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# Port of Milford Haven

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## Annual Report & Financial Statements

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18

“We are, first and foremost, a port. In 2018 we celebrated 60 years of expert, dedicated operations helping the nation transport goods quickly and efficiently. Our future will be built upon these firm foundations as we expand into new ventures that realise the full potential of our assets, strengthen our relationships and create new opportunities.”

**Chris Martin**, Chair

## 2018 Summary

### Trading results for 2018:

Turnover	£22.1m
Operating profit	£0.9m
Post-tax loss	£(1.0)m

31m tonnes cargo volume

Over 2,000 commercial vessels called at the Port

0 Lost Time Incidents

Port Marine Safety Code retained

Investors in People retained

Celebrating our 60th anniversary

A new Wellbeing Team champions positive mental and physical health

460,000 sq ft mixed use development, Milford Waterfront, gained resolution to grant outline planning consent

11% increase in ferry freight

13% increase in solar outputs

2.5% sickness absence - now lower than the national average

Our operational focus is to deliver solutions in:

Transportation

Energy, Renewables and Engineering

Retail, Leisure and Tourism

Fishing, Fish Processing and Aquaculture

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## Welcome from our Chair, Chris Martin



Chris Martin, Chair

As Chair of the Port, I have great pleasure to report on our 60th year of operation.

It has been a challenging trading year. Cargo volume has fallen to 31m tonnes with lower than expected Liquefied Natural Gas traffic and, while the last few months have seen a welcome upturn, the performance reinforces our strategic drive to diversify and expand into new ventures. Last year's acquisition of Havens Head Retail Park had a negative impact on profitability this year but this was as a result of an unrealised property revaluation associated with the downturn of the UK retail sector. We remain confident that the acquisition is an important part of our long-term growth strategy. Our ongoing investment into decarbonising our operations has also proved beneficial, both financially and environmentally. Looking to the wider markets, especially for UK trading businesses, there is considerable uncertainty and low national growth forecasts are impacting confidence. We recognise the effect this will have on us and our customers. We remain committed to our growth strategy although we appreciate that a measured approach must be taken in order to sustain the business in the long term.

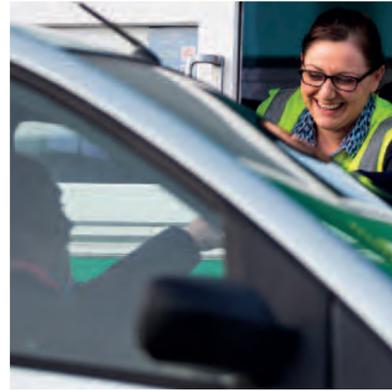
**“The Port of Milford Haven is a Trust Port. We invest to maintain safe navigation on the Milford Haven Waterway, to stimulate economic growth and help deliver a bright outlook for the region.”**

We are, first and foremost, a port. In 2018 we celebrated 60 years of expert, dedicated operations helping the nation transport goods quickly and efficiently. Our future will be built upon these firm foundations as we expand into new ventures that realise the full potential of our assets, strengthen our relationships and create new opportunities. We are excited about our flagship projects, Milford Waterfront and Pembroke Dock

Marine, as they open up new opportunities in leisure, tourism and renewables. Our focus is on creating the right conditions and facilities to attract new businesses to the region. As important as both projects are to our future, they both have strong links to our past. In Milford Waterfront, we are taking time to embed the rich history of the town into the development and help reinforce Milford Haven's sense of place. With Pembroke Dock Marine we are continuing the Royal Dockyard's long tradition of evolving to meet the demands of industrial growth. This growth is a fundamental part of our role as a Trust Port. The Department for Transport's "Ports Good Governance Guidance" published in 2018 describes a Trust Port as a valuable asset presently safeguarded by the existing board whose duty it is to hand it on in the same or better condition to succeeding generations. This remains the ultimate responsibility of the Board, and future generations remain the ultimate stakeholder. It accords with our vision to build the Haven's prosperity so it is vital that we ensure the right strategy is in place and that it is being delivered.

In an anniversary year, it is particularly important to take stock. Just looking at progress since our last major milestone in 2008, the Port has seen the construction of Europe's largest and most advanced gas-fired power station and the arrival of Liquefied Natural Gas which, together, attracted £2.25bn of investment to the Waterway. With the new £100m+ investment in Valero's combined heat and power co-generating unit, their recent purchase of SEM Logistics - now Valero Pembrokeshire Oil Terminal, combined with our own focus on creating facilities that are attractive to the emergent marine energy industries, the Milford Haven Waterway remains a powerful energy hub. As the next decade beckons, we are not standing still and will invest to deliver long-term stable growth.

On behalf of the Board and the business, I'd like to thank Alec Don who stepped down



as Chief Executive this year. Alec has been a driving force over the last decade and we wish him the very best in his new ventures. Andy Jones has taken on the mantle of Interim Chief Executive and his energy and determination will be key in introducing some operational changes that will herald in the next 60 years. I'd also like to acknowledge the contributions of both Sue Davenport and David Snelson who left the Board in January 2018, and congratulate Andrew Edwards on his appointment to Vice-Chair. We will all benefit from the breadth of experience he brings to the role. We also welcomed new Non-Executive Directors Ian Shipperley, Debra Williams and Steve Phillips.

My final words go to all our employees. I see a great team, intent on ensuring we operate as efficiently as possible. I also see how much we are now collaborating outside the Port and the positive impact this is having on our stakeholders. The Board and I thank them for the time and energy they all devote to the business. Without them, our collective progress would be impossible.

**Chris Martin**, Chair

# Our Vision, Strategy and Values

## Our Vision: 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, instead it is 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

### 1 Targeting and securing long-term, sustainable income streams

We're identifying and developing new business that will improve our earnings while continuing to focus on retaining and working with existing customers to give us security now and into the future.

### 2 Managing and maintaining our property, land and equipment

We're looking after and creating new economic opportunities from the things that we own.

### 3 Building strong partnerships

We're working with other organisations to make this plan happen because we recognise we can't do it alone.

### 4 Understanding our customers

We're aiming to provide the best service possible to all of our customers. To do that we need to fully understand their needs. Their business is our business.

Our core values:  
**Safety, Collaboration and Excellence**

“It’s been a busy year at the Port. Our teams, as always, have worked hard to ensure that the people and businesses that depend on us can continue to depend on us. We are a small team, but we have international reach, and every single person helps us maintain our strong reputation. As Interim Chief Executive, I have been particularly proud of how everybody has come together to support me as we reposition for the next sixty years.”



Andy Jones, Interim Chief Executive

## Chief Executive’s Q&A

### How would you summarise the Port’s performance in 2018?

Our turnover fell by 1% to £22.1m, with a fall in operating profit from £3.0m to £0.9m. This was largely as a result of reduced Liquefied Natural Gas (LNG) and Pembroke Port cargo revenues. We recorded a loss of £1.0m after tax, however this was exceptional and due, in part, to investment property revaluations and pension service costs. The most significant of these is the retail park revaluation. This has been caused by a dip in retail market expectations at a national level. Its impact on profit after tax is unrealised. The underlying performance of the business has been positive and reinforces the long-term diversification goal to stabilise revenue. We also experienced contractor issues on the construction of the Costa site which inflated the associated costs.

We are in the minority of businesses that still operate a defined benefit pension scheme for current employees. The costs are significant and could impact our ability to operate profitably in the future. We have therefore taken the difficult decision to close this scheme to new members in order to mitigate the financial risk. It is the responsibility of all of us in the business to recognise the crucial role we all play in achieving our Trust Port obligation to leave the Port in the same or better condition for future generations.

### What are the upcoming opportunities for the port industry?

Our core operation is focused on accommodating sea transportation - whether cargo vessels, ferry or commercial fishing. Such operations play an unseen role in supporting UK industry as 95% of the UK trade is transported by sea. Yet it’s done with such efficiency, such normalcy, that it has taken Brexit for the port sector’s fundamental value to be recognised. We need continued investment in port infrastructure to make the most of trade opportunities. We also see a strong case for port environments to expand and act as catalyst locations for the growth of key UK industries.

### What was your key highlight for 2018?

The Port underwent its three-yearly Port Marine Safety Code review. Arising from the Sea Empress oil spill in 1996, the Safety Code was developed to create a national standard for every aspect of port marine safety. While it is not mandatory, we fully recognise its value and strive to meet the agreed criteria. We take particular pride in the positive feedback gained as part of the 2018 review, and in being recognised as an important and valued contributor to upholding and strengthening its values.

### How is the business changing?

In many ways, it isn’t. We remain focused on delivering excellence in our services and ensuring that we have the right infrastructure and services in place. Our cargo, ferry and marine services remain core to our operations and we will invest to support their needs. However, we also see opportunities for growth in existing and new ventures.

Here in Pembrokeshire, we have world-class natural energy sources, a high-skill supply chain, fabrication and deployment spaces with governmental recognition of the value of marine renewables. Alongside industry partners, we have been developing the Pembroke Dock Marine project and seek to deliver enhancements that will help capture the full market potential - as well as having cross-application for the wider maritime sector.

Pembrokeshire also has a world-renowned reputation for the beauty of its natural landscape and the excellence of its outdoor leisure experiences. Our other flagship project, Milford Waterfront, complements this proposition by delivering a vibrant destination, expanding Pembrokeshire’s ability to reach new audiences.

Both are major infrastructure projects. We know from past experience that we need to collaborate more with our neighbouring communities, industry and governing authorities. Our united expertise will help deliver commercially viable projects that have impact both regionally and nationally.

With regards to Brexit’s impact on our business, we have continued to monitor developments. Based on our business model, the anticipated direct impact has been assessed as minimal, though the impact of any associated general economic downturn is unknown.

### How is extreme weather affecting the Port’s operations?

Weather extremes do seem to be playing a more obvious role in all our lives. Issues like extreme rainfall, wind and even temperature cause issues for our business and for our stakeholders. While we cannot control the weather, we can ensure our infrastructure is operating correctly. Investment, where necessary, will always be a fundamental driver for us.

### Why are stakeholder views important to the Port?

We are a Trust Port, so we do not have shareholders. Instead, it is our stakeholders to whom we are accountable and understanding their needs and views is what will shape our future. In the long term, the next generation are our stakeholders and all our decisions must bear them in mind. In the present, we are listening more, through formal and informal meetings as well as through our Stakeholder Accountability Committee. The Committee oversees activity such as the setting of measurable targets for performance and considers the results of our annual Stakeholder Survey. This year, when asked how the Port was performing against their overall expectations, 85% of stakeholders responded with ‘neutral’, ‘well’ or ‘very well’ which is an increase of 17% in the last two years, and a positive indicator of the work we are doing.

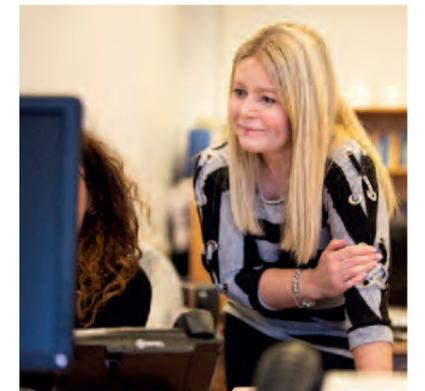
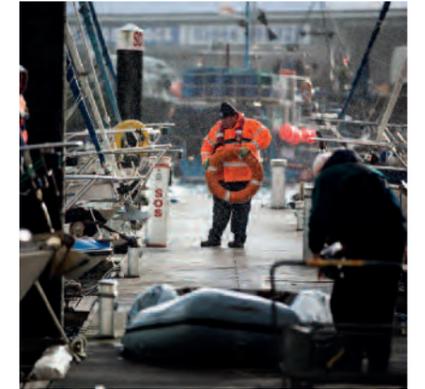
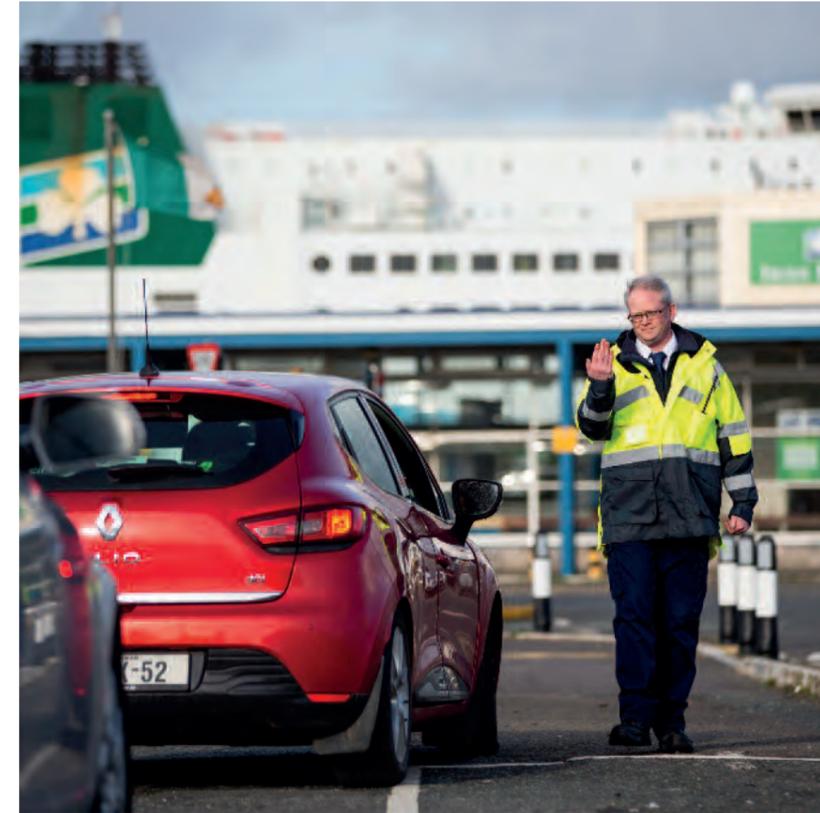
We are committed to building the Haven’s prosperity and delivering vibrant spaces, a robust contribution to the regional economy and life-long career opportunities.

Andy Jones, Interim Chief Executive

“Our employees come from a diverse set of backgrounds and bring the skills and enthusiasm that help shape our business. Their continued drive and energy will be important as we move into our next 60 years of operations.”



## Our People



Employee numbers remained stable during 2018 with 176 at year-end. Turnover also remained low at 10.6% and voluntary turnover fell to 4.5%. Sickness levels for 2018 also fell to 2.5% which is now below the national average.

Last year was an important year as we retained the Investors in People accreditation. We recognise the enthusiasm of everyone in working to ensure we maintain our skill base and striving to build skills for tomorrow's needs.

In delivering our collective goals, our operational teams work in close collaboration with our support teams. Their diverse skill sets, from accounting and human resources to communications and engineering, are critical to our overall success. Effective internal collaboration and appreciation of each other's contributions will always be vital. We also recognise a need to change how we work with others.

While we do have great examples of how we collaborate externally, we can improve. As well as industry and the community, we need to work more with governing authorities to have a better chance of achieving our collective goals. Our employees will continue to shepherd in this change for us.

Ensuring our culture is supportive and encourages maximum engagement is a key priority. We have traditionally focused on physical health and safety and we are proud to be lost time incident-free for two years running. However, like many UK organisations, we understand that mental health, as well as physical health, can have an impact. We want to ensure that both are treated equally and that wellbeing becomes an integral part of our employee support structure. We have established an employee-led Wellbeing Team who are working hard to help us achieve this goal.

# Our Business

## Trading Results

Trading results and key performance indicators for 2018 compared to prior year are summarised below:

	2018	2017
	£'m	£'m
TURNOVER	22.1	22.4
OPERATING PROFIT	0.9	3.0
(LOSS)/PROFIT AFTER TAXATION	(1.0)	1.8
CARGO VOLUME	31.0m tonnes	32.1m tonnes

## 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

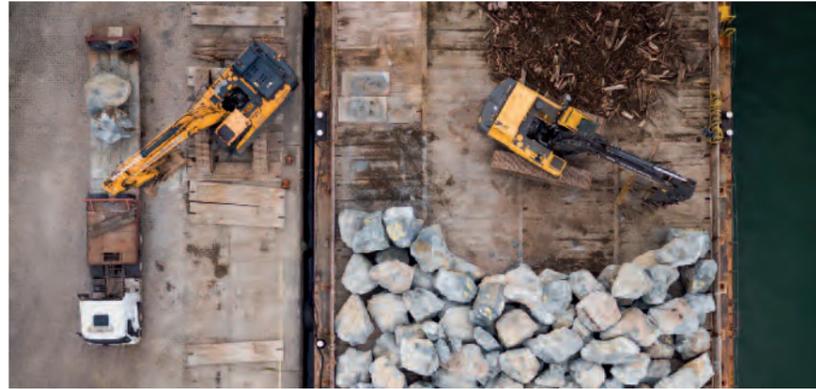
Waterway. It also operates port facilities at sites in Milford Haven and Pembroke Dock, and has a diverse property portfolio. As a Trust Port, the Port does not have shareholders. All profit is retained and is available for re-investment into the business in support of its strategy.

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 £12.6m of cash after paying back all outstanding Port loans. In 2018, we arranged a flexible credit facility which gives access to additional funding if required, hence we are well placed to continue investment into our trading base, react to opportunities that present themselves and maintain business-critical assets as the need arises.



# Principal Risks and Uncertainties



During 2018, we reviewed the way we report on our principal risks and uncertainties. Our aim was to provide a more strategic overview, allowing stakeholders to gain a better appreciation of the full risk picture. The individual risks previously reported have not disappeared. They are now included in more appropriate categories; terrorism, for example, which is no less important, now sits as part of an overall risk to operational continuity.

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

## **Risk to Operational Continuity**

The Milford Haven Waterway is considered a part of the UK critical national infrastructure. Recognising the potential financial and reputational losses associated with a business disruption, we maintain and exercise a robust set of contingency and emergency plans. This involves working closely with our stakeholders to ensure we are prepared should an interruption occur.

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.

## **Risk to Financial Resilience**

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.

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.

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 Dock Marine. This necessitates continual monitoring and reviewing through vigorous project governance.

## **Risk to Fit for Purpose Assets**

We have a wide variety of assets that are required to deliver services to our customers. We are committed to ensuring adequate stewardship and maintenance, supported by sustaining a strong balance sheet.

We seek new opportunities to maximise the use of our assets. This requires a robust inspection and maintenance regime. 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.

## **Diversification Programme Risk**

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.

The most significant risks in relation to our diversification programme are the Milford Waterfront and Pembroke Dock Marine developments. To mitigate these risks, 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.

## **Risk to Reputation and Influence**

Our reputation and influence can be affected by internal failures, by external events outside our control and through the management of our stakeholder expectations. 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 vision 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.

## **Regulation, Governance and Compliance Risk**

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.

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".

To meet these obligations, we have developed a Governance Manual, established an Audit Committee and conduct internal and external audits. We also seek to ensure our employees abide by the highest standards of governance and integrity while focused on achieving our strategy.

## **Culture, Values and Behaviours Risk**

Our core values - Safety, Collaboration and Excellence - are central to the credibility of, and confidence in, the Port to deliver safe and superior services. We rely on motivated and high quality employees to perform our functions and we aim to create an environment where employees are empowered to the full extent of their abilities.

It is recognised that we undertake activities that pose significant safety risks; however, we adopt a positive safety culture through the proactive reporting of accidents, incidents, near misses and concerns through our Assurance Framework.

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.

# Our Operational Divisions



## Transportation

Transportation remains at the core of our operations and includes safe waterway navigation, cargo handling and ferry services.

**“We are responsible for ensuring that the Waterway is used safely, whether the user is in a dinghy or an LNG tanker.”**

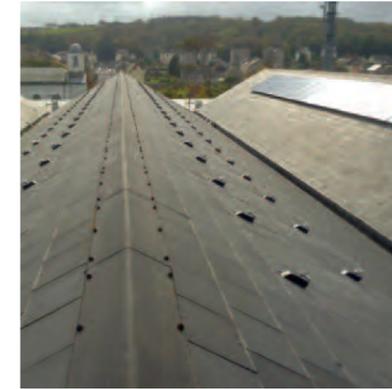
Over 2,000 commercial vessels used the Port in 2018, transporting over 31m tonnes of liquid, dry, break and project cargoes. Liquefied Natural Gas (LNG) performance remained subdued, though we have seen some uplift in the first few months of 2019. At Pembroke Port, our south shore operational hub, the transportation of the decommissioned Murco refinery to Pakistan continued. This has been a significant heavy lift operation and it will continue into 2019. This operation was always going to be tinged with regret as the refinery's closure impacted so many local people and businesses. It's been an important driver for the development work we are doing with Milford Waterfront and Pembroke Dock Marine in reducing over-reliance on one industry.

There has been significant focus on maintaining the best conditions for existing customers, while also developing the right facilities, spaces and contract terms to attract new business. Our ferry operations ran smoothly with an 11% uplift in ferry freight traffic. The impact of weather delays was mitigated by the fast response of our employees. We attained the

Trade Assurance Scheme for Combinable Crops during the year, demonstrating responsible onsite handling. We also conducted a review of Pembroke Port's market proposition to identify new opportunities. This includes a revised approach to the storage of Refuse Derived Fuel (RDF) which we recognise as having the potential to make a positive contribution to the region's economy. We also joined the SNAP network (a collective of lorry parks for hauliers and truckers) to make good use of our asset base and provide additional facilities for our clients.

Two key operational goals were achieved this year. We successfully undertook an upgrade of our Vessel Traffic Services (VTS) equipment to maintain continued operational excellence. The upgrade also enabled us to carry out a successful live, extended trial of our back-up facility which is an important part of our commitment to safe navigation on the waterway. Our incident response exercises are also an important part of that commitment, and the key agencies work closely together to ensure that any incident is quickly contained and concluded successfully.

It is vital that we ensure a safe working environment for all our employees while maintaining expected service levels for our Waterway customers. Following two incidents involving our pilot boats, we have appointed independent experts to carry out a scientific investigation to help us fully understand the issue and explore solutions.



## Energy, Renewables and Engineering

We are the UK's largest energy port. In 2018 we continued to ensure the best service framework is in place for our core energy customers along the Waterway, as well as working to create new infrastructure appropriate to the needs of emergent energy industries.

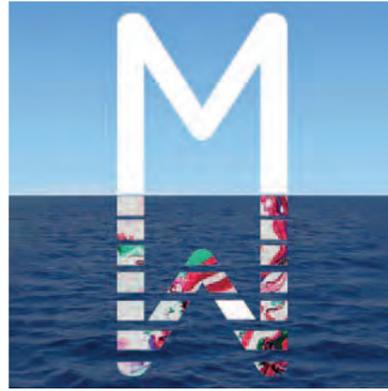
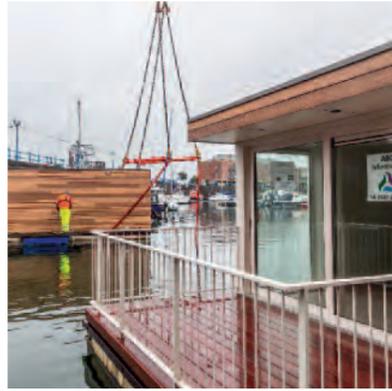
Renewable marine sourced energy is at the heart of our flagship project, Pembroke Dock Marine. This will create a new industry, support economic growth and create jobs, while directly contributing to the growth of decarbonised energy. Without doubt, this is the right place for a marine energy and engineering delivery hub; Pembrokeshire has world-class natural energy, the right skill base and practical experience. Funding will play a vital role in short-term success, helping to kick-start a nascent industry. It will be critical in achieving the earliest possible impact and maximising the economic potential of an industry projected to be worth €653bn by 2050\*. This isn't just about our business, such investment is critical to growing the Welsh and UK economies. In the absence of third-party funding, we maintain our commitment but recognise that delivery scope and timescales will be significantly impacted.

We maintained our strategy of investing in our own energy infrastructure. A new renewable heat system, e-bikes and an expansion of the LED lighting network are helping us increase efficiency across the business. Our major investment in the solar farm at Liddeston, and the network of building-mounted solar panels, performed well with a 13% increase in solar outputs. Together, these investments are driving down operational costs and decreasing our carbon footprint.

\* Carbon Trust, Accelerating Marine Energy

**“As the UK's largest energy port, we are focused on creating the right conditions for growth in traditional and renewable energy sectors.”**





## Retail, Leisure and Tourism

“Milford Waterfront is a 460,000 sq ft mixed used development set on the doorstep of a world-renowned natural environment.”

The Milford Waterfront development achieved a significant goal last year. Having gained outline planning consent in 2015, we recognised that the high street model was experiencing unprecedented volatility so we adjusted our approach. This gave us an opportunity to re-focus on what is unique about Milford Haven, and play to our strengths of doorstep access to marine leisure opportunities, beaches and other outdoor pursuits. The revised plan brings leisure and tourism to the forefront in this 460,000 sq ft mixed use development for which we regained a resolution to grant outline planning consent during the year. We see true value here for Milford Haven and Pembrokeshire as we expand the year-round proposition.

Our aim is to ensure Milford Waterfront brings out the features that makes Milford Haven such a unique destination. All our activities complemented this goal, from the Ambassador training programme to our collaboration with the Royal Navy Museum. Our vibrant ‘What’s On’ programme, which included the Welsh Street Food Awards and a wedding fayre, was built upon these foundations bringing new events and visitors to the town.

In terms of moving the leisure proposition forward, we launched the Discover Coast & Cleddau Boat Trips during the summer. This is opening up the Waterway for more exploration by visitors and residents.

The feedback has been great, with people enjoying the Waterway’s history, wildlife and stunning views. With support from a Coastal Communities Fund grant, our Floatel Cabins arrived towards the end of 2018 and are being fitted out ready for the 2019 season. Facilities were upgraded in the 4 gold anchor Milford Marina. This has proved valuable to existing berth holders and will be important in attracting new visitors and berth holders. We have also invested significantly in our assorted digital networks.

Our cruise season was busy with over 4,100 passengers from nine calls. From the exclusive Sea Cloud II to the grand Albatross and Prinsendam, visitors are coming to the Milford Haven Waterway from around the world. It’s a perfect launch pad to explore Pembrokeshire’s incredible landscapes. We offer two call sites, alongside at Pembroke Port and anchored at Milford Haven, which offers maximum flexibility. However, we do recognise the limitations on Milford Haven in the absence of a dedicated cruise berth and the impact this has on our other operations.

Building on from last year’s major acquisition of Havens Head Retail Park, we have extended the base offer to include a hospitality outlet with the addition of a Drive-Thru Costa. This expands Milford Haven’s national brand proposition as we strive to help deliver the needs of this busy town.



## Fishing, Fish Processing and Aquaculture

Our focus in 2018 has been to ensure we are delivering the right services and facilities for the fishing industry.

Milford Haven is an important hub. It is Wales’ largest fishing dock, landing both fish and shellfish. Our view is that critical mass will help deliver long-term operational viability for us and our customers. We are therefore creating the spaces and opportunities to bring together commercial fishing, fish processing and aquaculture.

“Milford Fish Docks is Wales’ largest fishing docks, where fish and shellfish can be landed, processed and shipped to the markets quickly and efficiently.”

During 2018, we’ve contributed to governmental investigation into the sector looking at how, together, we might re-energise fisheries. We are also continuing to work with the aquaculture sector and are exploring the needs of this industry and the economic contribution it can deliver alongside our existing fishing client base.



In terms of facilities, we’ve secured a grant from the European Maritime Fisheries Fund (EMFF) which is helping us to enhance the fishing docks’ proposition. This includes the provision of a new Hiab crane that will help fishermen land their catch more safely and efficiently. Separately, we’ve completed lock gate refinements which means our fishing customers can get to sea faster with the lock gates operating 24/7 with the tide. The expansion of our fuel services is also proving valuable to our customers. Importantly, we continue to offer our own fund, the Fishermen’s Safety Fund. This dovetails with the EMFF fund to tackle the issue of safety at sea. Once beyond the docks, we want to remain supportive of fishermen and help them stay safe.

## Stakeholder Engagement



As a Trust Port, we are committed to reinvesting our profits into the business for the Port's future sustainability, which in turn has positive impacts across Pembrokeshire in terms of job creation and economic growth. In the absence of shareholders, we are accountable to a wide range of stakeholders from statutory bodies to local residents. We have established a number of mechanisms to ensure those stakeholders understand the role of the Port, and equally to ensure that we understand their views on key issues.

Our communications last year recognised the different needs of our broad stakeholder audience in sharing information and gathering feedback. In addition to formal stakeholder meetings, our website and social media channels were kept up to date with news and information, as well as issuing the biannual community newsletter, OnBoard, to the 30,000 homes and businesses along the Milford Haven Waterway. Feedback from our 2018 stakeholder survey told us that almost 50% of stakeholders felt that OnBoard has increased their awareness and understanding of the Port and its activities and therefore we will continue to provide information in this way.

We also hosted the annual stakeholder meeting in July to which all members of the public and business community were invited. As well as being an open floor for questions from our stakeholders, this provided us with a great opportunity to share some important updates such as new appointments to the Board, results from our annual stakeholder survey and strategic issues. We also updated stakeholders on the progress of our two flagship projects, Milford Waterfront and Pembroke Dock Marine.

To measure and benchmark our community benefit, we subscribe to London Benchmarking Group (LBG) which is the global standard for measuring corporate community investment. LBG has confirmed that the Port of Milford Haven continues to stand out for the amount it

**“When asked how the Port was performing against their overall expectations, 85% of stakeholders responded with ‘neutral’, ‘well’ or ‘very well’ which is an increase of 17% in the last two years, and a positive indicator of the work we are doing.”**

To complement the work of the existing Port Advisory Committee, we formed a Stakeholder Accountability Committee in 2015 and appointed a Non-Executive Director with particular responsibility for ensuring stakeholder views are heard at Board level. We are pleased to see that the Department for Transport has recognised this development and recommended it as best industry practice in the 2018 “Ports Good Governance Guidance”.





gives to the community as a percentage of operating profit. In 2018, the majority of investment was focused on projects relating to skill, education and improving access to arts and culture.

**Scholarship Scheme**

Our annual Scholarship Scheme started in 2003 and has supported over 60 students. In 2018, Pembrokeshire students Katrin Watkin-Rees, Jannah Kehoe, Isobel Coombe and Matthew Dawes all successfully secured a three-week work placement at the Port in 2019, and £1,500 to support their studies.

**Anti-tombstoning Initiatives**

We partnered with Milford Youth Matters, Dyfed-Powys Police and Mid and West Wales Fire and Rescue Service to deliver WAVE - a project to warn young people about the dangers of tombstoning (jumping into the sea from height) and to introduce them to safe ways to enjoy the water. It was an extremely successful event with 89% of attendees saying they learnt something new, 96% saying they would tell others about the dangers of tombstoning and 100% saying they had a better understanding of the dangers.

Having won an award from Arts and Business Cymru in 2017 for the anti-tombstoning play, 'Would you Jump?', we further developed this initiative in 2018 to involve pupils from years 7 and 8 who collaborated with a professional writer and director to create their own storylines as a sequel to the original play.

**Under the Bridge**

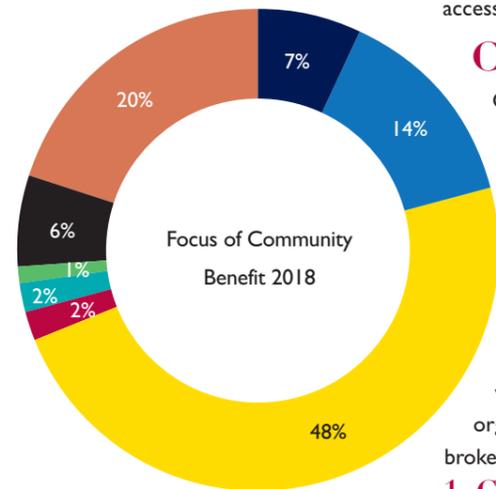
Under the Bridge aims to address elements of deprivation by providing accessible opportunities to promote

**Our Charitable Cause for 2018**  
 Each year staff at the Port vote for a charitable cause they feel passionate about. The winning charity benefits from a year of dedicated fundraising by our team. In 2018, Mind Pembrokeshire was chosen and alongside financial support from the Port, it benefitted from fundraising events such as a charity fun run, book sales, cycle to work day and Christmas jumper day. We even purchased ukuleles for Mind's Ukulele Group.

**“Alongside direct financial support, our staff organised events and activities to raise funds in support of Mind Pembrokeshire, our Charitable Cause of the Year for 2018.”**

wellbeing and an active lifestyle through art, media and dance. The project also addresses community safety by engaging young people in diversionary activities which promote a positive profile of young people in Milford Haven. Under the Bridge attracted over 118 individuals in 2018. In addition, one young person recorded over 20 hours of volunteering hours within his community and went on to secure employment as a seasonal events assistant.

**Duke of Edinburgh**  
 As a bronze sponsor of the Duke of Edinburgh's Award, we worked with Pembrokeshire's Department of Education team to give more local school children the opportunity to develop their skills and achieve their goals. A particular highlight was seeing thirteen pupils from Milford Haven School achieve their bronze award.



- Health
- Social Welfare
- Education
- Environment
- Economic Development
- Emergency Relief
- Other
- Arts & Culture

**Community Benefit**

Our core focus is the sustained re-investment of profit to build the Haven's prosperity. However, like any major business whose activities and operations play an integral role in the local community we also, when business performance allows, share a proportion of our profits with local charities and community organisations. Last year's support was broken into two distinct areas:

**1. Charitable Gifts**

Charitable gifts are processed through our Community Fund Committee, which comprises a number of staff from across the business. The Committee is allocated an annual budget and community groups and charitable organisations are invited to apply for funding via our website. During 2018 over 90 community groups have benefitted from this funding, with clear focus on projects which aimed to improve skills, education and access to arts and culture.

**2. Community Investment**

The initiatives that we have supported in 2018 address issues raised, and suggestions made, in our stakeholder survey. These include:

“Our focus is to manage and reduce our operational impact on the Milford Haven Waterway and to make a positive contribution to global decarbonisation efforts.”



## Decarbonisation

We fully recognise the contribution made by anthropogenic greenhouse gas emissions to global climate change. As such, we seek to reduce our emissions and respond to the need to decarbonise the economy. It is why we invested heavily in renewable energy generation on our estate.

2018 photovoltaic generation totals:

- Building mounted solar panels: increase of 11% to 772 MWh
- Liddeston Ridge solar array: increase of 13% to 5,187 MWh

This green energy generation supplied to business and the grid is equivalent to 1,686.81 tonnes of CO<sub>2</sub>, 3.93 tonnes of methane and 9.12 tonnes of nitrogen dioxide for the same amount of energy generated using fossil fuels. This CO<sub>2</sub>e is offset against our emissions that include fuel and energy use and is calculated to total 6,182tCO<sub>2</sub>.

## Our Environment

### Oil spill training and live incident

There were nine recorded oil pollution incidents reported during the course of 2018. Three were reports of minor, non-attributable blooms which we were able to break-up with the prop wash of the boat we sent to investigate; one was the remobilisation of historical ground contamination at Llanreath, two were foundered small vessels, and three were caused by equipment failure or damage at terminal jetties. Of these nine, the only one involving sustained clean-up effort was a spill of an unconfirmed quantity of heavy fuel oil during December. We provided on-water tracking and clean-up, and participated fully in the multi-agency response to the incident.

The ability to respond swiftly, efficiently and effectively to any pollution incident is a priority for us and we train and exercise accordingly.

### Clean seas pledge



2018 saw a major increase in activity in Wales to grapple with the problem of plastic pollution, systemic in the global economy and environment. We are a member of the Wales Clean Seas Partnership which will implement the first Marine Litter Action Plan for Wales. Our commitment to reduce the plastic waste reaching the sea was encapsulated by signing the Wales Clean Seas Pledge in early summer 2018.

We remain committed to waste reduction and reduction in plastic use, but also to recovery of marine litter where possible. From the pilot launches removing items of flotsam from the Waterway, to the provision of free disposal facilities for marine litter picked up by leisure and fishing vessels, we do what we can to tackle part of the wider issue of plastic pollution.



### Environmental Surveillance Group: Celebrating 25 years

One of our most long-running and successful collaborations is the Milford Haven Waterway Environmental Surveillance Group (MHWESG), a scientific research collective of which we are a proud and active member. This summer, it reached its 25-year anniversary of tackling environmental management and the environmental changes brought about by climate change.

This organisation brings together statutory bodies and industry, all of whom contribute financially to commission scientific survey work in the Waterway to our mutual benefit. This activity makes the Milford Haven Waterway one of the best-studied estuaries in Europe, and provides a robust, scientific basis for planning, decision-making and environmentally sound operation within the Waterway. Of particular value are some long-term studies the Group has been able to accomplish, providing deep understanding of the fates and long-term behaviours of hydrocarbon and metal pollutants in the estuary system, and the pressures faced by the ecosystem through the indicator species shelduck.

For more information on the MHWESG, please see the Group's own Annual Report. The member organisations are: Port of Milford Haven, Valero Pembroke Refinery, South Hook LNG, Dragon LNG, Valero Pembrokeshire Oil Terminal, RWE Power, Puma, Natural Resources Wales, Pembrokeshire County Council and Pembrokeshire Coast National Park Authority.

### *Atrina fragilis*

A notable occurrence in 2018 was the rediscovery in the Waterway of a species which had not been observed here for more than 40 years. The fan mussel, *Atrina fragilis*, is one of Britain's largest and most threatened molluscs, growing up to 48cm long, and dwelling partially buried in soft sediment. As the name implies, its delicate

shell means it is susceptible to physical damage as well as to pollution. The individual was discovered during Natural Resources Wales' routine and regular dive survey work to assess the health of the seagrass beds within the Waterway, and the presence of *Atrina fragilis* after such a long period unrecorded is encouraging.

# Safety & Security

## Port Marine Safety Code

The Port Marine Safety 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, and is subject to both internal and external audit.

As part of our commitment, we annually agree a safety plan and are required to report on success in achieving objectives. 70 actions were identified in 2018 for the marine division, with a 96% completion target rate achieved.

The Port of Milford Haven's Board formally declared its compliance to the Port Marine Safety Code in 2018 (this is conducted every three years so is next due in 2021). We gained particular recognition for our dedication to ensuring the highest standards, and being a strong voice for enhancing and strengthening the Code.



## Port Safety

The Port's continued investment in health and safety measures, recording systems and training has delivered steady improvements. This is the second year with zero Lost Time Incidents, and the Non-Lost Time Incident Frequency Rate was the lowest score in recorded history, something we see as great progress. As proud as we are in achieving this goal, we do not rest on our laurels and will continue to maintain a safe working environment.

While we already meet strict international and national health and safety standards, we are committed to continual improvement in order to make sure the Port of Milford Haven meets or exceeds benchmarks set by the UK's port industry. Examples of new initiatives include the introduction of Saviour Medical training to our boat crews

and dock personnel, modelled on a ground-breaking system integrated into the RNLI, and long reach rescue pole training. We have also introduced a Wellbeing Team, acknowledging the importance of positive mental health.

We are a mixed operation business and working with the public remains a core aspect for many of our operations, including cruise calls and large-scale events. All were delivered without any reported incidents.

## Port Security

There were no reported security incidents in 2018.

In managing our responsibilities, we recognise the continued need to follow the International Ship and Port Facility Security Code. This provides a framework for evaluating risk which has been adopted within our operations.

We have continued to work with UK Border Force and Security Services to keep the Waterway secure.

**“We take pride in achieving zero Lost Time Incidents and zero security incidents but will not cease in our efforts to ensure that the Port remains a safe and secure environment.”**

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

**Chris Martin**, Chair 8th April 2019

# 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".

We meet these obligations and are noted for having leading processes.



# Meet the Port of Milford Haven's Board

The Board is instrumental in shaping our strategic and operational developments. With the addition of Ian Shipperley, Debra Williams and Steve Phillips in 2018, complementing the existing Non-Executive Directors, the Board is well-positioned to drive our diversification strategy as well as maintaining our core operations.

## Non-Executive Directors



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### Chris Martin Chair

As Chair, Chris is passionate about creating the right culture in the Port; his aim is to ensure our employees thrive and play an active role in delivering to their full potential and, in turn, driving the success of the organisation. Chris' extensive industry experience is proving invaluable in ensuring the Port's strategy and activities harmonise, and that Safety, Excellence and Collaboration remain core values. As well as holding a range of private and public sector advisory and board roles, Chris has an SME owner business background so recognises the importance of strong relationships between large and small businesses. Born and bred in Pembrokeshire, Chris has an innate 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.



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### Andrew Edwards Vice-Chair

Andrew is an important advocate for managing and maintaining strong stakeholder relationships, both internally and externally. He chairs the Stakeholder Accountability Committee, guiding on issues that impact the Port's wide-ranging stakeholder base. He has 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 advises on how the Port can balance the demands of its international audience with its increasing home audience profile.



A

### Rick Squires Non-Executive Director

Rick's energy focus is an invaluable contribution to the Port's strategy. He brings a clear understanding of traditional and developing energy markets having spent 28 years with Royal Dutch Shell Group, both in the UK and overseas, and as non-executive in numerous other energy-related businesses. He brings all-round commercial acumen to his role as Non-Executive Director and has been an important voice in championing energy developments within the Port.



R

### Anne Jessopp Non-Executive Director

Anne's primary area of expertise is in Human Relations. She has worked extensively on culture change and her experience will be invaluable in supporting the Chair and the Senior Management Team as the Port looks to reanimate its culture. Anne brings commercial, manufacturing and consumer experience with a range of blue chip organisations looking at strategic diversification which is bringing 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.

R Remuneration Committee

N Nominations Committee

A Audit Committee

S Stakeholder Accountability Committee

In Numbers: 7 Non-Executive Directors



Gender Diversity: 5:2



Length of Service



N

### 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.



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### Debra Williams Non-Executive Director

Debra will be focused on marketing and consumer relations within the Port, 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 Port's 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.



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### Steve Phillips Non-Executive Director

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

## Executive Directors



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### Andy Jones Executive Director & Interim Chief Executive

In 2018, Andy took on the mantle of Interim Chief Executive. He is charged with advancing the Port's strategy at a key time. Working closely with the rest of the Board and the Port's executive and operational teams, Andy has been focusing on consolidating the business operations and creating the right conditions for future growth. Since joining the Port in 2011, Andy has managed key strategic investments and has particularly championed the Port's flagship projects, Milford Waterfront and Pembroke Dock Marine, which are breaking new ground for us. Like Chris, the company's culture is a high priority for Andy.



S

### Tim Bownes Executive Director & Engineering 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 advising on planning and delivery of the Port's capital infrastructure projects.

## ...and our Senior Management Team



**Andy Jones** Interim Chief Executive  
(see page 29)



**Tim Bownes** Engineering Director  
(see page 29)



**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 and 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.



**Neil Jenkins** Development Director

Neil's primary focus is on delivering the Milford Waterfront development. With a background in property development in London, Wales and the Channel Islands, Neil's unique experience covers independent and corporate developments. His drive is to ensure the development creates a balance of opportunities for local businesses and nationally recognised brands, while ensuring leisure and tourism is at the heart of Milford Waterfront.



**Mark O'Connor** Interim Chief Financial Officer

Mark is working with the Board and the Senior Management Team to ensure our financial structure is performing to the best of its abilities, and advising on the need for relevant adjustments. His long experience with a diverse set of businesses will bring crucial insight.

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 for the year ended 31 December 2018. Certain information regarding principal risks and future prospects has been included within 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, the Chief Executive, between six and eight other Non-Executive Directors 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 independently-led appointment panel is formed to shortlist and interview candidates. In every case the appointment panel recommends its preferred candidate for appointment. Each appointment is for a three-year term. This is in line with government policy - "Ports Good Governance 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 'Nolan principles'. All Directors must adhere to the following guiding principles of conduct:

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

The duties of a Director are akin to those of a director of a company. In particular, to be accountable for the proper exercise of the Port's statutory functions, the identification and setting of business

policies, the delivery of port and harbour services, and to provide proper oversight and direction in relation to the safety of operations and the financial performance of all business activities.

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

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

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

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

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

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

regulation to the highest standards of safety and with appropriate financial prudence.

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

### Audit Committee - Chair, Steve Phillips

This Committee's terms of reference allow it to consider any matter relating to the financial affairs of the Port and include the monitoring of financial reporting, accounting policies, matters relating to the auditors, the adequacy of the Port's internal financial controls and, at the request of the Board, to review and monitor the Port's risk management systems. The Audit Committee has primary responsibility for the appointment, reappointment and removal of external auditors and safeguards the auditor's independence. The chair of this Committee is the Non-Executive Director with the appropriate finance and accounting background. The Audit Committee comprises three Non-Executive Directors with the Chief Executive and the Chief Financial Officer also in attendance.

### Brief summary of activity for 2018:

During the year, the Committee appointed a new Chair and also appointed a new Non-Executive Director. Furthermore, the Committee reviewed and recommended to the Board the approval of the Annual Report 2017 after consulting with and receiving the relevant reports from the auditors. On a similar theme, the Committee met with auditors in advance of the planning of the audit for the Annual Report 2018. In addition, the Committee met with the Internal Audit advisers which helped guide their planning on the significant risks faced by the Port.

### Remuneration Committee - Chair, Anne Jessopp

The primary duties of the Remuneration Committee are to determine the broad framework for the Port'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).

**Brief summary of activity for 2018:**

In 2018, the Committee reviewed the bonus scheme provision for employees which has led to an amended structure for 2019. To increase the link with individual performance, a separate bonus for exceptional performance which is not dependent on the main bonus scheme triggering has been introduced. A separate safety bonus continues to be a feature. The Committee also undertook a review of the performance, succession planning and future capability of the senior team.

**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.

**Brief summary of activity for 2018:**

The Committee met twice during the year and was pleased to receive a report on the successful conclusion of three new specialist Non-Executive Director appointments for onward recommendation to the Board. Three other Non-Executive Directors, following a successful appraisal process, had been recommended for reappointment for a further term. This was undertaken to provide for an overall smoother sequential Non-Executive Director appointment process and better align the consultative appointment process with Pembrokeshire County Council at the end of 2020. Following the departure of the Port's Chief Executive, a process to recruit a replacement has started and new membership of committees agreed.

**Stakeholder Accountability Committee - Chair, Andrew Edwards**

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.

**Brief summary of activity for 2018:**

During the year the Committee oversaw the Stakeholder Survey and was particularly pleased to see a 70% increase in the number of people taking part compared to 2016. 85% of stakeholders also said the Port was performing 'neutrally' 'well' or 'very well' against their expectations. In accordance with the recommendations made in the Department for Transport's "Ports Good Governance Guidance", the Committee also approved a new complaints policy. The Board was also able to confirm adherence with the Guidance's recommendation on setting up a Stakeholder Accountability Committee and the appointment of a Non-Executive Director to represent stakeholder views at

Board level. A key topic of discussion during the year was the review of Key Performance Indicators and the Committee is currently making further recommendations for more strategic KPIs in addition to the existing operational KPIs. The Committee also endorsed the Port's strategic proposals to explore the concept of Free Port status, to pursue the Swansea Bay City Deal, and to advocate for extending the boundary of the Milford Haven Waterway Enterprise Zone to include all Milford Waterfront areas.

The Board is also directly accountable for:

**Executive**

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

**Port Advisory Committee**

In accordance with its Act of Parliament 1983, the Port meets twice a year with representatives from groups of major stakeholders. Representatives sit on the Port Advisory Committee and the meetings provide a forum for confidential discussion and interaction between the Port and these stakeholders. The objectives of this Committee are to enable relevant statutory authorities and users of the Port and the Waterway to meet and interact with each other and the Port, with the particular objective of focusing on the work of the Port and the operation of the Waterway. To promote further engagement, this

Committee is supported by a secure, interactive website that facilitates the exchange of views between committee members and the Port, and allows those views to be fed into the Port's decision-making.

**Corporate Governance**

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

**Internal Control and Risk Management**

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

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

- capital investment covering appraisal and authorisation
- financial reporting within a comprehensive financial planning and accounting framework
- internal audit to monitor the system of internal control
- 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**

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

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

Details of the primary 2018 capital investments are provided within the Strategic Report.

**Going Concern**

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

**Directors**

The Directors who served during the year are disclosed on pages 38 to 39.

**Directors' Indemnities**

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

# Directors' Responsibilities Statement

## Disclosure of Information to the Auditor

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

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

of any relevant audit information and to establish that the Port's auditor is aware of that information.

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

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

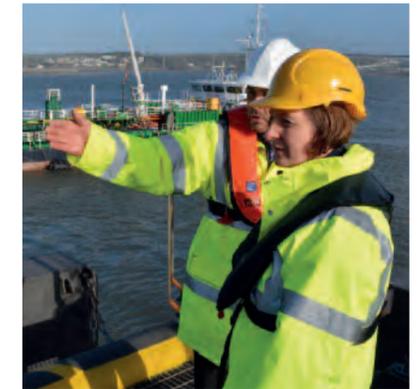
Attendance at Board meetings in 2018	Board	Audit Committee	Remuneration Committee	Nominations Committee	Stakeholder Accountability Committee
Total number of meetings	7	2	6	2	2
<b>Board Members</b>					
Tim Bownes	7				
Sue Davenport (Resigned 31 January 2018)	1		1		
Alec Don (Resigned 17 October 2018)	5	1	5	1	2
Andrew Edwards	6			2	1
Anne Jessopp	6		6		
Andy Jones (Appointed Interim Chief Executive 17 October 2018)	7	2	1	1	2
Chris Martin	7		6	1	
Steve Phillips (Appointed 1 March 2018)	5	2			1
Ian Shipperley (Appointed 26 January 2018)	6	1 (observer)		1	
David Snelson (Resigned 31 January 2018)	1		1	1	
Rick Squires	6	2			
Debra Williams (Appointed 1 March 2018)	6	1	5		
<b>External Members</b>					
Ed Tomp, Valero					2
Ian Westley, Pembrokeshire County Council (PCC)					2*
David Jones, Marine Energy Wales					2
Stan McIlvenny, Haven Waterway Enterprise Zone					1

\*PCC sent a nominee to attend one meeting

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



**Chris Martin**, Chair      8th April 2019      Gorsewood Drive, Milford Haven, Pembrokeshire, SA73 3EP



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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Port for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Port's transactions and disclose with reasonable accuracy at any time the financial position of the Port and enable them to ensure that the financial statements comply with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981. They are also responsible for safeguarding the assets of the Group and the Port and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Port's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report to the Directors of the Port

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Port's affairs as at 31 December 2018 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 United Kingdom Harbours Act 1964 as amended by the United Kingdom Transport Act 1981.

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

- the consolidated and Port profit and loss account;
- the consolidated and Port statement of comprehensive income;
- the consolidated and Port balance sheets;
- the consolidated and Port statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 28.

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

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

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

We have nothing to report in respect of these matters.

### Other information

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

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

We have nothing to report in respect of these matters.

### Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Port's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Port or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

### Opinions on other matters

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

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

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

### Matters on which we are required to report by exception

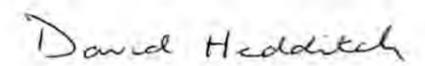
We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the Directors, as a body, in accordance with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981. Our audit work has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Port and its Directors as a body, for our audit work, for this report, or for the opinions we have formed.



**David Hedditch FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Cardiff, United Kingdom  
8th April 2019

# Financial Statements

## Officers and Professional Advisers

### Chair

C Martin

### Vice Chair

A Edwards (Appointed Vice Chair 23 March 2018)

D Snelson (Resigned 31 January 2018)

## Directors

T Bownes

S Davenport (Resigned 31 January 2018)

A J W D Don (Resigned 17 October 2018)

A Jessopp

A M Jones

S Phillips (Appointed 1 March 2018)

I Shipperley (Appointed 26 January 2018)

R Squires

D Williams (Appointed 1 March 2018)

## Chief Executive

A M Jones (Appointed Interim Chief Executive 17 October 2018)

A J W D Don (Resigned 17 October 2018)

## Harbourmaster

M Ryan

## Registered Office

Gorsewood Drive, Milford Haven, Pembrokeshire SA73 3EP

## Banker

Barclays Bank plc

## Solicitors

Blake Morgan LLP

## Auditor

Deloitte LLP, Cardiff, United Kingdom



**PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2018

	Note	Group		Port	
		2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>TURNOVER</b>	3	<b>22.1</b>	22.4	<b>20.4</b>	21.4
Cost of sales		<b>(12.9)</b>	(12.7)	<b>(12.9)</b>	(12.6)
<b>GROSS PROFIT</b>		<b>9.2</b>	9.7	<b>7.5</b>	8.8
Operating expenses		<b>(7.9)</b>	(6.7)	<b>(7.6)</b>	(6.4)
Impairment of fixed assets	10	<b>(0.4)</b>	-	<b>(0.4)</b>	-
<b>OPERATING PROFIT/(LOSS)</b>		<b>0.9</b>	3.0	<b>(0.5)</b>	2.4
(Loss)/gain on revaluation of fixed assets	10	<b>(1.0)</b>	0.5	-	0.5
Write-off acquisition costs of subsidiary	11	-	(0.3)	-	-
<b>(LOSS)/PROFIT BEFORE INTEREST</b>		<b>(0.1)</b>	3.2	<b>(0.5)</b>	2.9
Net finance costs	4	<b>(0.5)</b>	(0.6)	<b>(0.2)</b>	(0.3)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(0.6)</b>	2.6	<b>(0.7)</b>	2.6
Tax on (loss)/profit on ordinary activities	9	<b>(0.4)</b>	(0.8)	<b>(0.2)</b>	(0.8)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<b>(1.0)</b>	1.8	<b>(0.9)</b>	1.8

All results derive from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2018

	Note	Group		Port	
		2018 £'m	2017 £'m	2018 £'m	2017 £'m
(Loss)/profit for the financial year		<b>(1.0)</b>	1.8	<b>(0.9)</b>	1.8
Actuarial gain on pension schemes:					
- Actuarial gain on present value of scheme liabilities		<b>5.9</b>	3.2	<b>5.9</b>	3.2
- Actuarial (loss)/gain on scheme assets		<b>(2.8)</b>	2.5	<b>(2.9)</b>	2.7
		<b>3.1</b>	5.7	<b>3.0</b>	5.9
Movement on deferred tax relating to pension liability	17	<b>(0.6)</b>	(1.1)	<b>(0.6)</b>	(1.1)
<b>Total comprehensive income</b>		<b>1.5</b>	6.4	<b>1.5</b>	6.6

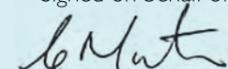
**BALANCE SHEET**

At 31 December 2018

	Note	Group		Port	
		2018 £'m	2017 Restated £'m	2018 £'m	2017 Restated £'m
<b>FIXED ASSETS</b>					
Tangible assets	10	<b>84.3</b>	86.2	<b>65.4</b>	66.1
Investments	11	-	-	<b>21.4</b>	21.4
		<b>84.3</b>	86.2	<b>86.8</b>	87.5
<b>CURRENT ASSETS</b>					
Stocks	12	<b>0.3</b>	0.2	<b>0.3</b>	0.2
Debtors					
- due within one year	13	<b>5.7</b>	7.0	<b>5.7</b>	6.8
- due after one year	13	<b>1.1</b>	-	<b>1.2</b>	0.1
Cash at bank and in hand		<b>12.6</b>	16.0	<b>10.9</b>	15.2
		<b>19.7</b>	23.2	<b>18.1</b>	22.3
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	14	<b>(4.9)</b>	(10.8)	<b>(4.1)</b>	(9.8)
<b>NET CURRENT ASSETS</b>		<b>14.8</b>	12.4	<b>14.0</b>	12.5
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>99.1</b>	98.6	<b>100.8</b>	100.0
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	15	<b>(11.0)</b>	(9.4)	<b>(19.6)</b>	(18.2)
<b>PENSION LIABILITY</b>					
	19	<b>(14.9)</b>	(17.5)	<b>(6.5)</b>	(8.6)
<b>NET ASSETS</b>		<b>73.2</b>	71.7	<b>74.7</b>	73.2
<b>RESERVES</b>					
Revaluation reserve	24	<b>25.1</b>	26.1	<b>26.0</b>	26.0
Profit and loss account	24	<b>48.0</b>	45.5	<b>48.7</b>	47.2
		<b>73.1</b>	71.6	<b>74.7</b>	73.2
Minority interest (non-controlling interest)	25	<b>0.1</b>	0.1	-	-
		<b>73.2</b>	71.7	<b>74.7</b>	73.2

The financial statements of the Group were approved by the Directors and authorised for issue on 8th April 2019

Signed on behalf of the Board by:

  
 Chair  
**C Martin**
  
 Interim Chief Executive  
**A M Jones**

**STATEMENT OF CHANGES IN EQUITY**

At 31 December 2018

	Group		Port	
	Profit and loss account	Revaluation reserve	Profit and loss account	Revaluation reserve
	£'m	£'m	£'m	£'m
As reported at 1 January 2017	40.7	25.6	42.2	25.5
Prior period adjustment	(1.1)	-	(1.1)	-
Restated as at 1 January 2017	39.6	25.6	41.1	25.5
Profit for the financial year	1.8	-	1.8	-
Actuarial gain on pension schemes (note 19)	5.7	-	5.9	-
Movement in deferred tax on pension (note 17)	(1.1)	-	(1.1)	-
Total comprehensive income	6.4	-	6.6	-
Transfer to revaluation reserve in relation to revaluation of fixed assets	(0.5)	0.5	(0.5)	0.5
At 1 January 2018 (Restated)	45.5	26.1	47.2	26.0
Loss for the financial year	(1.0)	-	(0.9)	-
Actuarial gain on pension schemes (note 19)	3.1	-	3.0	-
Movement in deferred tax on pension (note 17)	(0.6)	-	(0.6)	-
Total comprehensive income	1.5	-	1.5	-
Transfer to revaluation reserve in relation to revaluation of fixed assets	1.0	(1.0)	-	-
At 31 December 2018	48.0	25.1	48.7	26.0

**CONSOLIDATED CASH FLOW STATEMENT**

Year ended 31 December 2018

	Note	2018	2017
		£'m	£'m
<b>Net cash inflow from operating activities</b>	21	<b>2.5</b>	7.6
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	0.1
Purchase of fixed assets		<b>(3.2)</b>	(2.7)
Acquisition of subsidiary		-	(14.2)
Write-off investment fees on acquisition		-	(0.3)
Interest received		<b>0.1</b>	0.1
Grants received		<b>0.3</b>	-
<b>Net cash outflow from investing activities</b>		<b>(2.8)</b>	(17.0)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(0.2)</b>	(0.1)
Repayment of bank loans		<b>(2.9)</b>	(0.7)
New bank loan raised		-	8.4
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(3.1)</b>	7.6
<b>Net decrease in cash and cash equivalents</b>		<b>(3.4)</b>	(1.8)
<b>Cash and cash equivalents at beginning of year</b>		<b>16.0</b>	17.8
<b>Cash and cash equivalents at end of year</b>		<b>12.6</b>	16.0
<b>Reconciliation to cash at bank and in hand:</b>			
Cash at bank and in hand		<b>12.6</b>	16.0
Cash and cash equivalents		<b>12.6</b>	16.0

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 1. Accounting Policies

#### Basis of accounting

The financial statements have been prepared in accordance with the Harbours Act 1964, as amended by the Transport Act 1981 and subsequent legislation, and in accordance with applicable United Kingdom accounting standards. The financial statements are prepared under the historical cost convention as modified by the revaluation of investment 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, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### 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 2018 as listed in note 11. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Going concern

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

#### Investment properties

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

Depreciation is not provided on investment properties.

#### Tangible fixed assets

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

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

#### Impairment of assets

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

#### Non-financial assets

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

#### Investments

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

#### Joint ventures and associates

Investments in joint ventures and associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of profits less losses, while the Group's share of the respective assets and liabilities is shown in the consolidated balance sheet. Goodwill arising on acquisition is capitalised and written off over its useful economic life.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### Turnover

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

#### Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future

have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

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

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

#### Employee benefits

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

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. Pension scheme assets and liabilities are measured on an actuarial basis using a discount rate equivalent to the current rate of return on a high quality (AA) corporate bond. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

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

#### Foreign exchange

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

### Leases

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

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

### Grants

Under FRS 102, the 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 or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## 2. Critical Accounting Judgements And Key Sources Of Estimation Uncertainty

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

### Capitalisation of development costs

Included within fixed assets, are capitalised development costs in respect of the Milford Waterfront project. It is the Directors' judgement that this project will become a cash-generating asset. It is recognised that, should the project not crystallise, the costs would need to be written off to the profit and loss account. The accumulated costs for this project as at 31 December 2018 are £2.3m (2017: £1.1m).

### Employee benefits

The Group operates two defined benefit pension schemes and some operational pilots are members of the Pilots National Pension Fund. The value of scheme liabilities has been prepared by the actuary for each scheme based on assumptions agreed with the Directors. The assumptions reflect the unique properties of each scheme where appropriate. See note 19 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 by reference to market and consider advice received from an independent valuer who will, in turn, undertake desktop or full valuations as the Directors require, to support the determination of fair value. Further information regarding investment properties is in note 10.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**3. TURNOVER**

Analysis of turnover by class of business is stated below:

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Ship, passenger and goods dues	7.7	8.5	7.7	8.5
Marine services	5.5	5.4	5.5	5.4
Pilotage services (note 8)	5.0	5.2	5.0	5.2
Rents	2.9	2.3	1.8	1.8
Miscellaneous income	0.1	0.2	0.1	0.2
Solar income	0.9	0.8	0.3	0.3
	<b>22.1</b>	22.4	<b>20.4</b>	21.4

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. NET FINANCE COSTS**

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Interest payable and similar expenses	0.2	0.1	0.1	0.1
Less: interest receivable	(0.1)	(0.1)	(0.1)	(0.1)
Net interest on defined benefit pension liability	0.4	0.6	0.2	0.3
	<b>0.5</b>	0.6	<b>0.2</b>	0.3

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Staff costs (note 7)	11.7	10.9	11.7	10.9
Depreciation of tangible assets (note 10)	3.7	3.7	3.5	3.5
Grant amortisation (note 18)	(0.4)	(0.2)	(0.4)	(0.2)
Cost of stock	0.2	0.3	0.2	0.3
Hire and operating leasing charges	0.1	0.2	0.1	0.2
Profit on sale of fixed assets	-	(0.1)	-	(0.1)

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

	Group		Port	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
- Audit of Group accounts	49	51	49	51
- Audit of pension schemes	17	16	17	16
- Tax compliance services	13	13	10	9
- Tax advisory services	1	17	1	17
- Due diligence on acquisition of subsidiary	-	25	-	25

**6. REMUNERATION OF KEY PERSONNEL****Key personnel includes Executive and Non-Executive Directors and the Senior Management Team.**

	Group and Port	
	2018 £'000	2017 £'000
Fees - Non-Executive Directors	134	143
Aggregate emoluments (excluding defined benefit pension contributions) - Executive Directors	650	445
Pension costs - Executive Directors	67	61
Senior Management Team	354	431
	<b>1,205</b>	1,080

The number of Directors to whom retirement benefits are accruing under defined benefit schemes is two (2017: two).

Remuneration of the highest paid Director	385	251
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The accrued pension of the highest paid Director under the MHPARBS defined benefit pension scheme at 31 December 2018 was £nil (2017: £nil). There are no longer retirement benefits accruing for this Director and a pension allowance of £24k was paid for the year (2017: £29k) and is included in pension costs above. Compensation payments for loss of office are included in the remuneration figure above at £183k (2017: £nil).

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

	2018 No.	2017 No.
	10	10

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Year ended 31 December 2018

**7. STAFF COSTS**

	Group and Port	
	2018 £'m	2017 £'m
Wages and salaries	8.5	7.7
Social security costs	0.9	0.9
Pension costs (note 19)	2.3	2.3
	<b>11.7</b>	10.9

The above includes amounts paid to Directors as disclosed in note 6.

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:

	Group and Port	
	2018 No.	2017 No.
Operational staff	107	110
Office staff	78	71
	<b>185</b>	181

**8. PILOTAGE**

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

	Group and Port	
	2018 £'m	2017 £'m
<b>Turnover</b>		
Providing pilotage services	4.8	5.0
Issue and use of pilotage exemption certificates	0.2	0.2
	<b>5.0</b>	5.2
<b>Expenditure</b>		
Providing services of a pilot	3.0	2.7
Providing, maintaining and operating pilot boats	1.6	1.6
Administration and other costs	1.9	1.9
	<b>6.5</b>	6.2

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**9. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>(a) Analysis of charge for the year</b>				
Total current tax charge	0.5	0.9	0.3	0.9
Total deferred tax credit	(0.1)	(0.1)	(0.1)	(0.1)
<b>Tax per profit and loss account</b>	<b>0.4</b>	0.8	<b>0.2</b>	0.8
<b>Deferred tax per statement of comprehensive income</b>	<b>0.6</b>	1.1	<b>0.6</b>	1.1

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>(b) Factors affecting tax charge for the year</b>				

The tax charge for the current and previous period differs from the applicable rate of corporation tax rate of 19.00% (2017: 19.25%). The differences are explained below:

(Loss)/profit on ordinary activities before tax	(0.6)	2.6	(0.7)	2.6
(Loss)/profit on ordinary activities multiplied by the applicable rate	(0.1)	0.5	(0.1)	0.5
Expenses not deductible	0.7	0.6	0.5	0.5
Income not taxable	(0.1)	(0.2)	(0.1)	(0.1)
Adjustment in respect of previous years	(0.1)	-	(0.1)	-
Tax rate changes	-	(0.1)	-	(0.1)
<b>Current tax charge for the year</b>	<b>0.4</b>	0.8	<b>0.2</b>	0.8

**(c) Factors that may affect future tax charges**

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

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**10. TANGIBLE FIXED ASSETS**

	Specialised marine assets	Freehold land and property	Development costs	Investment property	Plant and equipment	Dredging works	<b>Total</b>
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Group</b>							
<b>Cost or valuation</b>							
At 1 January 2018	36.2	4.5	1.1	31.7	33.4	2.0	<b>108.9</b>
Additions	-	-	1.6	0.1	1.5	-	<b>3.2</b>
Disposals	-	-	-	-	(0.6)	-	<b>(0.6)</b>
Transfers	-	0.1	-	(0.1)	-	-	<b>-</b>
Revaluation	-	-	-	(1.0)	-	-	<b>(1.0)</b>
At 31 December 2018	36.2	4.6	2.7	30.7	34.3	2.0	<b>110.5</b>
<b>Accumulated depreciation</b>							
At 1 January 2018	8.4	0.6	-	-	11.7	2.0	<b>22.7</b>
Charge for the year	2.0	0.2	-	-	1.5	-	<b>3.7</b>
Disposals	-	-	-	-	(0.6)	-	<b>(0.6)</b>
Impairment	-	-	0.4	-	-	-	<b>0.4</b>
At 31 December 2018	10.4	0.8	0.4	-	12.6	2.0	<b>26.2</b>
<b>Net book value</b>							
At 31 December 2018	25.8	3.8	2.3	30.7	21.7	-	<b>84.3</b>
At 31 December 2017	27.8	3.9	1.1	31.7	21.7	-	<b>86.2</b>
<b>Port</b>							
<b>Cost or valuation</b>							
At 1 January 2018	36.2	4.5	1.1	16.3	27.9	2.0	<b>88.0</b>
Additions	-	-	1.6	0.1	1.5	-	<b>3.2</b>
Disposals	-	-	-	-	(0.6)	-	<b>(0.6)</b>
Transfers	-	0.1	-	(0.1)	-	-	<b>-</b>
At 31 December 2018	36.2	4.6	2.7	16.3	28.8	2.0	<b>90.6</b>
<b>Accumulated depreciation</b>							
At 1 January 2018	8.4	0.6	-	-	10.9	2.0	<b>21.9</b>
Charge for the year	2.0	0.2	-	-	1.3	-	<b>3.5</b>
Disposals	-	-	-	-	(0.6)	-	<b>(0.6)</b>
Impairment	-	-	0.4	-	-	-	<b>0.4</b>
At 31 December 2018	10.4	0.8	0.4	-	11.6	2.0	<b>25.2</b>
<b>Net book value</b>							
At 31 December 2018	25.8	3.8	2.3	16.3	17.2	-	<b>65.4</b>
At 31 December 2017	27.8	3.9	1.1	16.3	17.0	-	<b>66.1</b>

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**10. TANGIBLE FIXED ASSETS (continued)**

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 2018. Their valuation confirmed the assessment of fair value, using a variety of bases such as market value, letting value and occupancy terms, which, for the Port, amounted to £16.3m (2017: £16.3m), of which £1.0m is long leasehold (2017: £1.0m), and for the Group amounted to £30.7m (2017: £31.7m). The depreciated historical cost of the Group's investment properties held at fair value is £32.3m (2017: £32.2m).

**11. FIXED ASSET INVESTMENTS****Group investments**

Subsidiaries	Nature of business	Class of share held	Proportion of nominal value held
Milford Docks Company	Dock operator	£1 Ordinary	98.2%
Milford Haven Properties Limited	Solar Park	£1 Ordinary	100%
MHPA PFP (General Partner) Limited	Pension Fund Partner	£1 Ordinary	100%
MHPA PFP Limited Partnership	Pension Limited Partner	£1 Ordinary	100%
MHPA RBS Trustee Company Limited	Pension Trustee Company	£1 Ordinary	100%
Havens Head Retail Park Limited	Retail Park	£1 Ordinary	100%

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

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.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**11. FIXED ASSET INVESTMENTS (continued)****Subsidiary undertakings**

	Port	
	2018 £'m	2017 £'m
Cost at 1 January	21.4	5.9
Addition	-	15.5
<b>Carrying value at 31 December</b>	<b>21.4</b>	<b>21.4</b>

On 3 August 2017, the Group acquired 100% of the share capital of Havens Head Retail Park Limited. The fair value of the total cash consideration was £15.5m, including acquisition costs of £0.3m and deferred consideration of £1.0m. In order to purchase the shares of Havens Head Retail Park Limited, the Port borrowed £8.3m from Havens Head Retail Park Limited, which is shown as an amount due to Group undertakings in the Port's balance sheet. Havens Head Retail Park Limited has a loan with Svenska Handelsbanken AB of £8.2m. The acquisition costs of £0.3m have been written off to the profit and loss account of the Group.

A full-year consolidation has been included in the Group for 2018. In the year ended 31 December 2017, turnover of £0.4m and a profit of £0.3m was included in the Group profit and loss account in respect of Havens Head Retail Park Limited since the acquisition date.

**12. STOCKS**

	Group and Port	
	2018 £'m	2017 £'m
Stock of fuel and parts	0.3	0.2

**13. DEBTORS**

	Group		Port	
	2018 £'m	2017 Restated £'m	2018 £'m	2017 Restated £'m
Amounts falling due within one year:				
Trade debtors	3.3	3.1	3.2	3.0
Deferred tax asset (note 17)	-	1.5	-	1.4
Other debtors	0.9	0.8	0.9	0.9
Prepayments and accrued income	1.5	1.6	1.6	1.5
	<b>5.7</b>	<b>7.0</b>	<b>5.7</b>	<b>6.8</b>
Amounts falling due after more than one year:				
Amounts due from Group undertakings	-	-	0.1	0.1
Deferred tax asset (note 17)	1.1	-	1.1	-
	<b>1.1</b>	<b>-</b>	<b>1.2</b>	<b>0.1</b>
	<b>6.8</b>	<b>7.0</b>	<b>6.9</b>	<b>6.9</b>

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Bank loans	0.1	2.9	-	2.8
Trade creditors	1.1	1.1	1.1	1.1
Pension contributions	0.3	0.3	-	-
Social security and other taxation	0.3	0.3	0.3	0.3
Corporation tax	0.2	0.5	0.1	0.5
Other creditors	0.1	0.1	0.1	-
Accruals	2.6	3.7	2.3	3.4
Deferred tax liability (note 17)	-	1.8	-	1.6
Deferred income (note 18)	0.2	0.1	0.2	0.1
	<b>4.9</b>	<b>10.8</b>	<b>4.1</b>	<b>9.8</b>

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Amounts owed to Group undertakings	-	-	16.8	17.0
Other creditors	1.0	1.0	1.0	1.0
Bank loans:				
- between one and two years	0.1	0.1	-	-
- between two and five years	8.0	8.1	-	-
Deferred tax (note 17)	1.9	-	1.8	-
Deferred income (note 18)	-	0.2	-	0.2
	<b>11.0</b>	<b>9.4</b>	<b>19.6</b>	<b>18.2</b>

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**16. BORROWINGS**

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Bank loans	8.2	11.1	-	2.8
	8.2	11.1	-	2.8

**Analysis of bank loan repayments:**

Due within one year	0.1	2.9	-	2.8
Due after more than one year	8.1	8.2	-	-
	8.2	11.1	-	2.8

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.

Pursuant to the Milford Haven Port Authority Harbour Revision Order 2000, the Port was authorised as at 31 December 2018 to borrow sums not exceeding £50 million.

The bank loans included above comprise the following:

	Note	Group		Port	
		2018 £'m	2017 £'m	2018 £'m	2017 £'m
Due to:					
Clydesdale	(a)	-	0.3	-	0.3
Barclays Bank PLC	(b)	-	2.5	-	2.5
Svenska Handelsbanken AB	(c)	8.2	8.3	-	-
Total		8.2	11.1	-	2.8

a) The Clydesdale Bank loan above was repayable in monthly instalments at £0.3m per annum (including interest) and was fully repaid in the year ended 31 December 2018. The loan was secured on the property known as Pembroke Port Gate 4 in Pembroke Dock.

b) The Barclays Bank PLC loan above was repayable in quarterly capital instalments of £0.1m plus interest payments variable in line with LIBOR rates plus a margin of 1.75%. In 2014, the Port also entered into a £10 million revolving credit facility with Barclays, which expired in July 2018. During the year, the Port entered into an agreement with HSBC for a £20 million revolving credit facility for five years. This facility is not drawn at the balance sheet date above.

c) During the prior year, the Group acquired Havens Head Retail Park Limited and this company entered into a five-year bank loan agreement with Svenska Handelsbanken AB for a new loan of £8.4m. At the year-end, £8.2m remains outstanding and is repayable by quarterly capital payments at £0.1m per annum on £0.7m of the loan. An interest-only element of £7.7m is to be repaid in full after five years.

Under the Milford Docks Act 1981, the Milford Docks Company is empowered to raise finance by the creation and issue of share capital, or by loans or mortgage of the undertaking, or by the creation and issue of debenture stock, or wholly or partly by one or more of those modes up to a maximum of £20 million. The amount raised by that company at 31 December 2018 under these provisions was £1.5m (2017: £1.5m).

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**17. DEFERRED TAXATION**

	Group		Port	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Deferred tax liability/(asset) as reported at 1 January	0.5	(0.5)	0.4	(0.6)
Prior period adjustment	(0.2)	(0.2)	(0.2)	(0.2)
Deferred tax liability/(asset) restated as at 1 January	0.3	(0.7)	0.2	(0.8)
Credit to profit and loss account	(0.1)	(0.1)	(0.1)	(0.1)
Charge to statement of comprehensive income	0.6	1.1	0.6	1.1
Deferred tax liability at 31 December	0.8	0.3	0.7	0.2
Accelerated capital allowances	1.9	1.8	1.8	1.6
Deferred tax arising in relation to retirement benefit	(1.1)	(1.5)	(1.1)	(1.4)
Deferred tax liability	0.8	0.3	0.7	0.2
- of which due to be recoverable in one year	-	(1.5)	-	(1.4)
- of which recoverable after one year	(1.1)	-	(1.1)	-
- of which due to be payable in one year	-	1.8	-	1.6
- of which due to be payable after one year	1.9	-	1.8	-

**18. ACCRUALS AND DEFERRED INCOME**

	Group and Port	
	2018 £'m	2017 £'m
<b>Deferred capital grants:</b>		
At 1 January	0.3	0.5
Additions	0.3	-
Released to profit and loss account	(0.4)	(0.2)
<b>At 31 December</b>	<b>0.2</b>	<b>0.3</b>
- of which due to be released in one year	0.2	0.1
- of which due to be released after one year	-	0.2

During the year, the Port received a grant of £0.1m from Coastal Communities Fund for expenditure which is included within the costs of the Port. The Port also received four grants from the Ports Development Fund, and a grant from the Rural Development Programme totalling £0.2m.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**19. 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.
- (b) The Milford Docks Company Staff Pension Scheme (MDCSBS), a defined benefit scheme providing benefits based on final pensionable pay for some of the Port's full-time staff. The most recent actuarial valuation of this scheme was as at 1 July 2017. 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 Port's staff. During 2009, the Port made the decision to change this scheme with effect from 1 January 2010 to provide benefits based on either Career Average Revalued Earnings or final pensionable pay. Benefits provided up to 31 December 2009 were based on final pensionable pay. The service cost of the scheme is charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Port. The contributions are determined by a qualified actuary on the basis of triennial valuations.
- The pension contribution for the year was £1.0m (2017: £1.0m). There were no outstanding contributions payable to the fund at the end of the year (2017: £nil).
- The most recent actuarial valuation was at 1 January 2018 and showed that the value of the scheme's assets amounted to 119% of the value of the liabilities of the scheme. The Port expects to contribute £1.0m to this scheme during the year to 31 December 2019.
- There is to be a defined contribution section within MHPARBS for new joiners. The employer contributions of £6k (2017: £nil) 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 (2017: £0.1m). The Port, in common with other competent harbour authorities, is making recovery plan payments to the PNPF. The Port's share of the deficit is calculated and recognised in line with defined benefit scheme accounting under FRS 102 and payments are made as they are invoiced by the Trustee. During the year, the Port paid deficit contributions of £0.5m (2017: £0.5m) and will continue to pay for the remaining 10 years of the current 16-year deficit plan.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**19. EMPLOYEE BENEFITS (continued)****FRS 102 Employee Benefits**

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

	2018			2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
Inflation rate	3.3%	3.4%	3.2%	3.2%	3.3%	3.1%
Discount rate for scheme liabilities	2.9%	2.7%	2.9%	2.6%	2.4%	2.4%
Rate of increase in salaries	n/a	n/a	3.2%	n/a	n/a	3.1%
Rate of increase for deferred pensions and pensions in payment	2.3%	2.4%	2.2%	2.2%	2.3%	2.1%
CARE revaluation	3.3%	n/a	n/a	3.2%	n/a	n/a

The mortality assumptions used were as follows:

	2018			2017		
	MHPARBS Years	MDCSBS Years	PNPF Years	MHPARBS Years	MDCSBS Years	PNPF Years
Longevity in years at age 65 for current pensioners:						
- Men	21.5	17.3	21.6	21.7	17.3	21.7
- Women	23.4	21.7	23.5	23.6	21.7	23.6
Longevity in years at age 65 for future pensioners:						
- Men	22.9	17.9	22.9	23.1	17.9	23.1
- Women	25.0	22.4	25.0	25.1	22.4	25.1

**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 £13.0m. The Group retains control over this partnership, and as such, is fully consolidated within these Group financial statements. As a partner in SLP, MHPARBS is entitled to an annual coupon on the share of the profits of SLP each year for 20 years.

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

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**19. EMPLOYEE BENEFITS (continued)**

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

Group	At 31 December 2018			At 31 December 2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
Service costs						
- Operating expenses	2.0	-	0.1	2.1	-	0.1
Past service cost	-	-	0.1	-	-	-
Administration costs	-	-	0.1	-	-	0.1
	2.0	-	0.3	2.1	-	0.2
Other finance charges/(income)						
- net interest cost	0.3	-	0.1	0.4	-	0.2
Total	2.3	-	0.4	2.5	-	0.4
Recognised in other comprehensive income	2.7	-	0.4	4.6	-	1.1

Port	At 31 December 2018			At 31 December 2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
Current service costs						
- Operating expenses	2.0	-	0.1	2.1	-	0.1
Past service cost	-	-	0.1	-	-	-
Administration costs	-	-	0.1	-	-	0.1
	2.0	-	0.3	2.1	-	0.2
Other finance charges/(income)						
- net interest cost	0.1	-	0.1	0.1	-	0.2
Total	2.1	-	0.4	2.2	-	0.4
Recognised in other comprehensive income	2.6	-	0.4	4.8	-	1.1

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**19. EMPLOYEE BENEFITS (continued)**

The analysis of the assets in the schemes was:

Group	At 31 December 2018			At 31 December 2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	Restated £'m	£'m	£'m
Equities	29.7	0.1	4.8	30.6	0.1	5.7
Bonds	6.4	0.6	4.9	6.6	0.6	5.5
Cash	0.7	-	0.8	0.4	-	0.2
Annuity contracts	0.1	3.5	-	0.1	3.7	-
Property	6.6	-	-	6.4	-	-
Total market value of assets	43.5	4.2	10.5	44.1	4.4	11.4
Present value of scheme liabilities	(53.1)	(4.0)	(16.0)	(55.7)	(4.2)	(17.5)
<b>Pension (liability)/asset</b>	<b>(9.6)</b>	<b>0.2</b>	<b>(5.5)</b>	(11.6)	0.2	(6.1)
Related deferred tax	0.2	-	1.0	0.4	-	1.0
<b>Net pension (liability)/asset</b>	<b>(9.4)</b>	<b>0.2</b>	<b>(4.5)</b>	(11.2)	0.2	(5.1)

Port	At 31 December 2018			At 31 December 2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	Restated £'m	£'m	£'m
Equities	29.7	0.1	4.8	30.6	0.1	5.7
Bonds	6.4	0.6	4.9	6.6	0.6	5.5
Cash	0.7	-	0.8	0.4	-	0.2
Annuity contracts	0.1	3.5	-	0.1	3.7	-
Property	6.6	-	-	6.4	-	-
Investment in SLP	8.4	-	-	8.9	-	-
Total market value of assets	51.9	4.2	10.5	53.0	4.4	11.4
Present value of scheme liabilities	(53.1)	(4.0)	(16.0)	(55.7)	(4.2)	(17.5)
<b>Pension (liability)/asset</b>	<b>(1.2)</b>	<b>0.2</b>	<b>(5.5)</b>	(2.7)	0.2	(6.1)
Related deferred tax	0.2	-	1.0	0.4	-	1.0
<b>Net pension (liability)/asset</b>	<b>(1.0)</b>	<b>0.2</b>	<b>(4.5)</b>	(2.3)	0.2	(5.1)

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**19. EMPLOYEE BENEFITS (continued)**

Movement in the fair value of scheme assets was:

Group	At 31 December 2018			At 31 December 2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January	44.1	4.4	11.4	41.1	4.6	11.2
Interest income	1.3	0.1	0.2	1.2	0.1	0.2
Actuarial gains/(losses)	(2.1)	(0.1)	(0.6)	2.1	(0.1)	0.5
Benefits paid	(1.6)	(0.2)	(1.1)	(2.0)	(0.2)	(1.1)
Members' contribution	0.3	-	0.1	0.2	-	0.1
Expenses paid	-	-	(0.1)	-	-	(0.1)
Contributions paid by employer	1.5	-	0.6	1.5	-	0.6
<b>At 31 December</b>	<b>43.5</b>	<b>4.2</b>	<b>10.5</b>	44.1	4.4	11.4
Actual return on plan assets	(0.9)	n/a	(0.3)	3.3	n/a	0.7

Port	At 31 December 2018			At 31 December 2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January	53.0	4.4	11.4	50.1	4.6	11.2
Interest income	1.4	0.1	0.2	1.3	0.1	0.2
Actuarial gains/(losses)	(2.2)	(0.1)	(0.6)	2.3	(0.1)	0.5
Benefits paid	(1.6)	(0.2)	(1.1)	(2.0)	(0.2)	(1.1)
Members' contribution	0.3	-	0.1	0.3	-	0.1
Expenses paid	-	-	(0.1)	-	-	(0.1)
Contributions paid by employer	1.0	-	0.6	1.0	-	0.6
<b>At 31 December</b>	<b>51.9</b>	<b>4.2</b>	<b>10.5</b>	53.0	4.4	11.4
Actual return on plan assets	(0.8)	n/a	(0.3)	3.7	n/a	0.7

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**19. EMPLOYEE BENEFITS (continued)**

Reconciliation of present value of scheme liabilities:

Group and Port	At 31 December 2018			At 31 December 2017		
	MHPARBS	MDCSBS	PNPF	MHPARBS	MDCSBS	PNPF
	£'m	£'m	£'m	Restated £'m	£'m	£'m
At 1 January	55.7	4.2	17.5	56.3	4.4	18.5
Service cost	2.0	-	0.1	2.1	-	0.2
Members' contribution	0.3	-	0.1	0.3	-	0.1
Interest cost	1.4	0.1	0.4	1.5	0.1	0.4
Benefits paid	(1.5)	(0.2)	(1.1)	(2.0)	(0.2)	(1.1)
Actuarial (gain)/loss	(4.8)	(0.1)	(1.0)	(2.5)	(0.1)	(0.6)
<b>At 31 December</b>	<b>53.1</b>	<b>4.0</b>	<b>16.0</b>	55.7	4.2	17.5

**Actuarial gains and losses**

The cumulative amount of actuarial losses recognised in the Group statement of comprehensive income is £6.3m (2017: £9.4m). The Port equivalent is £5.1m (2017: £8.1m).

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

	2018	2017	2016	2015	2014
	£'m	£'m	£'m	£'m	£'m
<b>Group</b>					
Defined benefit obligations	(73.1)	(77.4)	(79.3)	(63.5)	(65.0)
Plan assets	58.2	59.9	56.9	51.2	49.7
Net liability recognised in balance sheet	(14.9)	(17.5)	(22.4)	(12.3)	(15.3)
Total actuarial gains and losses recognised in the statement of comprehensive income	3.1	5.7	(10.2)	3.0	1.0
<b>Port</b>					
Defined benefit obligations	(73.1)	(77.4)	(79.3)	(63.5)	(65.0)
Plan assets	66.6	68.8	65.9	59.3	58.6
Net liability recognised in balance sheet	(6.5)	(8.6)	(13.4)	(4.2)	(6.4)
Total actuarial gains and losses recognised in the statement of comprehensive income	3.0	5.9	(9.1)	2.5	1.4

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**20. TRANSACTIONS WITH RELATED PARTIES**

There are no related party transactions in the year.

**21. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS**

	2018	2017
	£'m	£'m
Operating profit	0.9	3.0
Impairment of fixed assets	0.4	-
Gain on sale of fixed assets	-	(0.1)
Depreciation charges (net of grants released)	3.3	3.5
<b>Operating cash flow before movement in working capital</b>	<b>4.6</b>	6.4
Increase in stocks	(0.1)	-
Increase in debtors	(0.3)	(1.0)
(Decrease)/increase in creditors	(1.0)	2.6
Difference between pension charge and cash contributions (note 19)	0.1	0.3
Tax paid	(0.8)	(0.7)
<b>Cash generated by operations</b>	<b>2.5</b>	7.6

**22. CAPITAL COMMITMENTS**

	2018	2017
	£'m	£'m
Contracted for but not provided in the financial statements	0.3	0.1

**23. OPERATING LEASES**

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

	Group		Port	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
- within one year	2.0	2.1	1.0	1.0
- between one and five years	5.1	6.5	2.0	2.7
- after five years	1.6	2.2	0.7	1.1
	<b>8.7</b>	10.8	<b>3.7</b>	4.8

**24. 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 £25.1m (2017: £26.1m). As explained in (ii), it includes historical valuations of specialised marine assets up to 31 December 2015 when deemed cost at the last formal valuation at 31 December 2013 was adopted and will remain an unrealised reserve.

**Profit and loss account**

This records cumulative profit and loss.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2018

**25. MINORITY INTEREST**

	2018
	£'m
<b>Group</b>	
<b>At 1 January and 31 December</b>	<b>0.1</b>

**26. CONTINGENT LIABILITY**

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

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

**27. PRIOR YEAR ADJUSTMENT**

A prior period adjustment has been identified following legal advice relating to the amendment of the MHPA RBS Trust Deed when the benefit basis was changed from Final Salary to a Career Average Revalued Earnings (CARE) as at 1 January 2010 and this has resulted in an additional pension liability needing to be recognised. The Port's actuaries have provided actuarial costings with an effective date of 31 December 2018, 31 December 2017 and 31 December 2016, quantifying the impact of addressing these defects valued between £0.7m and £1.3m. The Directors have used a best estimate of potential additional liability of £1.3m as a prior year adjustment, together with an associated deferred tax asset of £0.2m.

It is not practicable to quantify the amount of the correction for each prior period and therefore there is no impact on the 2018 and 2017 profit and loss account. However, the adjustment has been made to the opening reserves, assets and liabilities of the prior period (2017) and restated amounts shown in the financial statements and all related notes.

The tables below show the 2017 financial statements and the restated amounts:

*Balance Sheet extract:*

	Note	Group		Port	
		2017 Restated £'m	2017 £'m	2017 Restated £'m	2017 £'m
Debtors - due within one year	13	7.0	6.8	6.8	6.6
Pension liability	19	(17.5)	(16.2)	(8.6)	(7.3)
Profit and loss account	24	45.5	46.6	47.2	48.3

*Statement of Changes in Equity extract:*

	Note	Group		Port	
		2018 £'m	2017 £'m	2018 £'m	2017 £'m
Profit and loss account reserve at 1 January					
Opening balance previously stated	24	46.6	40.7	48.3	42.2
Restated amount		(1.1)	(1.1)	(1.1)	(1.1)
Opening balance restated		45.5	39.6	47.2	41.1

The correction has also been made to Note 17 Deferred tax (for opening deferred tax position) and Note 19 Employee benefits (for opening liabilities and pension deficit).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 28. POST BALANCE SHEET EVENT

Following the UK referendum on 23 June 2016 and subsequent decision to leave the EU, the Port has kept abreast of Brexit developments. The Port's exposure to Brexit-related risk is limited. There are very few transactions with EU-based customers and suppliers and the degree to which any general economic downturn might impact demand for Port services, while still unclear, has been assessed as minimal. FX exposure is negligible and there are no foreseen going concern issues arising from Brexit.

# The Port of Milford Haven's businesses

## Northside

- Headquarters
- Marine Operations
  - Pilotage
  - Conservancy
  - VTS
  - Navigation simulator
  - Water Ranger
- Milford Marina
  - Leisure boat berthing
  - Boat storage
- Milford Fish Docks
  - Fish landings
  - Fish processing
  - Aquaculture
- Milford Waterfront
  - Retail, leisure and tourism development
- Havens Head Retail Park
- Quayside Properties
  - Retail, leisure, office, light industrial
- Cruise

## Southside

- Pembroke Port
  - Breakbulk, dry bulk and project cargo handling
  - Marine renewables development and fabrication hub
  - Layover service hub
  - Laydown and storage
- Pembroke Dock Ferry Terminal
  - Passengers and cars
  - Accompanied and unaccompanied freight
- Quayside Properties
  - Heavy industrial, light industrial, warehousing, office



Port of  
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# 1958 to 2018 - 60 years of port operations

HRH Princess Marina, Duchess of Kent, opens the Port's new headquarters



The Port welcomes the British Admiral

Break, dry and project cargoes are all handled at Pembroke Port



The £6m lock gates have delivered enhanced accessibility to Milford Marina and Milford Fish Docks

The acquisition of Havens Head Retail Park is contributing to the Port's diversification strategy

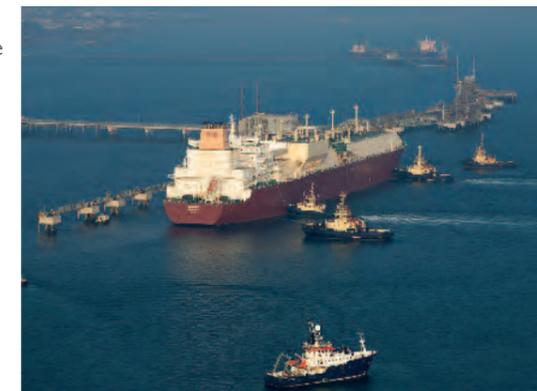


Milford Haven Conservancy Board was created by an Act of Parliament on the 30th April 1958	Annual tonnage entering Milford Haven passes 10m	First 100,000-ton vessel, the British Admiral, arrives at the Port on her maiden voyage	The Port receives the Esso Scotia, the first 250,000-ton vessel ever to call at a British port	59m tonnes of cargo passes through the Port making it Britain's largest port in terms of tonnage	The B&I Line's MV Connacht arrived at the Port's new £8m terminal on her inaugural sail from Cork on 23rd May 1979	Irish Ferries starts running the Pembroke to Rosslare service	Pembroke Port Gate 1 was acquired and expands cargo handling capacity	Pembroke Port Gate 4 was acquired	RWE Pembroke Power Station begins generating	New lock gates installed	Havens Head Retail Park acquired
1958	1962	1965	1969	1974	1979	1992	1998	2008	2012	2015	2017

1960	1964	1968	1973	1977	1991	1996	2004	2009	2014	2016	2018	
Esso Refinery was opened by HRH Duke of Edinburgh	Texaco (Pembroke) Refinery comes on-stream	Gulf Refinery comes on-stream	Amoco Refinery comes on-stream	Land acquired for Pembroke Dock Ferry Terminal	Milford Marina opens	Oil tanker 'Sea Empress' runs aground at the entrance to the Haven. This tragedy was a watershed moment for the shipping and port industries resulting in UK-wide changes to port operations and an international impact on the way these vessels are designed	A candidate site since 1997, the Milford Haven Waterway becomes an official Special Area of Conservation (Pembrokeshire Marine SAC)	'Tembek' is the first Liquefied Natural Gas carrier to enter the Port	Liddeston Ridge solar array is completed	Marine simulator suite opened		



Since opening in 1991, Milford Marina has welcomed guests from around the world all keen to explore the incredible Pembrokeshire coast and Waterway



With a 315m length overall and 50m beam, the Tembek was the largest vessel to call at the Port at this point



The Navigation Simulator was an important investment in safe Waterway operations



# Port of Milford Haven

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INVESTOR IN PEOPLE

