource but, right now, has too fragile an economy.

Moving on to our Hospitality and Tourism activities, with planning now consented construction of a new hotel at Milford Waterfront is well underway. We are determined to pick up the pre-Covid-19 momentum again in 2021 that had already brought such a buzz to the Waterfront, and we want to be ready for when life returns to normal. We will continue to work closely with Pembrokeshire Tourism and others to help grow and extend our county’s reputation as a high-quality destination.

Finally, the fourth pillar to our business, our Investment Portfolio will continue to give us the stable cash flow to support our wider investment plans.

What are the longer-term growth plans?

We will continue to work and invest to build the Haven’s prosperity. We anticipate that Pembroke Dock Marine will help trigger a period of inward investment that will directly benefit our Port Services business. Already, we’ve seen commitments from investors Blue Gem Wind to roll out their 96MW Erebus floating wind project 45km off the Pembrokeshire coast. As those and other investors’ ambitions grow, the need for more marine and onshore facilities along the Waterway will grow with them.

When we look ahead to what the Port can be, and how it might continue to power the regional economy in the long term, we need to look at the opportunities that Freeport status might bring. We believe a Freeport, with its ability to attract investors with duty and regulatory reliefs, at the Port of Milford Haven represents the best opportunity for Wales and we await an announcement from Welsh Government. Freeport status could boost our regional supply chains and give confidence to investors and manufacturers in low carbon industries that we are looking to attract here, including marine renewables, floating offshore wind, hydrogen fuel development and energy connectivity. Modelling suggests a successful Freeport could support between 1,200 and 2,750 jobs and between £22 - £50 million in GVA annually for south-west Wales, after 20 years of Freeport-related growth. Again, with an eye to the future, we continue to work with partners to explore the possibilities of hydrogen as a fuel to help power the decarbonisation of the economy.

In 2021 and beyond, the reshaping of our business will allow us to demonstrate a clearer

and better-structured sense of purpose. However, I want us to do more than that. By being able to express not simply *what* we do, but *why* we do what we do, we want to help inspire our stakeholders to join us in the common cause of driving economic, cultural, environmental and social improvement here in Pembrokeshire.

Quite literally everything we do as a business has a shared purpose with everyone who has a stake in Pembrokeshire’s future.



Andy Jones, Chief Executive

our purpose,

Our Purpose: To Build the Haven's Prosperity

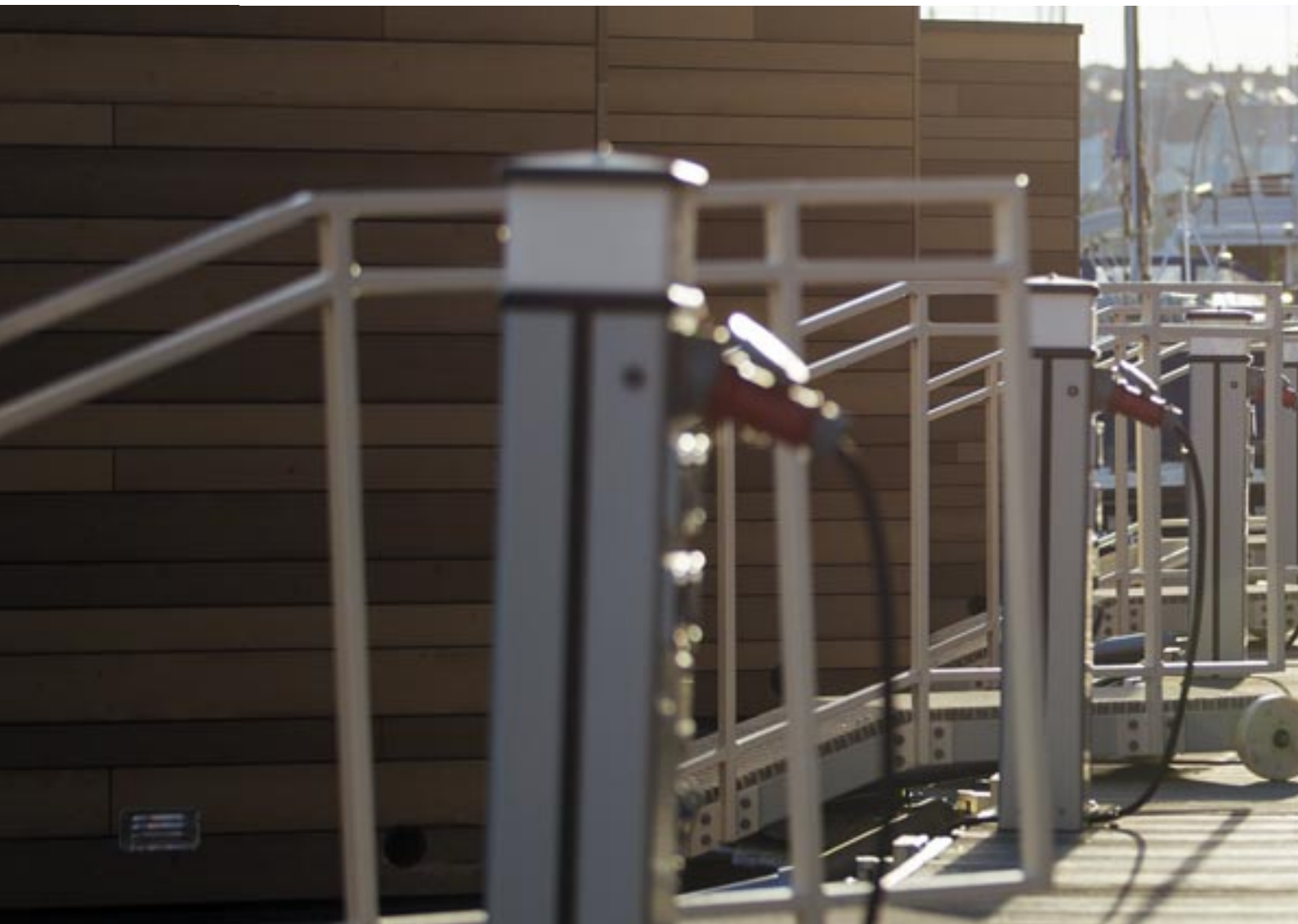
At the Port of Milford Haven, we're fuelled by our vision to play a key role in building the Haven's prosperity. As a Trust Port, firmly rooted to Pembrokeshire, we are in a unique position to be able to do this. Prosperity is not just about a healthy economy, it is also about creating a place where the community has access to rewarding careers, that is culturally rich, where we have a positive contribution on our natural environment and where our communities are stronger. By keeping our eyes fixed on this exciting vision and our minds focused on our strategy and plan, we'll continue to evolve, deliver value for everyone who depends on us and contribute to a bright, buoyant and prosperous future for the people and businesses of Pembrokeshire.

Our Strategy:

To achieve our purpose, our strategic direction will be to invest in and support the stability of our core operations while encouraging the growth of new opportunities in our core areas of focus:

- Port Authority
- Port Services
- Hospitality and Tourism
- Investment Portfolio

A final but equally important area of focus will be to ensure we have the right organisational capability and capacity to deliver on our strategy and drive our core values of Safety, Collaboration, Excellence, and Sustainability.



strategy and values

Our Values

Safety

Safety will always come first in everything we do. Each year we make it a priority to invest in improvements that ensure a safe working environment for our staff, for river users and for visitors to our properties. For example, in 2020 we upgraded navigation beacons and radio systems critical to the safety of all river users on the Waterway. We also made improvements to escape ladders in the waters around Milford Marina and extended security patrols around Milford Waterfront to help protect businesses and the general public.

Collaboration

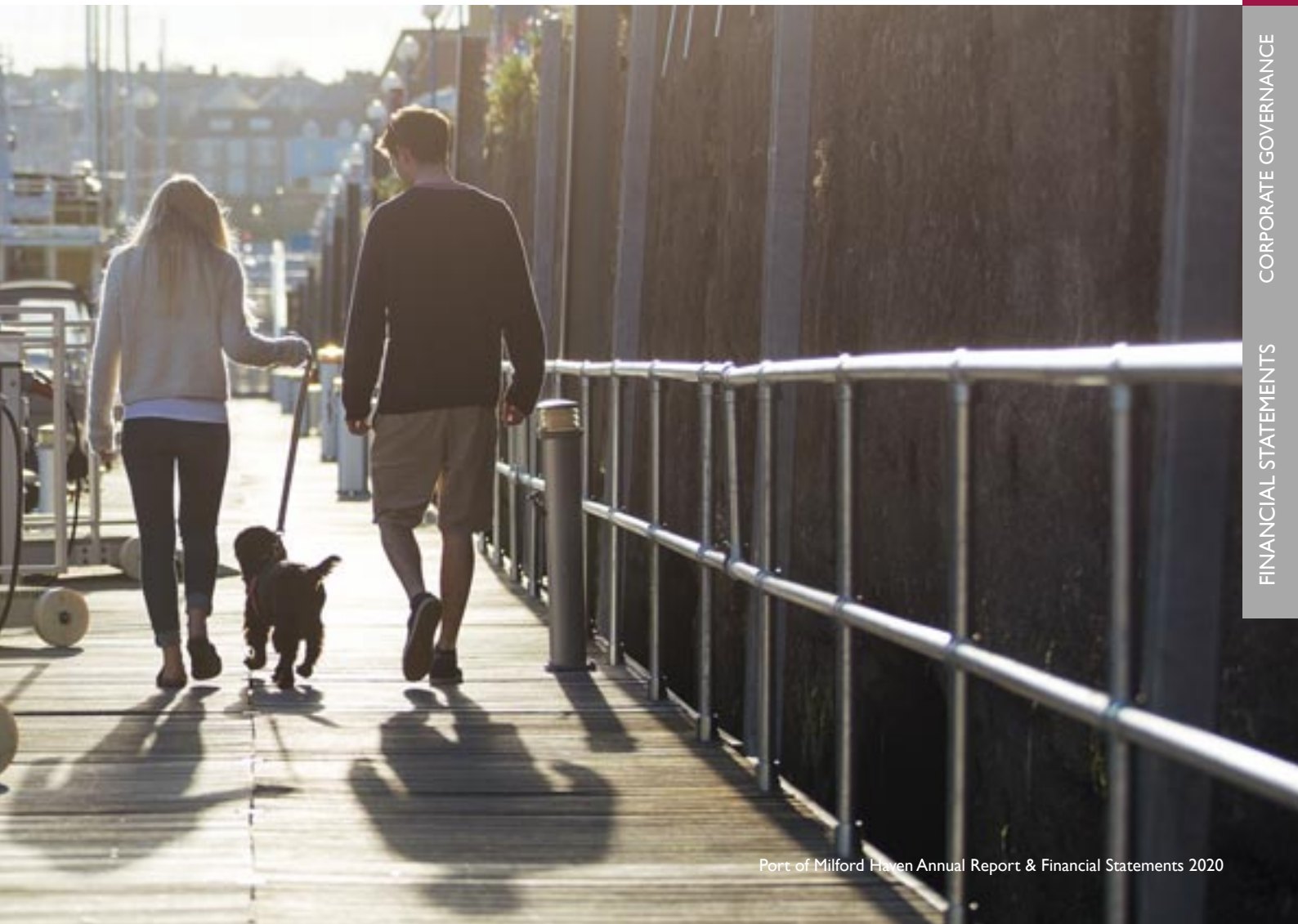
Working together is key to our collective success. We work with a large number of partners to deliver not only our goals as a business, but also our wider ambitions as a Trust Port working for the benefit of future generations in Pembrokeshire. For example, the closer working relationship we have developed with Pembrokeshire County Council over the last two years has created a powerful partnership that has the means and the drive to energise Pembrokeshire's economy. The project to make the Waterway a global centre for marine renewable energy development, Pembroke Dock Marine, was made possible by this collaboration.

Excellence

We will always strive to surpass expectations. Our commitment to our customers is not simply to deliver services, but to add greater value to *their* business by constantly improving our own. For example, our team at Pembroke Dock Ferry Terminal continued to streamline and improve ferry loading procedures in 2020, often helping Irish Ferries to make up for time lost as a result of bad weather.

Sustainability

Our business must meet the needs of today without compromising opportunities for future generations. For example, we are fully committed to decarbonising our operations, as well as making substantial investments to help the UK meet its targets for net zero emissions by 2050, for the benefit of future generations. However, we need to ensure the actions we take to achieve these goals work alongside our ability to deliver on the needs of our customers and stakeholders today.



our response to Covid-19

Our overriding principles from the start of the pandemic were to: protect our staff, their families and our community; maintain a safe, reliable port operation; and keep the rest of the business moving at a sustainable pace whilst recognising the situation we were all facing.

Front Line Operations

From the outset, it was vital to plan for the worst-case scenario. We identified our core front-line teams that needed to be protected within 'bubbles' and core operations were maintained at normal levels throughout. As a critical infrastructure asset of national importance the Port would not function without our frontline colleagues and we thank them all for the dedication and commitment they have shown throughout the pandemic; they have been a true asset to the business and the Nation.

Home Working

All other staff were asked to work from home, wherever possible. As we had recently transitioned to a cloud-based software solution, the switch was possible at speed and we were able to react ahead of some of the formal guidance. We quickly recognised that home working was more effective than we would have anticipated. While we've provided whatever equipment was needed to make home working as effective and comfortable as possible, we do acknowledge that we've had to step into people's home and their lives. Our staff working at home have played a key role in protecting our frontline operations and keeping the business running effectively. We thank them and their families for their support in making this possible. Like many other businesses, this transition has prompted us to learn from the best aspects of remote working and consider a more flexible approach to work post-pandemic.

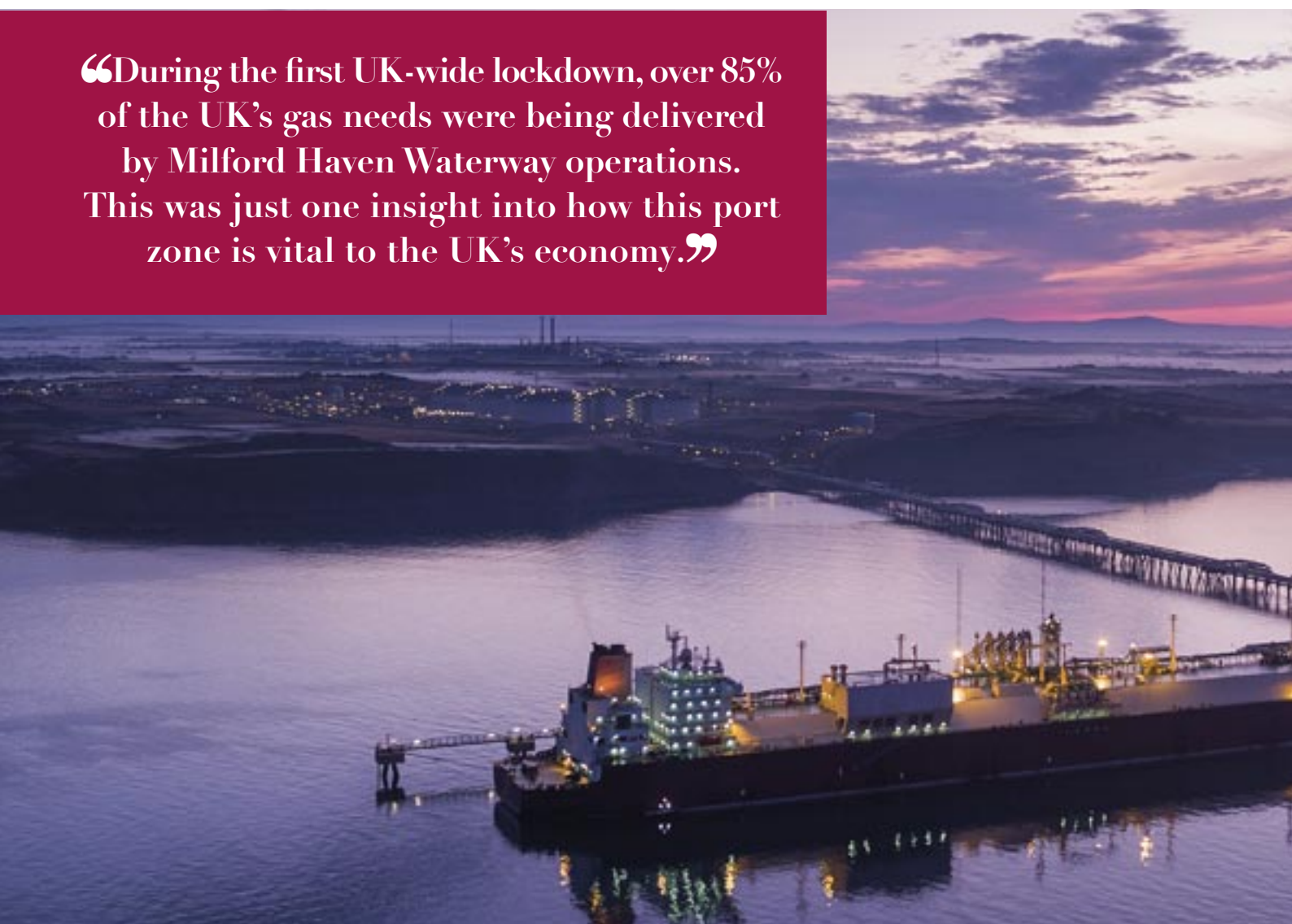
Mental Health and Wellbeing

With employee mental health in mind, we emphasised that there was no requirement to follow a strict 8-hour work pattern, and that regular breaks, walks and exercise would be highly beneficial. We have tried to recreate the social aspect of the workplace by encouraging virtual interactions including regular online team briefings which kept staff in touch with each other, and the Chief Executive ran fortnightly video Q&A sessions with all staff.

Community

With provision made for the wellbeing of our staff and for the smooth continuity of operations, we explored ways to support our immediate community. We made a significant donation to the Paul Sartori Foundation to help them continue to deliver their services, gave our tenants with charitable status rent free occupation during lockdown and gave in-kind support to Patch by helping to deliver support parcels across the

“During the first UK-wide lockdown, over 85% of the UK’s gas needs were being delivered by Milford Haven Waterway operations. This was just one insight into how this port zone is vital to the UK’s economy.”



county. We also donated to a local firm, CUB3D, who were making face visors for staff at Withybush Hospital and other NHS and key worker staff. This donation allowed them to supply over 2,000 visors which were in short supply at that time.

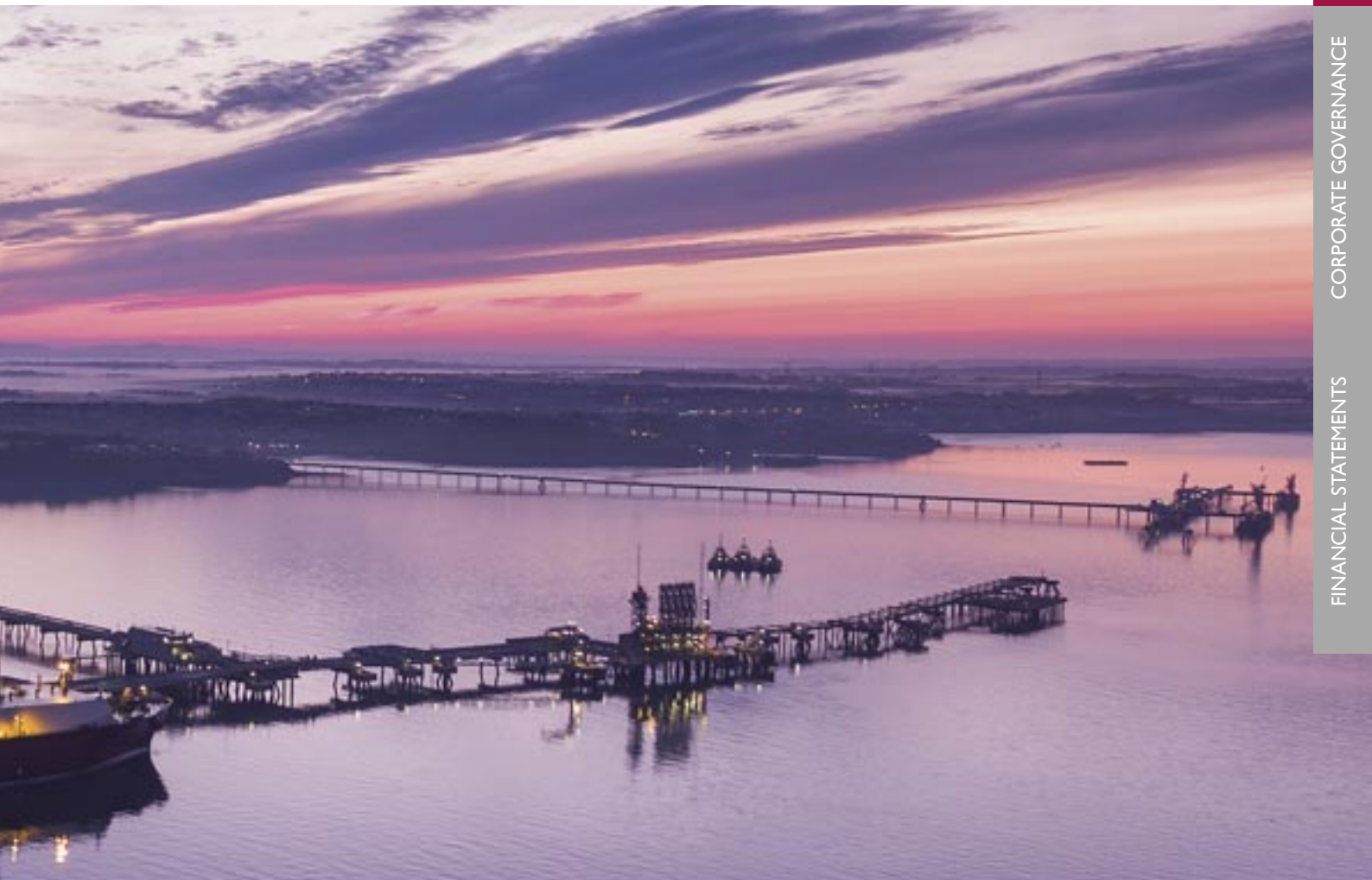
Financial Performance

The impact of Covid-19 is clear to see in the financial performance for 2020. Turnover was over 10% down on 2019 levels at £25.2m for the year (2019 £28.1m) with reduced income levels experienced across all areas of the Group (see note 3 to the financial statements). This reduced level of sales has impacted profitability and a loss is reported for the year; at the operating level the loss is £0.7m (2019 £5.7m profit). The year on year reduction is due to the reduced income and increased operating expenses relating to the pandemic, including impairment provisions against the development costs due to the current market conditions in the property sector (as highlighted

as a risk in last year's financial statements) of £2.0m (2019 £0.5m). This is also reflected in the valuation of the Group's Investment Property Portfolio with a loss on revaluation reported of £1.3m in the year (2019 £1.2m loss) which brings the overall loss before interest and tax to £1.9m (2019 £4.5m profit).

Despite the negative impact on the financial performance as reported in the Profit and Loss account, the Group has managed its cash flow very closely throughout the pandemic, conserving cash flow and reporting a net cash inflow from operating activities of £7.1m for the year (2019 £9.6m inflow) despite the operating loss.

The Group has demonstrated its financial resilience during the crisis and year-end cash of £21.8m is available to support the continued operations and enables us to drive forward with our major growth plans when the impact of the pandemic lessens.



our people



Culture

We'd rather remember 2020 as the year we moved closer together than the year we were kept apart by a pandemic. Even working at distance has given us the opportunity to further strengthen a culture of mutual support and shared purpose.

Collaboration is one of the Port of Milford Haven's core values. It means not only working with outside stakeholders to achieve our objectives, but also effective co-working throughout our business. Our culture is to enable staff to feel empowered to make decisions at the appropriate level but also to feel consulted in decisions that directly impact their roles. We will continue to work to make collaboration more productive for all in pursuit of operational excellence, another one of our core values.

We made good progress in 2019 with employee satisfaction rising sharply. Rather surprisingly given the uncertain times the pandemic presented to us all, this culture change improved in 2020 with a further increase in employee satisfaction reported. It is a testament to our culture that, despite the natural anxiety that Covid-19 caused, staff became very conscious of the wellbeing of their colleagues, looking out for each other whether continuing to work on

the front lines or being required to work remotely from home, some of us in isolation. We were all in it together.

In moving forward, we will continually work to strengthen our culture. Building on the core value of sustainability, we will explore how new ways of working can create opportunities to enhance the work:life balance and ensure the Port remains a fair, inclusive, vibrant, and enjoyable place to work.

New Team Structure and Skills Development

To help staff work better to their strengths we developed a new team structure, rolled out at the start of 2020. This reorganisation was aimed at ensuring we deliver the needs of our core customers and continue to grow our business. We have also established a dedicated project delivery department that will ensure we can meet the demands associated with our flagship projects.

We launched an online training portal for staff to ensure personal development could continue throughout the year. With thousands of online classes employees can now strengthen existing skills and develop new ones without needing to travel.

We were also very proud to retain our Investors in People accreditation.



“Building on the core value of sustainability, we’ll explore how new ways of working can create opportunities to enhance the work:life balance and ensure the Port remains a fair, inclusive, vibrant, and enjoyable place to work.”

New Team Members

We ended 2020 with 190 employees.

We filled two senior roles in May; Jonathan Chitty joined as our new Chief Financial Officer, and Steve Edwards joined us to fill the newly created post of Commercial Director. Steve’s role is to look beyond our current strategy to what opportunities lie further ahead, linking with the UK’s maritime 2050 strategic ambitions and net zero carbon emissions targets.

Recruitment to build resilience in our marine operations continued, with pilot numbers an important area of focus. It takes more than five years for a newly appointed pilot to attain Class I status to operate here. With a predicted growth in shipping ahead, we need to act now to build an experienced team of pilots as others retire.

Wellbeing

The promotion of employee wellbeing shifted from being a cultural focus to being a priority issue as Covid-19 continued to impact all our lives. All of our staff are essential workers, but not all were needed on site.

As part of a long-term commitment to employee mental health, for several years the Port has contracted a company to provide professional counselling services and also training

that helps staff better understand the causes of mental health issues. This continued in 2020 though had to adapt to offer distance support.

These were unprecedented times and we were both the same and a completely different organisation. The experience we have gained, albeit enforced, about the upsides of flexible working and enhanced communications, even the importance of simple shared humanity and looking out for the wellbeing of one another, will aid all of our relations in the years to come.

our business trading results

Trading results for the Group and key performance indicators for 2020 compared to prior year are summarised:

	2020	2019
	£'m	£'m
Turnover	25.2	28.1
EBITDA	2.1	8.2
Operating (Loss)/Profit	(0.7)	5.7
Cashflow from operating activities	7.1	9.6
Cargo Volume (tonnes)	33.5m	35.0m
Dues paying ships (gross tonnage)	57.7m	57.6m
Dues paying ship movements (number)	1,831	1,948

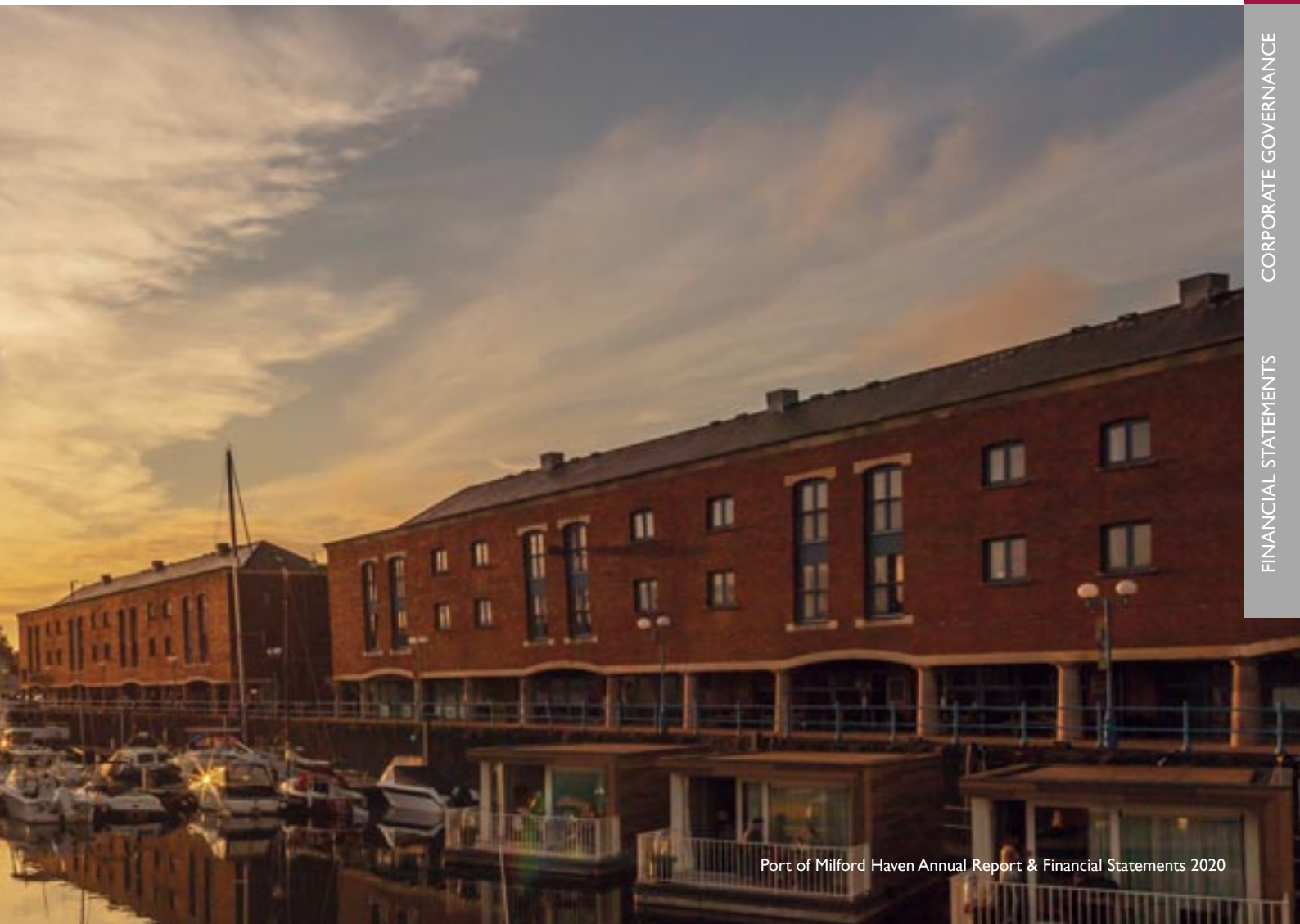


business model

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 operates port services at sites in Milford Haven and Pembroke Dock, and has a diverse investment portfolio and an emerging interest in the Hospitality & Tourism sector. 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 strategy.

The Port, as a commercial entity in active competition with all other ports, is financed through retained profits and conventional bank lending. At the Group level, we finished the year with £21.8m of cash. We have access to a flexible credit facility which gives access to additional funding if required, hence we are well placed to continue re-investment into our trading base, react to opportunities that present themselves and maintain business-critical assets as the need arises.



principal risks and uncertainties

The Board reviews the overall Risk Register on an annual basis. Risk appetite has been defined for specific risk categories and is included in our Risk Management policy. The principal risks and uncertainties facing the business, and actions taken to mitigate them, are:

Risk	Mitigation
<p>Risk To Operational Continuity</p> <p>The Milford Haven Waterway is considered a part of the UK critical national infrastructure and therefore we recognise the potential financial and reputational losses associated with a business disruption.</p>	<p>We maintain and exercise a robust set of contingency and emergency plans, which involves working closely with our stakeholders to ensure we are prepared should an interruption occur.</p> <p>More generally in relation to operational risk, we are committed to ensuring effective and efficient operations and have established a Safety and Environmental Management System (SEMS) to help continually improve performance. The system follows the Plan-Do-Check-Act cycle.</p>
<p>Risk to Financial Resilience</p> <p>Our financial instruments comprise borrowings, cash and various items such as trade debtors and creditors that arise directly from our operations. We are not generally exposed to movements in exchange rates as we trade in sterling (GBP) with major customers, and currencies other than sterling are only occasionally used.</p>	<p>Our policy is to ensure that current cash reserves are held for future development within Pembrokeshire. We invest our cash balances in UK banks with low return/low-risk deposits. We finance our operations with a mixture of retained earnings and term debt. Loans are at a fixed rate or based on LIBOR and we have a revolving credit facility to support short-term needs and future investments.</p> <p>We do not actively seek high-risk high return projects and are circumspect in choosing our trading partners and, where appropriate, joint venture partners. We adopt financial controls in line with industry best practice and manage costs as we seek to deliver on our development plans at Milford Waterfront and Pembroke Port. This necessitates continual monitoring and reviewing through vigorous project governance.</p>
<p>Risk to Fit For Purpose Assets</p> <p>We have a wide variety of assets that are required to deliver services to our customers, and we continue to seek new opportunities to maximise the use of these.</p>	<p>We are committed to ensuring adequate stewardship and maintenance of our assets by sustaining a strong balance sheet.</p> <p>We have adopted a risk-based approach, implementing our Asset Management policy and undertaking what is reasonable and practical to ensure assets remain in a suitable condition through a robust inspection and maintenance regime.</p>

Risk	Mitigation
<p>Diversification Programme Risk</p> <p>The most significant risks in relation to our diversification programme are the Milford Waterfront and Pembroke Dock Marine developments.</p>	<p>We have established appropriate project governance and are seeking support and advice, when necessary, from external consultants. We have a strong desire to work collaboratively with our stakeholders, recognising that these important projects cannot be delivered alone. Contract risks are being managed through a rigorous procurement process.</p> <p>Securing sustainable diversified income streams will help us mitigate against the significant revenue fluctuations that can occur within the oil and gas industry and remain out of our control.</p>
<p>Risk to Reputation and Influence</p> <p>Our reputation and influence can be affected by internal failures, by external events outside our control and through the management of our stakeholder expectations.</p>	<p>We have established a Stakeholder Accountability Committee and have good control over our messaging and relations with the media through a proactive PR and Communications department. In support of our purpose to build the Haven's prosperity, we reinvest our profits into the business to secure the future sustainability of the Port, which in turn has positive impacts across Pembrokeshire in terms of job creation and economic growth. We also have powers within our Act to make investments which are likely to provide economic, social, cultural or environmental benefits to all or some of the population of Pembrokeshire.</p>
<p>Regulation, Governance and Compliance Risk</p> <p>As a Trust Port, we are governed by an Act of Parliament. In addition, we adopt a best practice code of governance using the Department for Transport's guidance document "Ports Good Governance Guidance" to ensure an efficient, accountable and competitive Trust Port.</p> <p>The obligations on the Port therefore are (1) first and foremost to comply with its Acts, and (2) operate so far as reasonably practicable and relevant to the particular circumstances of Milford Haven, in accordance with the guidance set out in "Ports Good Governance Guidance".</p>	<p>To meet these obligations, we have developed a Governance Manual, established an Audit & Risk Committee and conduct internal and external audits.</p> <p>We have policies and procedures in place to ensure compliance with legal obligations and industry standards. These are reviewed regularly, underpinned by a continual focus on ensuring our employees abide by the highest standards of governance and integrity while focused on achieving our strategy.</p>
<p>Culture, Values And Behaviours Risk</p> <p>Our core values - Safety, Collaboration, Excellence and Sustainability - are central to the credibility of, and confidence in, the Group to deliver safe and superior services. It is recognised that we undertake activities that pose significant safety risks.</p>	<p>In providing our services we utilise dedicated employees and we aim to create an environment where employees are motivated and empowered to the full extent of their abilities.</p> <p>We adopt a positive safety culture through the proactive reporting of accidents, incidents, near misses and concerns through our Assurance Framework. This Assurance Framework is the over-arching structure that sets out the Group's approach to dealing with risk and ensures the comprehensive management of risk in all its forms.</p> <p>To mitigate behavioural risks, we invest in our people through training and reward and have established both an Employee Forum and a Wellbeing Team. Our leaders work hard to embody our values and vision and cultivate a positive culture.</p>

Covid-19:

Over the last year we have closely engaged with all stakeholders to manage the various implications of the Covid-19 pandemic. The Group continues to mitigate the risk to the extent possible, consistent with the advice of regulatory bodies. We have utilised our Critical Incident Response management procedures and established a Covid-19 Planning Team which meets frequently to co-ordinate our response across our operations to the latest developments. The number one priority is the safety of our people and visitors to our sites. Mitigation measures taken include social distancing, the wearing of PPE, increased hygiene measures, remote working and curtailing of non-essential on-premises meetings. We have also ensured minimal business disruption by determining early in the pandemic what our priority areas were for maintaining operational resilience and focusing efforts on mitigations in order to continue safe operations.

Climate Change:

As a port handling more than 30 million tonnes of cargo annually, we recognise the challenges that climate change could bring to our operations, both in relation to the predicted change in weather patterns and the UK Government's commitment to achieving a Net Zero Carbon economy by 2050. The environment and our contribution and impact on it is a core element of our SEMS framework, and we report on adaptation to climate change; our last report being submitted to DEFRA in March 2011. We have shown strong environmental leadership by adopting solar energy and have invested heavily in PV infrastructure over the past 10 years. We continue our commitment to long-term environmental surveillance and monitoring through the Milford Haven Waterway Environmental Surveillance Group and actively seek projects to reduce our carbon footprint such as bio-mass boilers, LED lighting and electric vehicles, as well as other indirect carbon-offsetting measures.

Cyber:

The digital world creates many risks for a business. With the increasing severity of complex cyber-attacks, we continue to monitor and test the effectiveness of our security infrastructure and our ability to defend against current and future cyber risks. We mitigate the risk of breaches through the implementation of multiple layers of software and processes, including firewalls, VPN (Virtual Private Network) access and penetration testing. We also communicate regularly with the NCSC (National Cyber Security Centre) in regard to the latest threats and risks to our sector. This includes sharing examples of best practices and communication on known cyber-attacks.



“We continue to meet and exceed benchmarks set by the UK port industry by continuously reviewing our policies and procedures to ensure they remain fit for purpose.”

safety & security

Port Marine Safety Code

The Port Marine Safety Code (“Code”) 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.

As the duty holder under the Code, the Board is fully committed to providing a safe environment for any person within the Port of Milford Haven limits. Our Safety and Environmental Management System embraces the concepts and standards of the Code and its best practice guide. It is subject to both internal and external audit. Compliance is reviewed every three years with the Port’s next review due in 2021.

As part of our commitment, we annually agree a safety plan and are required to report on success in achieving objectives. 59 actions were identified in 2020 for the marine division, with a 93.6% completion target rate achieved.

Port Safety

The Port recorded another year with zero Lost Time Incidents. An improved culture of spotting incidents before they happen and stopping and recording unsafe acts or conditions has helped us maintain a record zero Lost Time Frequency Rate.

We continue to meet and exceed benchmarks set by the UK port industry by continuously reviewing our policies and procedures to ensure they remain fit for purpose. Two examples from 2020 have been our focus on developing our Asbestos Management and Permit to Work procedures.

In 2020, a health and safety consultancy was appointed to assist and to further build the Port’s health and safety management systems.

A focus for 2021 will be to continue to develop our safety culture. Safety interactions by managers, senior management and Directors throughout the year will help us continue to strengthen our safety culture.

Port Security

In 2020 we collaborated closely with security services, key stakeholders and terminals operating along the Waterway to develop improved secure communications in the event of any incident.

These systems were tested successfully with a live security exercise held in early 2020.

The Port hosts the role of Chairperson for the Port Security Authority and the Port Security Officer, whose job is to develop, implement, maintain and update the Port Security Plan.

Under Regulation 19 and schedule 5 of the Port Security Regulations 2009, security training exercises must be carried out at least once in each calendar year with no more than 18 months elapsing between the training exercises. In January 2020, the Port conducted a live exercise “SEA EAGLE II”, a continuation of the table-top exercise held two months previously. It was designed to test current communications means, better understand future radio provisions and improve the security arrangements for all facilities on the Waterway. The successful live exercise plan was produced at the direction of the Port Security Officer with input, advice, and assistance from all the Port Facility Security Officers and the exercise planning team. This exercise is evidence of the growing partnership and collaboration among the participating terminals and supporting agencies.

There were no reported security incidents in 2020.

our environment

Sustainability as a core value

All our operations are governed by a statutory commitment to protect the Waterway's environment. However, we spent much of 2020 preparing a strategy to help us meet commitments of the Welsh and UK governments to the *global* environment, including the target to be 'carbon neutral' by 2050.

To do this we needed to re-centre our business around the core value of sustainability. This means that our operational activities, and the decisions that drive them, must now consider not only their own impacts, but also how they can contribute to our ambitious commitments. For example, all our projects, terrestrial and marine, will need to have a net positive environmental footprint.

While there will be a cost to this, there are opportunities too. Some of the work we have been doing, for example with the Milford Haven: Energy Kingdom project, looks at the

commercial benefits that decarbonising the Waterway could have. If a viable pathway towards widescale use of hydrogen as a fuel for transport or heating is demonstrated, then the emerging marine renewables sector could benefit from selling excess generating capacity into the production of green hydrogen (hydrogen produced by electricity from renewable energy such as offshore wind).

As elsewhere in our business, collaboration holds the key to delivering on our environmental goals. We cannot bring about wholesale decarbonisation of industry in the region alone, but by working with our partners, bringing our values, resource and skills to the fight, we can help make changes happen.

CCAT



The Coastal Communities Adapting Together

(CCAT) initiative, of which the Port is a partner, has had a successful second year. The project is part funded by the European Regional Development Fund through the Ireland Wales Programme, and led in Wales by the University of Cardiff. It's using innovative tools to help the local community understand how climate change is affecting their local area and introducing collaborative resources to help communities adapt proactively together.

As part of a STEM (Science, Technology, Engineering and Maths) event held early in 2020 with partners across Pembrokeshire for younger learners, CCAT created a Guide to Careers in Marine Energy. A bilingual pamphlet, it advises on possible routes into the young, dynamic industry.

The development of digital tools that help people engage with issues around climate change, and the expanded use of online learning resources that help us to get around the limitations on face-



to-face activities in 2020, mean there should be a wealth of useful material publicly available after the project's completion this year.

Decarbonisation

The response to the Covid-19 pandemic has involved substantial changes to ways of working throughout the business, and these changes have influenced our greenhouse gas emissions in certain areas: many staff have been working from home, but office premises have in many cases remained open with a small number of staff present. The requirement for well ventilated workplaces has altered the balance between open windows and heating use to maintain an acceptable working temperature in our buildings across the estate. Business travel has also dramatically reduced with the increase in online meetings.

Operationally, the ferry faced comparatively little disruption, and the pilotage and other services provided to international shipping all continued

without interruption. The business emissions from those activities, for example, pilot boats, tug plant etc, have not been dramatically affected by the pandemic situation. The overall emissions profile is therefore difficult to compare with previous years and must be considered in the context of an extraordinary business year.

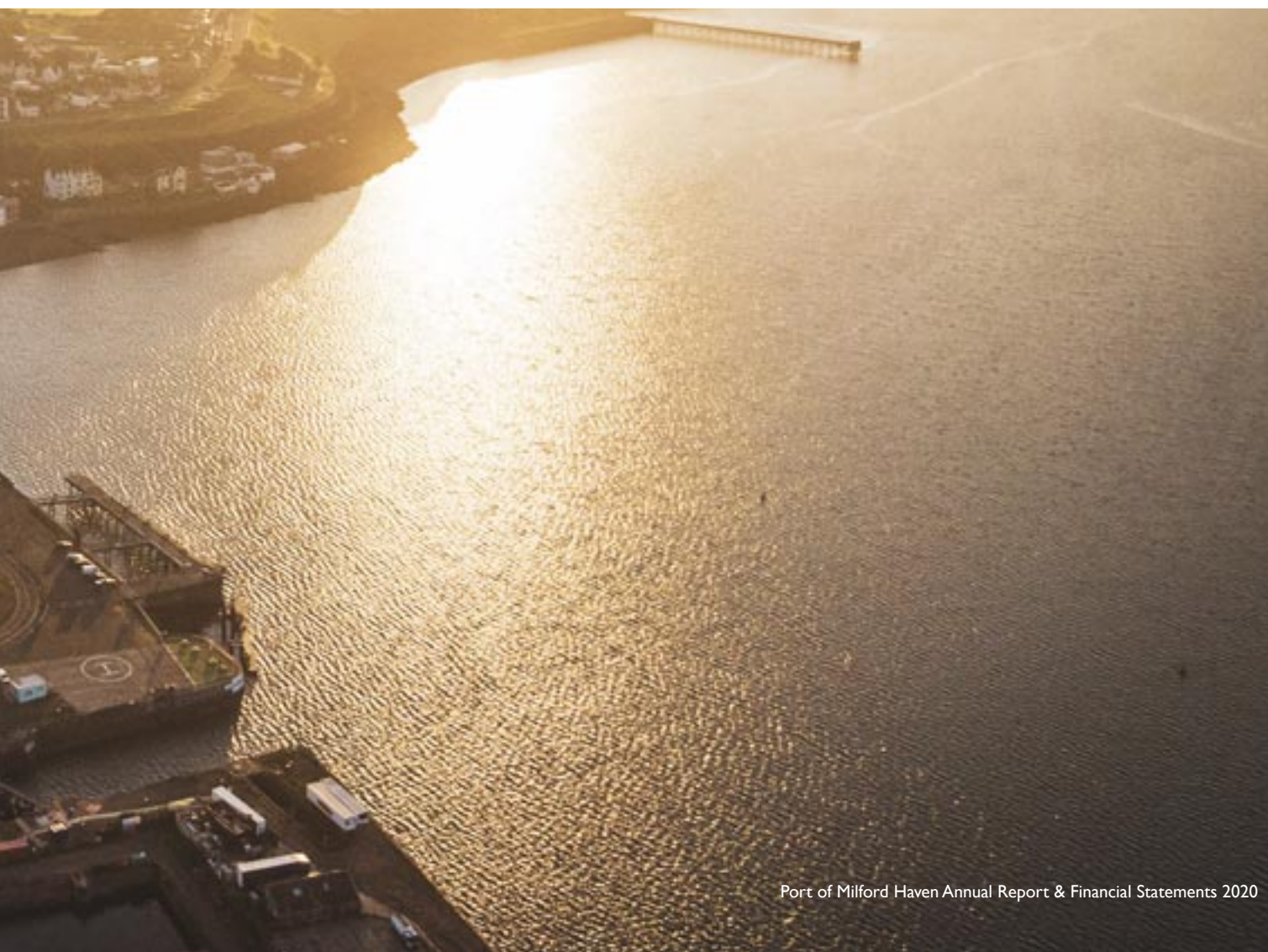
Based on UK Government's published carbon conversion factors for 2020, the Group's total emissions for 2020 were 1,370tCO₂(eq) (over 480tCO₂(eq) lower than 2019, a significant reduction). The renewable energy generation of 5.286MWh from our photovoltaic arrays equates to 1,232tCO₂(eq). This is 100% renewable energy supplied to the grid, and as such is considered to offset some of our greenhouse gas emissions. With this offset, the Group has a carbon deficit for 2020 of 138tCO₂(eq) compared to a deficit of 409tCO₂(eq) in 2019 which continues our trend of dramatic reductions in GHG

equivalences year on year. This residual quantity of emissions for 2020 will, as for 2019, be offset by investment in an accredited carbon offsetting scheme in order to achieve carbon neutrality.

Oil Spill Monitoring

In contrast to 2019 (in which the number of spills reported was substantially higher than recent years), in 2020 spills were seldom and small. Four pollution incidents were reported in 2020, one of which was subsequently determined to be a leak discovered during pipe testing with pressurised water, with no hydrocarbon pollution having occurred. The remaining three incidents were less than 10 litres in total and managed appropriately.

Oil pollution response exercises conducted throughout the year between the Port and other local and national parties have been encouraging, and valuable in assuring the Port that our capability to respond to oil pollution incidents is robust and well-prepared.





“In striving for excellence, our front-line teams have been able to quickly adapt to changing working conditions, including social distancing protocols, during the pandemic.”



our operations

Despite a challenging year, the Group has been able to maintain a safe and efficient service for its customers. In striving for excellence, our front-line teams have been able to quickly adapt to changing working conditions, including social distancing protocols, during the pandemic. Trading has been affected, particularly in consumer-facing sectors, but revenues remained strong as most of our principal business customers continued to operate at close to normal levels throughout the lockdowns.

PORT AUTHORITY

As expected, the impact of Covid-19 on the UK economy was reflected in shipping movements. There was a marked fall in traffic associated with reduced demand for many types of refined products after the first quarter of 2020. However, this reduction was mitigated by a rise in traffic to and from the LNG and storage terminals. Overall, gross tonnages were marginally up on 2019 at 57.7m gross tons, thanks to a greater proportion of larger LNG shipments (the gross tonnage of LNG shipping was up by more than 1.4m gross tons on 2019). However, the total number of dues-paying ships using the Port during 2020 was 1,831, down 117 from 2019.

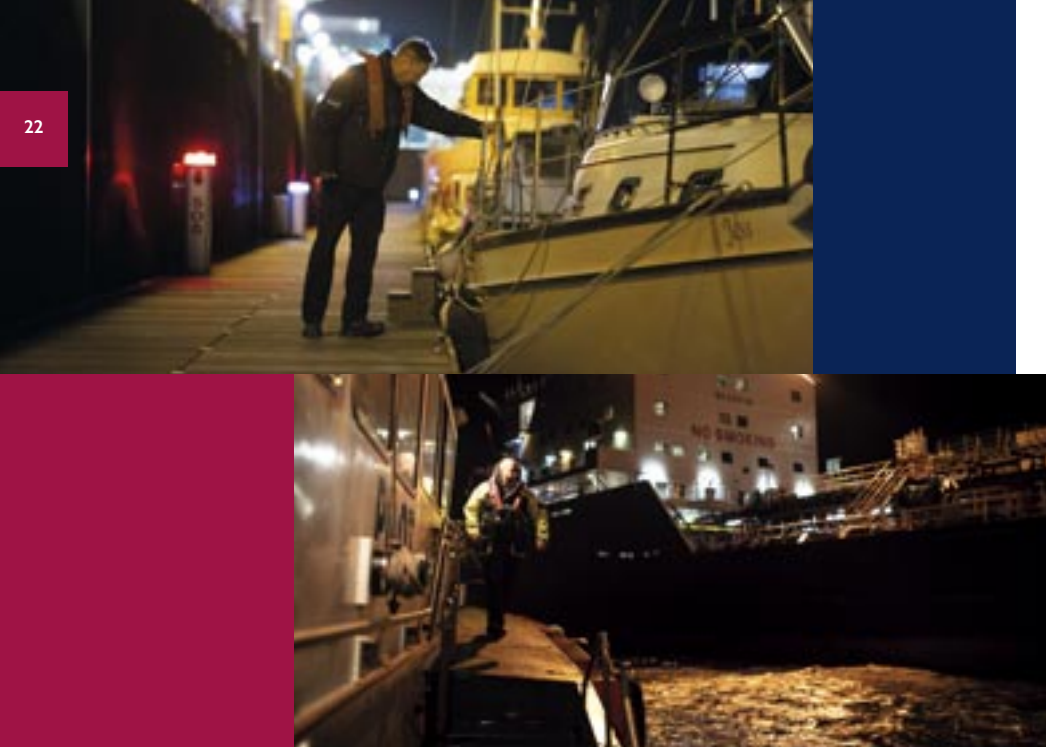
Within our marine operations, the challenge was ensuring our customers' shipping was handled safely and efficiently with no harm to the environment, whilst ensuring our pilots, boat crews and other front-line teams remained properly protected. Early in the pandemic, the greater risk was considered to be of the virus being transmitted across our borders from overseas via shipping crews. However, as the UK infection levels rose and shipping companies developed protocols that kept their crews away from the virus by virtue of their offshore isolation, it became important to ensure we could provide assurance to ships' masters that contact with our staff posed no risk to *their* crews.

We would not have been able to continue to provide the high quality of service expected by our customers without the commitment of our staff. They handled the new procedures with great professionalism and many people depended on this resilience. We were given a powerful reminder that the whole of the UK depends upon the smooth operation of the Port; during the first lockdown 85% of the national gas needs were being met by the Pembrokeshire terminals.

Despite the many implications of Covid-19, we carried out an extensive upgrade to some of the navigational aids on the river in support of our core conservancy role. We also invested in a new VHF radio system to ensure that Port Control communications remain properly served.

Our work to build further resilience in our marine operations continued in 2020. We have also increased both the number of staff qualified to operate Vessel Traffic Services in Port Control and the numbers of pilots. With regard to the latter, long term planning is notoriously challenging. It takes more than five years working on this Waterway for a pilot to achieve Class 1 status, enabling us to assign them to safely handle the largest ships we receive.

This need for long term planning is consistent with our core value of sustainability. We are constantly balancing what our business needs to do now in order to safely serve current needs and demands, all the while ensuring our unique environment remains protected and horizon scanning for potential future requirements. For example, understanding the likely demands of a growing marine renewable industry will be vital but will need early planning, so there is no conflict with existing or future navigational needs.



PORT SERVICES

Ferry

2020 at Pembroke Dock Ferry Terminal was dominated first by preparations for Brexit and, later on, the impact of Covid-19. The latter affected both the pace of those preparations as well as day to day operations as we worked to keep our teams safe. However, there were positives in spite of the challenges.

Preparing for Brexit, the priority was to prepare for the possibility of a no-deal departure on 31 December 2020. In practical terms, this entailed increasing our freight holding capacity by 50% within the ferry terminal, as well as putting in other measures to increase our infrastructure's resilience. We have also been working closely with the Welsh Government as they prepare to institute border checks for live animals, animal and certain plant-based products moving between Ireland and the UK after July 2021 (delayed until 2022).

Covid-19 had an impact on the Ferry Terminal business, which saw a significant reduction in the number of passengers due to the public health restrictions implemented across Europe. Despite the operational challenges amidst a pandemic, our team has consistently met our 2-hour turnaround commitments, sometimes exceeding that to make up time following weather delayed crossings. The achievements of the team were particularly credit-worthy, as they were having to adapt constantly to meet fast moving pandemic advice and stay safe.

It is thanks in no small part to the work of our ferry terminal staff, that the Port agreed a long-term extension to our contract with Irish Ferries to continue operating out of Pembroke Dock Ferry Terminal.

Pembroke Port

Pembroke Port's Quays 1 and 2 saw record breaking occupancy levels in 2020. Some large-scale infrastructure projects made extensive use of both laydown (at one point 100% utilised) and quay space. It was also a good year for animal feed shipments. Both brought a fresh reminder of the Port's vital role, not only linking the UK supply chains between road and sea but also supporting businesses based on and around the Waterway.

Dredging was carried out to increase the size and control depths of both Quays 1 and 2. The expanded capacity at Quay 2 will enable animal feed shipments to dock there in the event Quay 1 is occupied.

Marina

The Marina business was affected by a stop-start season as a result of Covid-19 lockdowns. Despite record berth occupancy levels (99%), and a long waiting list, revenues were depressed by the loss of fuels and other ancillary sales as boatowners were kept away by Covid-19 regulations.

Fish Docks

The Fish Docks enjoyed another good year for landings, finishing the year at 3,615 tonnes, up from 3,321 tonnes in 2019. We were also able to complete a project to upgrade dockside facilities. We installed a new HIAB crane to ensure the safe and efficient transfer of catches and also modernised the showers, toilets and laundry facilities for crews. These investments were supported by the European Maritime Fisheries Fund.

Decarbonising the Economy

We continue to find ways to minimise our impact on the environment. We are also playing a leading role, in close collaboration with others, to help the region meet decarbonisation goals set by the Welsh and UK Governments. Our ambition is to ensure the Waterway and the wider region reap the social, wellbeing, environmental and economic benefits of the UK's move to net zero emissions, set out in the Prime Minister's 10 Point Plan for a green industrial revolution. Central to our goal of delivering a sustainable business for future generations, two key projects, Pembroke Dock Marine and Milford Haven:Energy Kingdom, made good progress in 2020. Both seek to attract and root industrial innovation in decarbonisation here in Pembrokeshire.

Pembroke Dock Marine

After five years of planning and building a business case, 2020 saw a breakthrough for the £60m Pembroke Dock Marine project. Following the sign off of City Deal funding by the UK and Welsh Governments, with crucial support from Pembrokeshire County Council, the Port of Milford Haven was able to submit a planning application for the works required to adapt Pembroke Port for its new role.

The funding from Swansea Bay City Deal and the European Regional Development Fund through the Welsh Government, is supported by a £13.5m investment by the Port over the next few years. It will see the creation of new laydown space, supersized launch and recovery facilities and premises for offices and workshops. In 2020, we carried out some public consultation work over the plans. We have also been working to minimise heritage impacts to





ensure we deliver the full potential of the project while better telling the story of the dockyard and preserving as many assets as possible for future generations.

Milford Haven: Energy Kingdom (MH:EK)

MH:EK is a collaborative project exploring the benefits of hydrogen as a low carbon fuel. It made good progress in 2020. As part of the project, we installed a hydrogen compatible heating system in one of our buildings. The measure of success for this project is for the partners to set out a viable and low risk roadmap for businesses in the region to invest in hydrogen-fuelled technologies for heating, transport and other uses.

HOSPITALITY AND TOURISM

2020 was a challenging year for hospitality and retail businesses. While this part of our operation was significantly affected by lockdown restrictions, we were lucky to be able to rely on the fundamental strength of our business as a whole to weather the storm. Where we were able to adapt services to meet social distancing regulations, we did. However, without the ability to stage events such as the Fish Festival and the Milford Haven Street Food Festival, our destination team focused on enhancing our digital presence, using social media to maintain a connection with our customers and the general public.

Delivering on our strategy for the area, we secured planning for a 100-bedroom hotel beside the marina and work on the hotel site began in December 2020 with construction commencing in January 2021. The new hotel will be operated and managed by The Celtic Collection – the team behind the iconic Celtic Manor Resort - and will form part of The Celtic Collection's portfolio of Tÿ Hotels. We also

opened 'The Shores', a new luxury apartment, which joins our Floatel Cabins in offering additional high quality, self-catered accommodation at Milford Waterfront.

However, as a destination, the strategy for Milford Waterfront works not because of any one business. It is a family of businesses and diversity is key to its success as a destination. With shops, cafes and restaurants closed, our team collaborated closely with, and promoted, other business owners as they all sought ways to reach out to the wider community and keep their businesses going. It's hoped this deeper collaboration sets us all in good stead once the worst of the pandemic has passed.

Despite adverse trading conditions, Milford Waterfront continued to attract investment and new businesses in 2020, providing evidence that the destination is growing in reputation as a place to start a retail or hospitality business.

INVESTMENT PROPERTY PORTFOLIO

Although our wider property portfolio performed well in 2020, attracting a record occupancy level of 95%, the Havens Head Retail Park was adversely affected by another difficult year for market sentiment in the commercial property sector in respect of retail sites, exacerbated by the pandemic. As a result, a revaluation loss of £1.3m was reported in 2020 for our investment property portfolio. As cashflow across the business remains strong, this doesn't impact our immediate trading position. Our investment portfolio plays an important role not only in underpinning our investment plans, but also within our community, so we will continue to work collaboratively with our tenants to support them as they bounce back from an extremely difficult period of trading.

We have developed a close working relationship with many of our tenants, many of which are well aligned with our strategic goals (for example, hospitality businesses around Milford Waterfront). We have been doing our utmost to support any tenants who have been particularly affected during the lockdowns and, with signs of some reprieve ahead, look forward to working in close collaboration with them to ensure we can all come back stronger.

Despite difficult trading conditions, there was still evidence that some businesses and entrepreneurs had an appetite to invest and expand. Two new enterprises, a commercial bakery and soap maker leased units in the former processing building in the Fish Docks.



“Our employees raised funds for the charity through running, walking, rowing, and cycling the 6,140 nautical miles that an LNG ship travels from Qatar in the Arabian Gulf to Milford Haven.”



stakeholder engagement

In hindsight, our employees could not have chosen a more appropriate charitable cause of the year for 2020. As the impact of mental health became a focus of concern during lockdown, charities such as Get the Boys a Lift (GTBAL) came under increasing pressure as they provided a safety net for people affected by isolation, uncertainty and fear of the pandemic.

Our employees raised funds for the charity through running, walking, rowing, and cycling the 6,140 nautical miles that an LNG ship travels from Qatar in the Arabian Gulf to Milford Haven. The GTBAL team also joined an online staff meeting to talk about mental health. Staff have voted for the Sandy Bear Children's Bereavement Charity to be their Charitable Cause of the Year throughout 2021.

As with most public events, the diary of fixtures for Under the Bridge, which we have been running for several years now in collaboration with Milford Youth Matters, were cancelled. However, the teams took some of the content online, producing some fun 'HowTo' videos such as the Gruesome Wounds and Sand Art masterclasses. This attracted a wider audience as a result. The annual WAVE campaign, promoting awareness of the dangers of the waters around the docks and Waterway, would usually involve running workshops with schools. Instead, we

received funding from Arts and Business Cymru to develop a video, which was brought up to date to include risks around Covid-19.

We signed a C-19 Business Pledge to do what we can to support our employees, customers, and the community during and into the recovery from Covid-19.

There were fewer applications to our Community Fund in 2020, in part because many applications we receive are usually linked to events which couldn't go ahead this year. However, we amended the Fund's Terms of Reference to allow us to support more community organisations who may be suffering financially as a result of the pandemic.

The Port's annual Stakeholder Survey was carried out as usual. There were no significant differences to the findings from the previous survey, although there was a 41% decrease in the number of people who responded, perhaps due to the general public's focus on the pandemic. Overall, respondents reported a positive view of the Port and its activities. Of those that expressed a clear opinion of how the Port is performing against their expectations, 80% expressed satisfaction. The survey also picked up a slightly greater expectation among various stakeholders for the Port to play a greater role

in investing in marine renewables, with 66% of respondents strongly agreeing with this strategy.

The Port's Annual Consultative Meeting was held online in July and attracted the largest number of attendees ever recorded for this meeting, as well as receiving greater engagement with the ability for stakeholders to ask questions enhanced by the online format. The Port Advisory Committee also met online. Again, the move to a virtual meeting attracted a wider variety of attendees.

The Port of Milford Haven has many stakeholders. However, our ultimate stakeholders are our future generations. With that in mind, we were delighted to support a great event in March at which Pembrokeshire students discovered how Science, Technology, Engineering and Mathematics (STEM) subjects will be vital for anyone looking at careers in the energy sector, especially in marine renewables. The event organisers included the Port, representatives from local businesses and Pembrokeshire College. They challenged students to build their own wind turbines among other activities. Ensuring our own future generations are ready to meet the requirements of the marine renewable energy revolution is critical if Pembrokeshire is to reap the benefits.

The Strategic Report has been approved by the Board of Directors and signed on behalf of the Board.



Chris Martin, Chair

6 April 2021



corporate governance

The Port of Milford Haven is a Trust Port, a statutory entity that was brought into existence by a specific Act of Parliament - The Milford Haven Conservancy Act 1958. This and subsequent Acts can be found online via the Corporate Governance pages on our website.

The Acts form our constitution, defining what we may or may not do, and how we are governed. They confer certain powers on the Port within the defined port limits, for example in relation to setting the rules for navigation and the power for directing vessels. It also confers obligations, such as the obligation to maintain, improve, protect and regulate navigation, and rights, such as the right to levy charges. Our profits must be reinvested in the business to ensure it remains viable for future generations.

The Port of Milford Haven is an independent statutory undertaking. We do not pay out any dividends to shareholders, and nor do we receive direct budgetary support from government.

In addition to the Acts, the Department for Transport has over the years developed a body of guidance for Trust Ports, the most recent iteration of which is entitled Ports Good Governance Guidance. This guidance, which does not have any legal force, nonetheless authoritatively sets out principles of openness, accountability and fitness for purpose in managing harbours in the broad public interest. It covers corporate governance, stakeholder engagement, provision of information, safety and a number of other topics.

The obligations on the Port therefore are (1) first and foremost to comply with the Acts as a fundamental legal requirement and (2) operate so far as reasonably practicable and relevant to the particular circumstances of Milford Haven, in accordance with the guidance set out in Ports Good Governance Guidance.

The Port meets these obligations and are noted for having leading processes.

meet the Port of Milford Haven's Board

Non-Executive Directors



Chris Martin Chair

As Chair, Chris is passionate about creating a sustainable future for the Port by supporting the right culture for all of our employees to thrive and play an active role in delivering to their full potential and, in turn, driving the success of the organisation. Chris' extensive experience across many sectors is proving invaluable in ensuring the Port's strategy and activities harmonise, and that Safety, Excellence and Collaboration remain our core values alongside the new core value of Sustainability. As well as holding a range of private, public sector and charitable roles, Chris understands what it is like to run your own business. He, therefore, recognises the importance of a resilient local ecosystem forging relationships between large and small businesses to drive economic growth. Born and bred in Pembrokeshire, Chris has a robust understanding of the issues the county faces and is clear about its strengths and weaknesses. He is proud to support our vision to build the Haven's prosperity and to deliver a bright and buoyant future for the region.



Ian Shipperley Non-Executive Director

With a 40-year career in the Royal Navy, Ian is the Board's key strategic advisor for marine operations and risk. His enviable track record incorporates project delivery, strategic transformational change and management of risk and safety at senior leadership level. Ian has been instrumental in advancing the Port's risk profile and advising on marine operations. His experience in leading a major capital infrastructure optimisation programme is of additional value as we seek to maximise the best use of our asset base.



Debra Williams Non-Executive Director

Debra will be focused on marketing and consumer relations within the Group, bringing extensive experience in commercial operations, e-commerce, innovation and leadership. As the former Managing Director of Confused.com, Debra is well placed to guide the business as we continue to develop new ventures in the consumer arena. With the focus on championing innovation, Debra, who was Welsh Woman of the Year for Innovation in 2006, is ideally positioned to advise. She was also recognised as one of the UK's top 200 business women by the Queen in February 2007.



Steve Phillips Non-Executive Director

Steve brings significant financial and commercial experience to the Port, not only from his current role as Group Chief Executive (previously Group Finance Director) of the Welsh Rugby Union, but from his previous experience with the regional airport owners TBl. He has an extensive risk management background which, together with his mergers and acquisitions experience, will help guide the Group through its ambitious diversification strategy. Also, his experience in overseeing major capital expenditure projects will be crucial in helping us deliver on our exciting expansion programmes for Milford Waterfront.



Debra Bowen Rees Non-Executive Director (appointed/commenced September 2020)

Debra's experience in stakeholder relations developed during her role as CEO at Cardiff Airport. She has an in-depth understanding of Welsh political and business environments, building on experience gained as Senior Officer in the Armed Forces, working in diverse functional areas across and beyond government including international engagement and influence. She brings an important dynamic to the Board as it diversifies and as its stakeholder base broadens.

The Board is instrumental in shaping our strategic and operational developments. Our Non-Executive Directors are well-positioned to drive our diversification strategy as well as maintaining our core operations.



Erica Cassin Non-Executive Director (appointed/commenced September 2020)
Erica has over 20 years' experience in the HR sector holding senior positions with many household names. She is passionate about empowering people to reach their full potential and fostering environments where every individual can thrive by being their true authentic self. An experienced HR coach, she has led significant organisational transformation, reshaping companies and business models to adapt to advances in market conditions, while improving their performance and effectiveness. Erica's strengths in leading cultural change will be invaluable in her role on the Port's Board as it focuses on its own culture during an exciting time of diversification.



James Nyhan Non-Executive Director (appointed/commenced September 2020)
James' focus is on addressing the energy transition challenges and opportunities for the Port. With over 30 years of international experience in the energy sector, he has a clear understanding of traditional and developing energy markets having worked in various roles with Royal Dutch Shell. He brings wide ranging commercial experience to his role as a non-executive director and wants to continue the progress made on energy developments within the Port for the benefit of the wider community of west Wales.

Board members leaving



Andrew Edwards Vice-Chair (resigned January 2021)
Andrew has been an important advocate for managing and maintaining strong stakeholder relationships, both internally and externally. He chaired the Stakeholder Accountability Committee, guiding on issues that impacted the Port's wide-ranging stakeholder base. He had particular focus on Critical Incident Management, applying skills developed during a long career covering both operational and strategic policing roles. As a Welsh speaker, Andrew advised on how the Port can balance the demands of its international audience with its increasing home audience profile.



Anne Jessopp Non-Executive Director (resigned January 2021)
Anne's primary area of expertise is in Human Relations. She has worked extensively on culture change and her experience has been invaluable in supporting the Chair and the Senior Management Team as the Port has reanimated its culture. Anne brought commercial, manufacturing and consumer experience with a range of blue-chip organisations looking at strategic diversification which gave important insight to the Port's diversification strategy. Anne has the honour of being the Royal Mint's first female Chief Executive and is championing equitable access to opportunities at the Port.



Rick Squires Non-Executive Director (resigned January 2021)
Rick's energy focus has made an invaluable contribution to the Port's strategy. He brought a clear understanding of traditional and developing energy markets having spent 28 years with Royal Dutch Shell Group and the US power development company InterGen, based both in the UK and overseas, and as non-executive in numerous other energy-related businesses. He brought all-round commercial acumen to his role as Non-Executive Director and has been an important voice in championing energy developments within the Port.

Executive Directors



Andy Jones Executive Director & Chief Executive

Andy is charged with advancing the Group's strategy and capability at a key time. Working closely with the rest of the Board and the executive and operational teams, Andy has been focusing on the culture within the Group while ensuring that the flagship projects are delivered. Andy is passionate about having a key focus on the resilience of core business services and developing the right conditions for future growth.



Jonathan Chitty Executive Director & Chief Financial Officer (appointed May 2020)

Jonathan joined as Chief Financial Officer and Executive Director in May. His experience across multi-sectors and in various aspects of financial management and strategy will ensure the business and the Board are appropriately advised on all financial matters as well as commercial and operational insights as we maintain core services and explore new ventures.



Tim Bownes Executive Director & Programme Director

Tim's extensive background in delivering high-profile engineering projects makes him a key asset to the Board and the business. He has a wide range of experience covering major port infrastructure developments in the UK and overseas, which has included work in environmentally sensitive areas. His focus is planning and delivery of the Group's capital infrastructure projects.

...and our Senior Management Team ("SMT")

Andy Jones Executive Director & Chief Executive **Jonathan Chitty** Executive Director & Chief Financial Officer **Tim Bownes** Executive Director & Programme Director



Vidette Swales Human Resources Director
Vidette's clear focus is on developing our most important asset, our people. Her career has encompassed both the public and private sectors and she is a Fellow of the Chartered Institute of Personnel and Development. She was instrumental in retaining the Investors in People award in 2018 and will continue to work closely with the Board and the business to ensure our employees are equipped to deliver our long-term strategic goals.



Mike Ryan Harbourmaster & Marine Director
Responsible for the safe use of the Waterway by all users, Mike works with the Board and the operational business units to ensure our marine operations work effectively, and that we maintain the level of service our customers expect from us. Gained during a long Naval career, Mike brings extensive experience in managing complex operational situations. His focus is on delivering strategic and operational goals, and on maximising efficiencies and best practice in a safe working environment.



Natalie Britton Operations Director
Natalie focuses on maintaining operational excellence across our Port Services businesses with additional responsibility for safety and environmental commitments across the Port. A qualified Chemical Engineer, Natalie brings a wealth of experience from the chemical, energy and marine sectors, and has significant operational experience with some of the Port's major Waterway stakeholders.



Steve Edwards Commercial Director

Steve is focused on exploring opportunities for growing the business and working closely with our existing customers and stakeholders. He has a depth of experience in delivering customer and stakeholder benefits and can help ensure developments work within the Group's core values. His passion for energy development is a key advantage as we move into the delivery phase of Pembroke Dock Marine and explore the potential opportunities it will unlock.

SMT developments:

During the 2020 financial year, Mark O'Connor was the Interim Chief Financial Officer for the Port and the Group. Jonathan Chitty joined as the new permanent Chief Financial Officer in May 2020. Steve Edwards joined the Senior Management Team as Commercial Director in May 2020.

For more information on our Board members and Senior Management Team, please visit the Strategy & Governance section of our website.

Report of the Board



The Directors present their Annual Report and audited financial statements for the year ended 31 December 2020.

Principal activity and review of the business

The principal activity of the Port is to provide safe navigation and marine services on the Milford Haven Waterway. This, together with the Port's other activities, the principal risks and the future prospects of the Port, is reviewed in the Strategic Report.

The Port of Milford Haven Board - Chair, Chris Martin

The Milford Haven Port Authority Act 2002, as amended by the Milford Haven Port Authority Harbour Revision Order 2012, specifies that the Board shall comprise the Chair, between six and eight other Non-Executive Directors, the Chief Executive and up to three other Executive Directors.

The Chair is appointed by the Secretary of State for Transport through 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 appointment panel formed including an external independent member 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 Guidance".

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 the '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 [of the Group/Port] 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 strategy and 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
- Strategy
- 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. The Non-Executive Directors also meet 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 Group also maintains a hospitality register for all Directors and managers to record external hospitality received.

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 Senior Management Team (SMT) and satisfy itself, through review of various reporting systems and procedures including the risk register, that our operations are legally compliant, operate 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 & Risk Committee -
Chair, Steve Phillips**

This Committee's terms of reference allow it to consider any matter relating to the financial affairs of the Group and include the monitoring of financial reporting, accounting policies, matters relating to the auditors, the adequacy of the internal financial controls and to review and monitor the overall risk strategy, including the Risk Management Policy that sets out the Board's Risk Appetite Statement. The Audit & Risk Committee has primary responsibility for the appointment, reappointment and removal of external auditors and safeguards the auditor's independence. The Committee also considers all relevant internal audit reports and risks to support the Board in the discharge of its risk

management responsibilities. The chair of this Committee is the Non-Executive Director with the appropriate finance and risk background. The Audit & Risk Committee comprises four Non-Executive Directors with the Chief Executive and the Chief Financial Officer also in attendance.

**Remuneration Committee -
Chair, Erica Cassin**

The primary duties of the Remuneration Committee are to determine the broad framework for the Group's Remuneration policy, determine 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 in relation to any activities undertaken on behalf of Milford Haven Port Authority. This Committee is also charged with determining bonus structures for senior managers and staff and advising on employee benefit structures. It also ensures that levels of Board remuneration and expenses claimed are detailed in the Annual Accounts. It consists of not less than three Non-Executive Directors including the Chair. The HR Director acts as Secretary to the Committee (in a non-voting capacity).

**Nominations Committee -
Chair, Chris Martin**

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 the Chief Executive.

**Stakeholder Accountability Committee -
Chair, Debra Bowen Rees**

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.

**The Board is also directly accountable for:
Executive**

The Chief Executive and the SMT are accountable to the Board for the delivery of the agreed strategy, implementation of Board policy, and the management of the business and affairs of the Group. The SMT meets regularly as a group.



Port Advisory Committee

In accordance with its Act of Parliament 1983, the Port aims to meet twice a year, but not less than once in each year, with representatives from groups of major stakeholders. 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, users of the Port and the Waterway, and other stakeholders relevant to the Port's strategy 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.

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 Guidance" and the relevant sections of the UK Corporate Governance Code.

Internal Control and Risk Management

The Directors are responsible for the Group'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

- risk management, and
- 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 made are commercially viable, providing sustainability for the Group, its users, its employees and other stakeholders. Details of the primary 2020 capital investments are provided within the Strategic Report.

Going Concern

The Directors have reviewed the budget for 2021 and the forecast financial position of the Group and the Port in the 5-year plan to 2025, against the expected recurring operational income, expenditure and interest costs in conjunction with the Group and the Port's funding position and banking covenants. Although the first anniversary of the pandemic has passed it remains impossible to fully assess the impact of Covid-19 on the future financial performance of the Group and Port given the material inherent uncertainties surrounding its impact. However, the current financial position of the Group and the financial resilience testing that has been previously undertaken provide the Directors with sufficient assurance and, for these reasons, the Directors consider that the Group and the Port has more than sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Group and the Port's financial statements.

Financial Risk Management and Objectives

The Group is exposed to financial risks from interest bearing assets and liabilities. Whilst these are not material, they may expose the Group to financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk.

- Foreign exchange risk: Where applicable, the Group mitigates foreign exchange risk with the use of forward contracts. As at 31 December 2020, the Group has no material foreign exchange risk (2019: £nil).
- Interest rate risk: The Group has interest bearing assets which are invested at differing interest rates; these interest rates are fixed at the outset of the investment.
- Credit risk: The Group has no significant concentration of credit risk. The Group has implemented policies that require appropriate credit checks on potential credit customers before sales commence. Interest bearing assets are only invested with financial institutions that have high credit ratings.
- Liquidity risk: The Group mitigates liquidity risk by maintaining a balance of cash and investing in short-term interest-bearing assets to allow flexibility and continuity of funding. As at 31 December 2020, 100% (2019: 100%) of the borrowings were due to expire within five years.

Corporate Social Responsibility

The Group is aware of its responsibilities to local communities and its contribution to society. The Group recognises its responsibilities to the communities which are affected by its business and reviews its policies with regard to social, ethical and environmental matters as necessary. Any matters in any of these categories which may materially affect the business of the Group are reviewed as required by the Board.

Future developments

Details of future developments are detailed in the Strategic Report and form part of this report.

Events after the balance sheet date

There are no significant events since the balance sheet date.

Directors

The Directors who served during the year and up to the date of this report are disclosed on pages 38 to 39.

Directors' indemnities

During the year the Group has made third party indemnity provisions for the benefit of the Directors which remain 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 Group's auditor is unaware; and (2) the Director has taken all the steps that

he/she reasonably ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006. A resolution to reappoint Deloitte LLP as the Group's auditor will be proposed at the forthcoming Board Meeting.

Attendance at Board meetings in 2020	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee	Stakeholder Accountability Committee
Total number of meetings	8	3	3	2	2
Board Members					
Andrew Edwards	7			2	2
Andy Jones	8			2	2
Anne Jessopp	6		3		
Chris Martin	8		3	2	
Debra Bowen Rees	3 ¹				
Debra Williams	8	1 ²	3	1 ³	
Erica Cassin	4 ⁴		2 ⁵		
Ian Shipperley	6	3		1 ⁶	
James Nyhan	4 ⁴				
Jonathan Chitty	6 ⁷				
Rick Squires	8	3			
Steve Phillips	8	3			1
Tim Bownes	8				2
External Members					
David Jones, Simply Blue Energy					2
Ed Tomp, Valero					2 ⁸
Helen Davies, Welsh Government					1 ⁹
Ian Westley, Pembrokeshire County Council (now ex-)					2

1 Out of possible 4; joined September 2020

2 Out of 2; stood down November 2020

3 Out of 1; joined after January meeting

4 Out of 4; joined September 2020

5 In attendance

6 Out of 1; stood down after January meeting

7 Out of possible 6; joined May 2020

8 Richard Allen, Valero, attended 1 meeting for Ed Tomp

9 Out of 1; joined September 2020

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



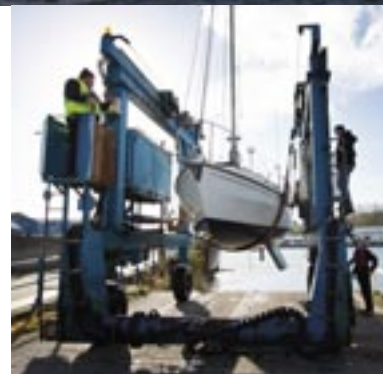
Chris Martin, Chair

6 April 2021

Gorsewood Drive, Milford Haven, Pembrokeshire, SA73 3EP



Directors' Responsibilities Statement



The 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; 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 Group and the Port and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied by the United Kingdom Harbours 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 Members of Milford Haven Port Authority

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Milford Haven Port Authority (the 'Port') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Port's affairs as at 31 December 2020 and of the group's loss 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 Companies Act 2006 as applied the Transport Act 1981.

We have audited the financial statements 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; and
- 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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Port's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the

annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement

team including relevant internal specialists such as pensions, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

Use of our report

This report is made solely to the Port's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Transport Act 1981. Our audit work has been undertaken so that we might state to the Port's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Port and the Port's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Hedditch
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Statutory Auditor
Cardiff, United Kingdom
6 April 2021

Financial Statements

Officers and Professional Advisers

Chair

C Martin

Vice Chair

A Edwards (resigned 29 January 2021)

Directors

T Bownes

E Cassin (appointed 25 September 2020)

J Chitty (appointed 4 May 2020)

A Jessopp (resigned 29 January 2021)

A M Jones

J Nyhan (appointed 25 September 2020)

S Phillips

D Bowen Rees (appointed 25 September 2020)

I Shipperley

R Squires (resigned 29 January 2021)

D Williams

Chief Executive

A M Jones

Harbourmaster

M Ryan

Registered Office

Gorsewood Drive, Milford Haven,
Pembrokeshire, SA73 3EP

Banker

HSBC Bank plc, 56 Queen Street, Cardiff,
United Kingdom

Solicitors

Hill Dickinson LLP, St. Paul's Square, Liverpool,
United Kingdom

Auditor

Deloitte LLP, Cardiff, United Kingdom





PROFIT AND LOSS ACCOUNT

Year ended 31 December 2020

	Note	Group		Port	
		2020 £'m	2019 £'m	2020 £'m	2019 £'m
TURNOVER	3	25.2	28.1	23.6	26.4
Cost of sales		(13.9)	(13.4)	(13.8)	(13.3)
GROSS PROFIT		11.3	14.7	9.8	13.1
Operating expenses		(12.0)	(9.0)	(11.7)	(8.7)
Impairment of subsidiary	12	-	-	(0.5)	(1.0)
Other operating income	4	-	-	-	-
OPERATING (LOSS)/PROFIT		(0.7)	5.7	(2.4)	3.4
Proceeds on disposal of investment		0.1	-	0.1	-
(Loss)/gain on revaluation of fixed assets	11	(1.3)	(1.2)	(0.1)	0.2
(LOSS)/PROFIT BEFORE INTEREST		(1.9)	4.5	(2.4)	3.6
Finance costs (net)	5	(0.5)	(0.5)	(0.2)	-
(LOSS)/PROFIT BEFORE TAXATION		(2.4)	4.0	(2.6)	3.6
Tax on (loss)/profit	10	(0.4)	(1.2)	(0.2)	(1.1)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(2.8)	2.8	(2.8)	2.5

All results derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	Group		Port	
		2020 £'m	2019 £'m	2020 £'m	2019 £'m
(Loss)/profit for the financial year		(2.8)	2.8	(2.8)	2.5
Actuarial loss on pension schemes:					
- Actuarial loss on present value of scheme liabilities		(14.2)	(8.5)	(14.2)	(8.5)
- Actuarial gain on scheme assets		7.5	4.6	7.8	5.0
		(6.7)	(3.9)	(6.4)	(3.5)
Movement on deferred tax relating to pension liability	18	1.3	0.6	1.3	0.6
Total comprehensive loss		(8.2)	(0.5)	(7.9)	(0.4)

BALANCE SHEET

At 31 December 2020

	Note	Group		Port	
		2020 £'m	2019 £'m	2020 £'m	2019 £'m
FIXED ASSETS					
Tangible assets – property, plant and equipment	11	50.3	52.0	46.2	47.7
Tangible assets – investment property	11	29.2	30.3	17.3	17.3
		79.5	82.3	63.5	65.0
Investments	12	-	-	19.9	20.4
		79.5	82.3	83.4	85.4
CURRENT ASSETS					
Stocks	13	0.4	0.3	0.4	0.3
Debtors due within one year	14	5.3	6.3	5.3	6.3
Debtors due after more than one year	18	1.4	-	1.6	-
Cash at bank and in hand		21.8	18.6	18.7	16.2
		28.9	25.2	26.0	22.8
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(8.4)	(6.7)	(23.8)	(22.4)
NET CURRENT ASSETS		20.5	18.5	2.2	0.4
TOTAL ASSETS LESS CURRENT LIABILITIES		100.0	100.8	85.6	85.8
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(8.8)	(8.9)	(1.0)	(1.0)
PROVISIONS FOR LIABILITIES	18	-	(0.3)	-	(0.1)
PENSION LIABILITY	20	(25.6)	(17.8)	(17.1)	(9.3)
NET ASSETS		65.6	73.8	67.5	75.4
RESERVES					
Revaluation reserve	25	22.6	23.9	26.1	26.2
Profit and loss account	25	42.9	49.8	41.4	49.2
		65.5	73.7	67.5	75.4
Minority interest (non-controlling interest)	26	0.1	0.1	-	-
TOTAL EQUITY		65.6	73.8	67.5	75.4

The financial statements of the Group were approved by the Directors and authorised for issue on 6 April 2021.

Signed on behalf of the Board by:



Chair
C Martin



Chief Executive
A M Jones

STATEMENT OF CHANGES IN EQUITY

At 31 December 2020

	Group		Port	
	Profit and loss account £'m	Revaluation reserve £'m	Profit and loss account £'m	Revaluation reserve £'m
At 1 January 2019	49.1	25.1	49.8	26.0
Profit for the financial year	2.8	-	2.5	-
Actuarial loss on pension schemes (note 20)	(3.9)	-	(3.5)	-
Movement in deferred tax on pension (note 18)	0.6	-	0.6	-
Total comprehensive loss	(0.5)	-	(0.4)	-
Transfer to revaluation reserve in relation to revaluation of fixed assets (note 11)	1.2	(1.2)	(0.2)	0.2
At 1 January 2020	49.8	23.9	49.2	26.2
Loss for the financial year	(2.8)	-	(2.8)	-
Actuarial loss on pension schemes (note 20)	(6.7)	-	(6.4)	-
Movement in deferred tax on pension (note 18)	1.3	-	1.3	-
Total comprehensive loss	(8.2)	-	(7.9)	-
Transfer to revaluation reserve in relation to revaluation of fixed assets (note 11)	1.3	(1.3)	0.1	(0.1)
At 31 December 2020	42.9	22.6	41.4	26.1

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2020

		2020	2019
	Note	£'m	£'m
Net cash inflow from operating activities	22	7.1	9.6
Cash flows from investing activities			
Purchase of tangible fixed assets		(4.7)	(3.4)
Capital grants received		0.9	-
Interest received		0.1	0.1
Proceeds from disposal of investment		0.1	-
Net cash outflow from investing activities		(3.6)	(3.3)
Cash flows from financing activities			
Repayment of bank loans		(0.1)	(0.1)
Interest paid on bank loans		(0.2)	(0.2)
Net cash outflow from financing activities		(0.3)	(0.3)
Net increase in cash and cash equivalents		3.2	6.0
Cash and cash equivalents at beginning of year		18.6	12.6
Cash and cash equivalents at end of year		21.8	18.6
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		21.8	18.6
Cash and cash equivalents		21.8	18.6

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

I. Accounting Policies

Basis of accounting

The Port of Milford Haven is a trust port, a statutory entity that was brought into existence by a specific Act of Parliament - The Milford Haven Conservancy Act 1958. The financial statements have been prepared in accordance with the Harbours Act 1964, as amended by the Transport Act 1981 and subsequent legislation, which requires that the financial statements be prepared in accordance with the requirements of the Companies Act 2006, 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. Reporting currency is in GBP and rounding is to the nearest million to one decimal place. The registered office is Gorsewood Drive, Milford Haven, Pembrokeshire SA73 3EP. The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related party disclosure.

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 2020 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. The Directors have reviewed the budget for 2021 and the forecast financial position of the Group in the 5-year plan to 2025, against the expected recurring operational income, expenditure and interest costs in conjunction with the Group's funding position and banking covenants. Although the first anniversary of the pandemic has passed, it remains impossible to fully assess the impact of Covid-19 on the future financial performance of the Group given the material inherent uncertainties surrounding its impact. However, the current financial position of the Group and the financial testing that has been previously undertaken provide the Directors with sufficient assurance, and for these reasons, the Directors consider that the Group has more than sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Group's 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. Investment property is measured at fair value after annually initial recognition at cost. 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 are transferred to the Revaluation Reserve. Depreciation is not provided on investment properties.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the profit and loss account, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, the Group considers whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, of the significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-derivative instruments that are equity of the issuer (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through the profit and loss account. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Port balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Assets in the course of construction are capitalised and categorised as 'Development costs', there is no depreciation on development costs. Once crystallised into an asset, the development costs are transferred to the appropriate category of asset that is created and depreciation is charged if applicable for that category of asset. Depreciation is provided in equal annual instalments over the estimated useful lives of the assets. There is no depreciation on freehold land. 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 the profit and loss account 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.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

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. Stock is issued on the First In First Out (FIFO) basis.

Interest receivable

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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, including amounts due under minimum volume commitments from port users.

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 currency

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 prevailing at that date. These translation differences are dealt with in the profit and loss account.

Leases

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Indirect costs incurred in negotiating and arranging an operating lease are charged directly to the profit and loss account.

The Group as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Grants

Under FRS 102, the Group 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 and 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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 (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The Directors have made the following critical judgements, apart from those involving estimations, in the process of applying the Group's accounting policies.

Capitalisation of development costs

Included within development costs, are capitalised development costs in respect of the Milford Waterfront project and Pembroke Dock Marine project and any assets in the course of construction. It is the Directors' judgement that these projects will become cash-generating assets. It is recognised that, should the projects not crystallise, the costs would need to be written off to the profit and loss account. As part of the annual impairment review, the Board identified certain development projects with costs of £2.0m (2019: £0.5m) where there was a high degree of uncertainty over their projected recoverable value. These were written off to the profit and loss account accordingly. The accumulated costs for these projects as at 31 December 2020 are £1.8m (2019: £1.8m). Other costs of £nil at 31 December 2020 (2019: £0.8m) relate to other projects.

Long term contracts

The Group has some long-term contracts which include minimum volume commitments that require port users to pay a minimum annual fee irrespective of the extent to which the port is used. These contracts entitle the port user to an agreed level of services up to the minimum amount, and services in excess of the minimum amount are chargeable as they are utilised. To the extent that the minimum volume

levels are not fully utilised within a year, the balance not utilised can be carried forward as a credit by the customer and used against future services in excess of the minimum volume level.

The Directors consider that the substance of these arrangements is to require the Port to maintain access to the Milford Haven Waterway, and the Group's available staff resources, over the term of the contract. Accordingly, as the activities required of the Group in order to fulfil its obligations under the contract are performed on a straight line basis over the contract term, they believe it is most appropriate for the amounts receivable under the contract in respect of minimum volume commitments to be recognised on a straight-line basis over the specified period. The Directors believe that the revenue recognition approach applied to long-term contracts is a key judgement. In reaching this judgement, they considered an alternative approach, which would be to recognise revenue for these long-term contracts by reference only to the extent to which the Group is used. However, they believe the approach adopted above better reflects the economic substance of the contract and, in particular, the activities that the Group must perform in order to fulfil its contractual obligations over the contract term.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Long term contracts

In accounting for revenue from long-term contracts, where volumes under those contracts have exceeded the minimum volume commitment, estimates are made in order to determine the value of additional revenue which is considered to have been earned. This estimate reflects uncertainties over whether any future rebate may be provided to the customer in respect of the related minimum volume agreement. Where amounts received may be subject to some level of rebate dependent on future volumes, an estimate is made of the appropriate amount to defer until such time as the associated uncertainty is resolved. The amount of revenue deferred due to such uncertainties was £3.1m as at 31 December 2020.

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 the Directors. 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 the FRS 102 definition and included at fair value. The Directors determine fair value based on assumptions specific to the investment portfolio in addition to reference the wider 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. Covid-19 has introduced additional estimation uncertainty in the valuation of investment properties. Further information regarding investment properties is in note 11.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

3. TURNOVER

Analysis of turnover by class of business is stated below:

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Ship, passenger and goods dues	10.9	12.3	10.9	12.3
Marine services	4.6	5.3	4.6	5.3
Pilotage services (note 9)	5.6	6.3	5.6	6.3
Rents	3.0	3.1	2.0	2.0
Miscellaneous income	0.2	0.2	0.2	0.2
Solar income	0.9	0.9	0.3	0.3
	25.2	28.1	23.6	26.4

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. OTHER OPERATING INCOME

During the year, the Group received £34,949 (2019: £nil) from the Government Coronavirus Job Retention Scheme for staff that had been furloughed due to Covid-19 impact.

5. FINANCE COSTS (NET)

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Interest payable on bank loans	0.2	0.2	0.1	0.1
Less: other interest receivable	(0.1)	(0.1)	(0.1)	(0.2)
Net interest on defined benefit pension liability	0.4	0.4	0.2	0.1
Finance costs (net)	0.5	0.5	0.2	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting):

	Group		Port	
	2020	2019	2020	2019
	£'m	£'m	£'m	£'m
Staff costs (note 8)	12.9	11.8	12.9	11.8
Depreciation of tangible fixed assets (note 11)	4.0	3.7	3.8	3.5
Impairment of tangible fixed assets (note 11)	2.0	0.5	2.0	0.5
Grant amortisation (note 19)	(0.7)	(0.2)	(0.7)	(0.2)
Cost of stock recognised as expense	0.3	0.3	0.3	0.3
Hire and operating leasing charges	0.1	-	0.1	-
Loss on disposal of tangible fixed assets (including demolition costs of £0.2m in 2020)	0.3	-	0.3	-

During the year the following services were obtained from the Group's auditor:

	Group		Port	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Auditor's remuneration:				
- Audit of Group accounts	72	58	65	58
- Audit of pension schemes	21	20	21	20
- Tax compliance services	14	14	12	10
- Tax advisory services	3	3	3	3

7. REMUNERATION OF KEY PERSONNEL

Key personnel includes Executive and Non-Executive Directors and the Senior Management Team.

	Group and Port	
	2020	2019
	£'000	£'000
Fees - Non-Executive Directors	182	146
Aggregate emoluments (excluding defined benefit pension contributions) - Executive Directors	462	447
Pension costs - Executive Directors	55	47
Senior Management Team	468	409
	1,167	1,049

The number of Directors to whom retirement benefits are accruing under defined benefit schemes is two (2019: two). Compensation payments for loss of office are included in the Senior Management Team remuneration figure above at £32k (2019: £nil).

Remuneration of the highest paid Director	249	296
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The accrued pension of the highest paid Director under the MHPARBS defined benefit pension scheme at 31 December 2020 was £3k (2019: £3k).

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

	2020	2019
	No.	No.
	11	9

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

8. STAFF COSTS

	Group and Port	
	2020	2019
	£'m	£'m
Wages and salaries	9.0	8.7
Social security costs	1.0	1.0
Pension costs (note 20)	2.9	2.1
	12.9	11.8

The above includes amounts paid to Directors as disclosed in note 7. Pension costs include only those items included within operating costs.

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

	2020	2019
	No.	No.
Operational staff	106	109
Office staff	88	81
	194	190

9. PILOTAGE

Compliance with the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 requires that revenue and expenditure applicable to pilotage activities be separately identified as follows:

	Group and Port	
	2020	2019
	£'m	£'m
Turnover		
Providing pilotage services	5.5	6.1
Issue and use of pilotage exemption certificates	0.1	0.2
	5.6	6.3
Expenditure	£'m	£'m
Providing services of a pilot	3.0	3.1
Providing, maintaining and operating pilot boats	2.1	1.7
Administration and other costs	1.5	1.9
	6.6	6.7

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

10. TAX ON (LOSS)/PROFIT

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
(a) Analysis of charge for the year				
Current tax				
Total current tax charge	0.7	1.4	0.6	1.3
Deferred tax				
Origination and reversal of timing differences	(0.4)	(0.2)	(0.5)	(0.2)
Effect of changes in tax rates	0.1	-	0.1	-
Total deferred tax credit	(0.3)	(0.2)	(0.4)	(0.2)
Tax per profit and loss account	0.4	1.2	0.2	1.1
Deferred tax per statement of comprehensive income	1.3	0.6	1.3	0.6

(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% (2019: 19%). The differences are explained below:

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
(Loss)/profit before tax	(2.4)	4.0	(2.6)	3.6
(Loss)/profit multiplied by the applicable rate	(0.4)	0.8	(0.5)	0.7
Expenses not deductible	0.9	0.5	0.9	0.5
Income not taxable	(0.2)	(0.1)	(0.2)	(0.1)
Effects of group relief/other reliefs	-	-	(0.1)	-
Tax rate changes	0.1	-	0.1	-
Current tax charge for the year	0.4	1.2	0.2	1.1

(c) Factors that may affect future tax charges

The Finance Act 2020 reversed a proposed reduction in the main rate of corporation tax to 17% from 1 April 2020 and maintained it at 19%. Deferred tax assets and liabilities have therefore been calculated using the main rate of corporation tax of 19% which is the rate substantively enacted at the balance sheet date. Future rate increases would further increase the deferred tax balances recognised but the actual impact will be dependent on the deferred tax position at the time.

As announced at Budget 2021, the main rate of corporation tax for the financial year beginning 1 April 2023 will rise to 25%. Legislation in Finance Bill 2021 will set the rate at 25% from 1 April 2023. Therefore, the rate of 25% was not substantively enacted at the reporting date and not used to calculate deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

II. TANGIBLE FIXED ASSETS

	Specialised marine assets £'m	Freehold land and property £'m	Development costs £'m	Investment property £'m	Plant and equipment £'m	Dredging works £'m	Total £'m
Group							
Cost or valuation							
At 1 January 2020	36.3	4.7	3.1	30.7	35.9	2.0	112.7
Additions	0.5	0.2	2.1	0.1	1.7	-	4.6
Disposals	-	(0.1)	-	-	(0.1)	-	(0.2)
Transfers	-	0.7	(0.9)	0.2	-	-	-
Revaluation	-	-	-	(1.3)	-	-	(1.3)
At 31 December 2020	36.8	5.5	4.3	29.7	37.5	2.0	115.8
Accumulated depreciation							
At 1 January 2020	12.4	0.9	0.5	0.4	14.2	2.0	30.4
Charge for the year	2.0	0.1	-	-	1.9	-	4.0
Disposals	-	-	-	-	(0.1)	-	(0.1)
Transfers	-	-	-	-	-	-	-
Impairment	-	-	2.0	-	-	-	2.0
At 31 December 2020	14.4	1.0	2.5	0.4	16.0	2.0	36.3
Net book value							
At 31 December 2020	22.4	4.5	1.8	29.3	21.5	-	79.5
At 31 December 2019	23.9	3.8	2.6	30.3	21.7	-	82.3
Port							
Cost or valuation							
At 1 January 2020	36.3	4.7	3.1	17.7	30.4	2.0	94.2
Additions	0.5	0.2	2.0	0.1	1.7	-	4.5
Disposals	-	(0.1)	-	-	(0.1)	-	(0.2)
Transfers	-	0.7	(0.8)	-	0.1	-	-
Revaluation	-	-	-	(0.1)	-	-	(0.1)
At 31 December 2020	36.8	5.5	4.3	17.7	32.1	2.0	98.4
Accumulated depreciation							
At 1 January 2020	12.4	0.9	0.5	0.4	13.0	2.0	29.2
Charge for the year	2.0	0.1	-	-	1.7	-	3.8
Disposals	-	-	-	-	(0.1)	-	(0.1)
Transfers	-	-	-	-	-	-	-
Impairment	-	-	2.0	-	-	-	2.0
At 31 December 2020	14.4	1.0	2.5	0.4	14.6	2.0	34.9
Net book value							
At 31 December 2020	22.4	4.5	1.8	17.3	17.5	-	63.5
At 31 December 2019	23.9	3.8	2.6	17.3	17.4	-	65.0

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

11. TANGIBLE FIXED ASSETS (continued)

As part of the annual impairment review, the Board identified certain development projects with costs of £2.0m (2019: £0.5m) where there was a high degree of uncertainty over their projected recoverable value. These were written off to the profit and loss account accordingly.

Cushman & Wakefield, suitably qualified external valuers with detailed historical knowledge of the Group's assets, completed a desktop valuation of all investment properties focusing on any significant changes to properties and markets as at 31 December 2020. 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 £17.3m (2019: £17.3m) and for the Group amounted to £29.3m (2019: £30.3m), of which £1.2m is leasehold, all of which is long leasehold (2019: £1.1m). The depreciated historical cost of the Group's investment properties held at fair value is £33.4m and for the Port is £17.9m.

12. FIXED ASSET INVESTMENTS

Group investments

Subsidiaries	Nature of business	Class of share held	Proportion of nominal value held
Milford Docks Company	Dock Operator	Ordinary	98.2%
Milford Haven Properties Limited	Solar Park	Ordinary	100%
MHPA PFP (General Partner) Limited	Pension Fund Partner	Ordinary	100%
MHPA PFP Limited Partnership	Pension Limited Partner	Ordinary	100%
MHPA RBS Trustee Company Limited	Pension Trustee Company	Ordinary	100%
Havens Head Retail Park Limited	Retail Park	Ordinary	100%

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

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	
	2020 £'m	2019 £'m
Cost at 1 January	20.4	21.4
Impairment of investment in subsidiary	(0.5)	(1.0)
Carrying value at 31 December	19.9	20.4

The impairment relates to the Port's investment in Havens Head Retail Park Limited, the carrying value of which has been impaired following the loss on revaluation of the subsidiary's investment property portfolio.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

13. STOCKS

	Group and Port	
	2020	2019
	£'m	£'m
Stock of raw materials and consumables	0.4	0.3

14. DEBTORS

	Group		Port	
	2020	2019	2020	2019
	£'m	£'m	£'m	£'m
Amounts falling due within one year:				
Trade debtors	3.2	3.6	3.1	3.6
Other debtors	0.8	0.9	0.8	0.8
Prepayments	0.9	1.4	0.9	1.4
Accrued income	0.4	0.4	0.4	0.4
Amounts due from Group undertakings	-	-	0.1	0.1
	5.3	6.3	5.3	6.3

Amounts due from Group undertakings do not bear interest, are secured and repayable on demand. There are no amounts falling due after more than one year (2019: £nil).

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Port	
	2020	2019	2020	2019
	£'m	£'m	£'m	£'m
Bank loans (note 17)	0.1	0.1	-	-
Trade creditors	1.3	1.2	1.3	1.2
Pension contributions	0.3	0.3	-	-
Social security	0.3	0.3	0.3	0.3
Corporation tax	0.5	1.1	0.4	1.0
Other creditors	0.6	0.6	0.5	0.5
Accruals	1.1	2.4	1.0	2.3
Deferred income	4.0	0.7	3.8	0.5
Deferred grants (note 19)	0.2	-	0.2	-
Amounts owed to Group undertakings	-	-	16.3	16.6
	8.4	6.7	23.8	22.4

Amounts owed to Group undertakings do not bear interest, are secured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

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

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Other creditors	1.0	1.0	1.0	1.0
Bank loans (note 17)				
- between one and two years	0.1	0.1	-	-
- between two and five years	7.7	7.8	-	-
	8.8	8.9	1.0	1.0

17. BORROWINGS

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Bank loans	8.0	8.1	-	-
	8.0	8.1	-	-

Analysis of bank loan repayments:

Due within one year	0.1	0.1	-	-
Due after more than one year	7.9	8.0	-	-
	8.0	8.1	-	-

The bank loans included above comprise the following:

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Due to:				
Svenska Handelsbanken AB	8.0	8.1	-	-
Total	8.0	8.1	-	-

At the year-end, £8.0m of the bank loan in Havens Head Retail Park remains outstanding and is repayable by quarterly capital payments, for the full year amounting to £0.1m on £0.7m of the loan. An interest-only element of £7.7m is to be repaid in full in 2022. The bank loan is secured on investment property of Havens Head Retail Park Limited with a carrying value of £12m (2019: £13m).

Pursuant to the Milford Haven Port Authority Harbour Revision Order 2000, the Port was authorised as at 31 December 2020 to borrow sums not exceeding £50 million.

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. A 3.5% debenture loan, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

18. PROVISIONS FOR LIABILITIES

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Deferred tax liability at 1 January	0.3	1.1	0.1	0.9
Credit to profit and loss account	(0.4)	(0.2)	(0.4)	(0.2)
Credit to statement of comprehensive income	(1.3)	(0.6)	(1.3)	(0.6)
Deferred tax (asset)/liability at 31 December	(1.4)	0.3	(1.6)	0.1

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Accelerated capital allowances	1.9	1.9	1.7	1.7
Deferred tax arising in relation to retirement benefit	(3.2)	(1.6)	(3.2)	(1.6)
Other short-term timing differences	(0.1)	-	(0.1)	-
Deferred tax (asset)/liability	(1.4)	0.3	(1.6)	0.1
- of which due to be recoverable in one year	-	-	-	-
- of which recoverable after one year	(3.3)	(1.6)	(3.3)	(1.6)
- of which due to be payable in one year	0.1	-	-	-
- of which due to be payable after one year	1.8	1.9	1.7	1.7

19. ACCRUALS AND DEFERRED INCOME

	Group and Port	
	2020 £'m	2019 £'m
Deferred capital grants:		
At 1 January	-	0.2
Additions	0.9	-
Released to profit and loss account	(0.7)	(0.2)
At 31 December	0.2	-
- of which due to be released in one year	0.2	-
- of which due to be released after one year	-	-

During the year, the Group received capital grants of £0.9m (2019: £13k) and revenue grants totalling £0.1m (2019: £19k) for expenditure which is included within the costs of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20. EMPLOYEE BENEFITS

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

- (a) The Milford Docks Company Defined Contribution Scheme, a defined contribution scheme 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 scheme was wound up during the year.
- (b) The Milford Docks Company Staff Pension Scheme (MDCSBS), a defined benefit scheme providing benefits based on final pensionable pay for some of the Group's full time staff. The most recent actuarial valuation of this scheme was as at 1 July 2017 as the valuation as at 1 July 2020 is in progress. The assumptions in the 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, pensions that increase once in payment at RPI capped at 5% are assumed to increase by RPI and the rate of mortality would be based on the A67/70 and PA90 mortality tables. The actuarial valuation showed that the scheme's assets amounted to 141% of the value of the liabilities of the scheme as they fall due. Since it has no active members, no contributions are payable to the fund.
- (c) Milford Haven Port Authority Retirement Benefits Scheme (MHPARBS), a defined benefit pension scheme providing benefits for the Group's staff. During 2009, the Group 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 Group. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The pension contribution for the year was £1.1m (2019: £1.1m). There were no outstanding contributions payable to the fund at the end of the year (2019: £nil).

The most recent actuarial valuation was at 1 January 2018 which showed that the value of the scheme's assets amounted to 119% of the value of the liabilities of the scheme. The Employer expects to contribute £1.1m to this scheme during the year to 31 December 2021.

There is to be a defined contribution section within MHPARBS for new joiners. The employer contributions of £32k (2019: £2k) have been transferred to a NEST provision until a defined contribution section of the pension scheme is in operation.

- (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 £0.1m (2019: £0.1m). The Port, in common with other competent harbour authorities, is making recovery plan payments to the PNPF. The Employer'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 Employer paid deficit contributions of £0.6m (2019: £0.5m) and will continue to pay for the remaining 8 years of the 2013, 16-year deficit plan. A new deficit plan as at 2019 will require additional contributions from 1 January 2021 to 31 December 2028, an amount of £27k will be payable in respect of this deficit plan in 2021.

FRS102 Employee Benefits

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

	2020			2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
Inflation rate	2.8%	3.2%	2.6%	3.1%	3.2%	2.7%
Discount rate for scheme liabilities	1.4%	1.3%	1.4%	2.0%	2.0%	2.0%
Rate of increase in salaries	n/a	n/a	2.0%	n/a	n/a	3.0%
Rate of increase for deferred pensions and pensions in payment	2.2%	2.4%	2.0%	2.1%	2.4%	2.0%
CARE revaluation	2.2%	n/a	n/a	3.1%	n/a	n/a

The mortality assumptions used were as follows:

	2020			2019		
	MHPARBS Years	MDCSBS Years	PNPF Years	MHPARBS Years	MDCSBS Years	PNPF Years
Longevity in years at age 65 for current pensioners:						
- Men	21.7	18.7	21.4	21.3	18.7	21.2
- Women	24.1	23.4	23.3	23.2	23.4	23.1
Longevity in years at age 65 for future pensioners:						
- Men	22.7	19.3	22.4	22.3	19.3	22.3
- Women	25.3	24.1	24.5	24.5	24.1	24.3

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20. EMPLOYEE BENEFITS (continued)

Pension Funding Partnership

On 10 December 2013, the Group made a contribution to the MHPARBS of £8.5m. On the same day, the Trustee of this scheme invested £8.5m in MHPA PFP Limited Partnership (SLP) as a limited partner. SLP was established by the Group to hold loan notes issued by Milford Haven Properties Limited, a wholly-owned subsidiary of the Group, with a value of £13m. The Group retains control over this partnership, and as such, is fully consolidated within these Group financial statements. As a partner in SLP, 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.

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

	At 31 December 2020			At 31 December 2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
Group						
Operating expenses						
Current service cost	2.4	-	0.1	2.0	-	0.1
Past service cost	0.3	-	-	-	-	-
	2.7	-	0.1	2.0	-	0.1
Other finance charges						
Net interest cost	0.3	-	0.1	0.3	-	0.1
Total	3.0	-	0.2	2.3	-	0.2
Recognised in other comprehensive income	(5.1)	-	(1.7)	(3.7)	-	(0.2)
	At 31 December 2020			At 31 December 2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
Port						
Operating expenses						
Current service cost	2.4	-	0.1	2.0	-	0.1
Past service cost	0.3	-	-	-	-	-
	2.7	-	0.1	2.0	-	0.1
Other finance charges						
Net interest cost	0.3	-	0.1	-	-	0.1
Total	2.8	-	0.2	2.0	-	0.2
Recognised in other comprehensive income	(4.8)	-	(1.7)	(3.3)	-	(0.2)

The past service cost of £0.3m in the Group and the Port is stated net of Contributions paid by third parties of £1m (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20. EMPLOYEE BENEFITS (continued)

The analysis of the assets in the schemes was:

Group	At 31 December 2020			At 31 December 2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
Equities	45.9	0.2	5.6	41.8	0.2	6.2
Bonds	0.5	0.8	6.7	0.5	0.6	4.5
Cash	0.7	-	2.0	0.8	-	0.3
Annuity contracts	0.1	3.8	-	0.1	3.7	-
Gilts	6.6	-	-	4.9	-	-
Total market value of assets	53.8	4.8	14.3	48.1	4.5	11.0
Present value of scheme liabilities	(73.0)	(4.5)	(21.0)	(60.8)	(4.2)	(16.4)
Pension (liability)/asset	(19.2)	0.3	(6.7)	(12.7)	0.3	(5.4)
Related deferred tax	2.0	-	1.3	0.7	(0.1)	0.9
Net pension (liability)/asset	(17.2)	0.3	(5.4)	(12.0)	0.2	(4.5)

Port	At 31 December 2020			At 31 December 2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
Equities	45.9	0.2	5.6	41.8	0.2	6.2
Bonds	0.5	0.8	6.7	0.5	0.6	4.5
Cash	0.7	-	2.0	0.8	-	0.3
Annuity contracts	0.1	3.8	-	0.1	3.7	-
Gilts	6.6	-	-	4.9	-	-
Investment in SLP	8.5	-	-	8.5	-	-
Total market value of assets	62.3	4.8	14.3	56.6	4.5	11.0
Present value of scheme liabilities	(73.0)	(4.5)	(21.0)	(60.8)	(4.2)	(16.4)
Pension (liability)/asset	(10.7)	0.3	(6.7)	(4.2)	0.3	(5.4)
Related deferred tax	2.0	-	1.3	0.7	(0.1)	0.9
Net pension (liability)/asset	(8.7)	0.3	(5.4)	(3.5)	0.2	(4.5)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20. EMPLOYEE BENEFITS (continued)

Movement in the fair value of scheme assets was:

Group	At 31 December 2020			At 31 December 2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January	48.1	4.5	11.0	43.5	4.2	10.5
Interest income	1.0	0.1	0.2	1.3	0.1	0.3
Actuarial gains	3.3	0.4	3.8	3.3	0.4	0.9
Benefits paid	(1.5)	(0.2)	(1.3)	(1.9)	(0.2)	(1.2)
Members' contribution	0.3	-	-	0.3	-	-
Expenses paid	-	-	-	-	-	(0.1)
Contributions paid by employer	1.6	-	0.6	1.6	-	0.6
Contributions paid by third parties	1.0	-	-	-	-	-
At 31 December	53.8	4.8	14.3	48.1	4.5	11.0
Actual return on plan assets	4.3	0.5	4.0	4.6	0.5	1.2

Port	At 31 December 2020			At 31 December 2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January	56.6	4.5	11.0	51.9	4.2	10.5
Interest income	1.1	0.1	0.2	1.5	0.1	0.3
Actuarial gains	3.7	0.4	3.8	3.7	0.4	0.9
Benefits paid	(1.5)	(0.2)	(1.3)	(1.9)	(0.2)	(1.2)
Members' contribution	0.3	-	-	0.3	-	-
Expenses paid	-	-	-	-	-	(0.1)
Contributions paid by employer	1.1	-	0.6	1.1	-	0.6
Contributions paid by third parties	1.0	-	-	-	-	-
At 31 December	62.3	4.8	14.3	56.6	4.5	11.0
Actual return on plan assets	4.8	0.5	4.0	5.2	0.5	1.2

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

20. EMPLOYEE BENEFITS (continued)

Reconciliation of present value of scheme liabilities:

Group and Port	At 31 December 2020			At 31 December 2019		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January	60.8	4.2	16.4	51.8	4.0	16.0
Current service cost	2.4	-	0.1	2.0	-	0.1
Members' contribution	0.3	-	-	0.3	-	-
Interest cost	1.3	0.1	0.4	1.5	0.1	0.4
Benefits paid	(1.5)	(0.2)	(1.3)	(1.9)	(0.2)	(1.2)
Actuarial loss	8.4	0.4	5.4	7.1	0.3	1.1
Past service cost	1.3	-	-	-	-	-
At 31 December	73.0	4.5	21.0	60.8	4.2	16.4

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the Group statement of comprehensive income is £17.0m (2019: £10.2m). The Port equivalent is £15.1m (2019: £8.6m).

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

	2020	2019	2018	2017	2016
	£'m	£'m	£'m	£'m	£'m
Group					
Defined benefit obligations	(98.6)	(81.4)	(71.8)	(76.1)	(78.0)
Plan assets	73.0	63.6	58.2	59.9	56.9
Net liability recognised in balance sheet	(25.6)	(17.8)	(13.6)	(16.2)	(21.1)
Total actuarial gains and losses recognised in the statement of comprehensive income	(6.7)	(3.9)	3.1	5.7	(10.2)
Port					
Defined benefit obligations	(98.6)	(81.4)	(71.8)	(76.1)	(78.0)
Plan assets	81.5	72.1	66.6	68.8	65.9
Net liability recognised in balance sheet	(17.1)	(9.3)	(5.2)	(7.3)	(12.1)
Total actuarial gains and losses recognised in the statement of comprehensive income	(6.4)	(3.5)	3.0	5.9	(9.1)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

21. TRANSACTIONS WITH RELATED PARTIES

The Group has taken advantage of the exemption contained in FRS 102, Section 33 which does not require the Group to disclose transactions with other group companies. The total remuneration for key management personnel, being the Directors and Senior Management Team, are shown in note 7.

22. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO CASH GENERATED BY OPERATIONS

	2020	2019
	£'m	£'m
Operating (loss)/profit	(0.7)	5.7
Impairment of tangible fixed assets (note 11)	2.0	0.5
Loss on sale of tangible fixed assets	0.1	-
Depreciation charges (note 11)	4.0	3.7
Capital grants released (note 19)	(0.7)	(0.2)
Operating cash flow before movement in working capital	4.7	9.7
Increase in stocks	(0.1)	-
Decrease/(increase) in debtors	1.1	(0.6)
Increase in creditors	2.1	1.1
Difference between pension charge and cash contributions (note 20)	0.6	(0.1)
Tax paid	(1.3)	(0.5)
Cash generated by operations	7.1	9.6

Net debt reconciliation

	1 January 2020	Cash flows	Other non- cash changes	31 December 2020
	£'m	£'m	£'m	£'m
Cash at bank and in hand	18.6	3.2	-	21.8
Bank loans – due within one year	(0.1)	0.1	(0.1)	(0.1)
Bank loans – due after one year	(8.0)	-	0.1	(7.9)
Net debt	10.5	3.3	-	13.8

23. CAPITAL COMMITMENTS

	2020	2019
	£'m	£'m
Contracted for but not provided in the financial statements	1.4	-

The Group has signed a letter of intent to commit to the design and manufacture of key elements associated with the design and construction of a Hotel in the Milford Waterfront development project, prior to year-end.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

24. OPERATING LEASES

Total future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	Group		Port	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m
- within one year	2.4	2.1	1.4	1.2
- between one and five years	5.3	5.2	3.3	2.7
- after five years	10.8	2.4	10.3	1.9
	18.5	9.7	15.0	5.8

Operating leases are varied in length, rental charges and other various clauses as agreed at the time of the agreement with each customer. Any legal costs or other costs associated with setting up the lease are charged to the profit and loss account as incurred.

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 £22.6m (2019: £23.9m). 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.

26. MINORITY INTEREST

	2020 £'m
Group	
At 1 January and 31 December	0.1

27. ULTIMATE CONTROLLING PARTY

The Port of Milford Haven is a Trust Port, a statutory entity that was brought into existence by a specific Act of Parliament – The Milford Haven Conservancy Act 1958. Like the Memorandum and Articles of Association of a conventional trading company, these Acts are the constitution for the Port, defining what it may or may not do, and how it governs itself in terms of appointing its Board and conducting its affairs. The Acts confer certain powers on the Port within the defined port limits, for example in relation to setting the rules for navigation, the power for directing vessels and powers of compulsory acquisition. It also confers obligations, such as the obligation to maintain, improve, protect and regulate navigation, and rights, such as the right to levy charges.

The Port of Milford Haven is therefore an independent statutory undertaking not owned by anybody. The Port does not pay out any dividends to third parties, and nor does it receive direct budgetary support from government.





The Port of Milford Haven provides solutions and services that are helping to build the Haven's prosperity:

Marine
Pilotage
Conservancy
VTS
Navigation
Simulator
Water Ranger

Cargo
Breakbulk, dry
bulk and project
cargo handling
Layover and
supplies hub
Laydown and
storage

**Fabrication and
Deployment**
Marine
renewables
development and
fabrication hub

Ferry
Freight and
passenger ferry
terminal

Fish Docks
Fish landings
Processing spaces
Aquaculture
development
opportunities

**Marina &
Leisure**
Leisure boat
berthing
Boat storage
Cruise
Accommodation
Leisure
development
opportunities

Properties
Heavy industrial
Light industrial
Warehousing
Office
Retail, leisure and
residential





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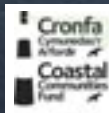


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INVESTOR IN PEOPLE

Published by the Port of Milford Haven and produced in Pembrokeshire with the dedicated assistance of our staff.



The Floatel Cabins were part funded by the Coastal Communities Fund (the Coastal Communities Fund is funded by the Government with income from the Crown Estate's marine assets).

The developments at Pembroke Port as part of the Pembroke Dock Marine project are funded by the Swansea Bay City Deal, the European Regional Development Fund through the Welsh Government and the Port of Milford Haven.



Design: rockpooldesign.co.uk

This publication is printed on paper from sustainable forests using vegetable based inks