

**Milford Haven Port** Annual Report & Accounts **2010**

delivering



Milford Haven Port Authority



# Contents



Highlights	3
Chairman's statement	5
Chief Executive's review	9
Deep Water Port	11
Short Sea Port	11
Marine Leisure	13
Milford Haven Ship Repairers	13
Quayside Estates	13
Community Engagement	13
Environment Report	16
The Port	20
The Waterway	22
Milford Docks & Marina	24
Pembroke Port	26
Trust Port	29
Trust Port Objectives and Strategy	30
Stakeholder Annual Meeting	31
Governance	32
Board Committees	33
Board Members	34
Senior Management Team	38
Report of the Board and Accounts	41

# 2010 highlights



**Turnover increased  
by 19% to £27.8 million**

Profit before tax  
increased by  
69% to £7.1 million



**The Port handled 42.9 million tonnes  
of cargo - approximately 20% of the  
UK's energy products throughput**

---

The energy sector in Pembrokeshire employs around 2000 people and generates approximately £100 million spend per annum into the local economy

**The Port of Milford Haven has attracted in excess of £2 billion of new investment to Pembrokeshire over the last five years**



MHPA delivered  
£735,000 of support for  
community projects



---

# delivering growth in challenging times



# Chairman's report

In 2010 the Group began to realise its potential as one of Britain's best and most active deep-water harbours. Turnover increased by 19% to £27.8m for the year, and profit before tax increased to £7.1m, up 69% from the preceding year.

Whilst growth in gas volumes reflects the first full year of operations at South Hook LNG and Dragon LNG, the result indicates both control of costs and positive trading in a number of different areas of the business, in some cases against a background of challenging economic circumstances. During the year, the Group disposed of its interest in Ledwood Mechanical Engineering; whilst this sale has little impact on the Group consolidated result, it did lead to an exceptional gain within the accounts of Milford Haven Port Authority (MHPA) itself. In line with our policy, our property assets were externally valued as at 31st December 2010 resulting in an £8.85 million increase in our revaluation reserve.

Return on Capital Employed was 13.5% for the year and Milford Haven Port is now achieving its overall target. The consequence of having a strong balance sheet and a good operational cash flow is that we are able to plan for a cycle of investment in port infrastructure and services over the coming years to further strengthen the Port and achieve our objective of reducing dependence on the oil sector. Milford Haven Port is undoubtedly one of the mainstays for the economy of Pembrokeshire and as Britain's third largest port, handling 42.9 million tonnes of cargo per annum, we consider that the overall financial performance is beginning to come into line with the potential of the Haven: a waterway with over 17m depth of water, quick access to Atlantic trade routes

and strong energy connections to the rest of the UK in the form of gas and fuel product pipelines and the high voltage electricity grid.

## Health, Safety and the Environment

Once again I am pleased to report a reduction in the number of accidents. In 2010 the Port achieved its target accident rate of less than 1 accident per 100 employees for the year. The actual rate achieved was 0.95 - two relevant incidents. Careful attention is paid to designing our systems and procedures to manage and, so far as reasonably possible, eliminate health, safety and environmental risks. Whilst such systems and procedures are essential, they are no substitute for the effort made by every member of staff to remain alert to danger and risk and to take steps to ensure that they are able to carry out their day-to-day functions without incident. In 2011 we will be investing further in this area of our business, to maintain and hopefully reduce this low accident rate.

With particular reference to marine operations, I confirm on behalf of the Board, which is the Duty Holder under the terms of the Port Marine Safety Code, our continued compliance with that code.

## Management Changes

In early 2010 Alec Don was appointed as Chief Executive. He has been charged by the Board to develop Milford Haven Port as a successful commercial entity able to realise its potential as a nationally significant port, driving economic activity and growth in Pembrokeshire.

The Board considers that we are already seeing the benefit of this focus in the improved results, which are substantially better than was expected at the start of the year and that are entirely

commensurate with the scale of operations quietly occurring under our jurisdiction on a daily basis on the Haven.

## Port Operations

LNG is a new and important sector for the Port; brought into being here in Milford Haven in part because of the commitment and professionalism of MHPA over many years. However, the Port continues to be substantially dependent on the throughput of petroleum products and the presence of two refineries on the Waterway. During 2010 both refineries were separately put up for sale by their owners. Such announcements inevitably create uncertainty. Valero's agreement with Chevron on the purchase of Pembroke refinery has been widely welcomed. It shows clear commitment to ongoing investment in the refining sector here in Milford Haven. We consider the successful and eventual delivery of both refineries into the hands of new and committed owners and operators to be the best possible outcome for the Port and for Pembrokeshire.

Looking further forward, we anticipate that the country's need for energy on-demand will lead to an accelerating shift away from traditional fossil fuels towards other clean and renewable commodities.

To position ourselves for this transition, Milford Haven Port expects to invest significant sums in 2011 on planning and evaluating the creation of new Deep Sea Port infrastructure.

In other sectors trading has been mixed. We have responded with some adjustments of our structure and careful control of costs. Irish Ferries volumes in particular have been affected, not only by the difficulties afflicting







# delivering for our community

the Irish economy, but by overcapacity on the Irish Sea. Our long term agreement with Irish Ferries ended early in the year and given the economic background, I am pleased to report that we have now entered into a new 10 year agreement with Irish Ferries which secures over 60 full time jobs at Pembroke Port.

Milford Haven Ship Repairers had a busy year and I am pleased that Quayside Estates, our property portfolio, and Milford Marina, maintained occupancy levels despite the challenging economic climate. However, all of these business units have greater potential for growth than is currently being realised. Achieving growth in every aspect of our business is not an option but a necessity to sustain the levels of economic activity in the towns of Milford Haven and Pembroke Dock. We are putting additional management and marketing resources into all of these business units as part of a defined Short Sea Port strategy.

Expenditure on the maintenance and renewal of our infrastructure totalled over £3.3m in 2010.

## Community Projects

All communities that play host to a major port such as Milford Haven tend to recognise the importance of their port to the local economy. Likewise no port can survive and thrive without the strong support of its local community and stakeholders. As a Trust Port we engage extensively with individuals and organisations throughout Pembrokeshire and Wales, providing both resources and money in support of a wide range of community projects. The measurable supported expenditure in the community managed by the Port totalled £735,000 in 2010. We have directly assisted in raising grant funding and other financial support for community

projects such as Seafair Haven, Rising Tide, Sunderland Trust, Pembrokeshire Marine Special Area of Conservation (SAC) and Pembrokeshire Coastal Forum as well as an un-measurable time commitment by staff at all levels within the organisation throughout the year.

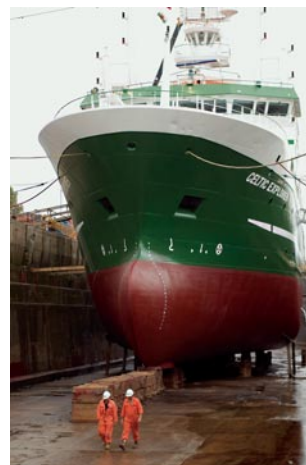
We intend, as set out elsewhere in this annual report, to maintain and deepen our community engagement. However, the need to provide stable, well-rewarded employment for our 200 staff and the economic benefits that this brings to our local communities is a prime objective.

## The Future

In 2010 MHPA stepped up to a level of trading commensurate with the size and scope of the Port, but growth will not necessarily occur at the same rate in future. As well as the general economic situation, we also face some particular threats and uncertainties such as the future of refining in the UK and the as yet unquantified deficit within the Pilots National Pension Fund. As with the economy as a whole, the best prospect for Milford Haven Port to thread its way through these challenges is by investing in and growing the business.

The team effort by all our staff has resulted in the delivery of a good outturn for 2010 with the resources in place to back our plans with investment. With the business better resourced to deal with the challenges and opportunities which lie ahead, I would like to thank our staff for their efforts and look forward to working with them and taking the Port forward during 2011.

David Benson



Above: MHPA's Community Programme supported 'CCHF: All About Kids' and 'Pembrokeshire Adventure Centre', enabling children from disadvantaged backgrounds to experience exciting activities on the Milford Haven Waterway. In 2011 this programme will be extended - increasing the number of visits from one to two per annum, benefitting two separate groups of children.

Left: The 'Celtic Explorer' in MHSR Dry Dock.

# delivering with energy

*Zarga, the 100th vessel to visit  
the South Hook LNG Terminal*



# Chief Executive's report

Volumes at both South Hook LNG and Dragon LNG Terminals helped the Port to achieve a total cargo throughput of 42.9 million tonnes in the year. Milford Haven Port is therefore beginning to see the culmination of several years of planning and involvement in the delivery of these two terminals, major pieces of nationally-significant infrastructure located here in Pembrokeshire, in one of the UK's best deep-water harbours. The effective operation of these terminals and indeed all of the operations on the Haven, depends upon the faultless execution of major shipping movements and the provision of a broad range of services on a daily basis. I would like to take this early opportunity to praise and thank all our staff for their ongoing diligence and commitment.

I joined MHPA early in 2010, succeeding Ted Sangster as Chief Executive. In his twelve year tenure Ted led the Port through some difficult times, but it is a testament to his skill, judgement and dedication that the Port is now beginning to achieve a volume and trading result which is in line with the scope and scale of operations taking place within the Waterway. I would particularly like to thank Ted for his many years of dedicated service.

## Organisation

The focus of our efforts now is to build on the solid foundation that has been established to deliver a programme of sustained investment in port infrastructure and services. The key role of the Port is to be a driver for economic growth in the region, contributing to the creation of secure long-term employment. There have therefore been some changes to the organisational structure of the Port to empower managers of the various operational units to develop their

businesses and deliver commercial growth. These efforts have contributed significantly to the results for the year: Turnover in 2010 was £27.8m (2009: £23.4m), and profit before tax for the year was £7.1m (2009: £4.2m).

The challenge we face is to extend beyond our traditional market of energy from fossil fuels into new trades, including participating in the green energy revolution. MHPA has therefore appointed Dick Moore as Marketing Director with a specific remit to develop our deep-water port activity. This is likely to be based on the development of new deep-water port infrastructure, as well as working closely with our five major deep-water port customers - Chevron/Valero refinery, Murco, SemLogistics, South Hook LNG and Dragon LNG - to help them achieve their own growth plans.

The Short Sea Port encompasses commercial shipping activity based at Pembroke Port and Milford Docks and includes the ferry terminal. Other business units with direct accountability to me as Chief Executive are Milford Haven Ship Repairers, Quayside Estates and Marine Leisure. In each case there is a business unit leader in place with a clear mandate and the necessary resources to grow their respective businesses on a sound commercial basis.

Effective trading and business development, particularly in a busy port, cannot be achieved without strong central services operating to the highest standards of professionalism and integrity. Health, Safety, Environment and Security on the one hand and Human Resources on the other. Accordingly, Alan Furlong has been appointed HSE Director. Our Health and Safety Management System and our Environmental Management System

are now being integrated into one. The creation of one single and simplified set of procedures, supported by the introduction of the latest technology to make the overall system more readily accessible for all staff whatever they may be doing, is expected to broaden and deepen our safety culture.

With the appointment of Vidette Swales as HR Director, we will also be putting more emphasis on the continuous development and motivation of our highly skilled and committed workforce. In 2010 staff in all departments throughout the organisation got involved in discussion and debate to define a new vision for MHPA going forward, culminating in endorsement of the vision by the Board towards the end of the year. Our vision is:

## To deliver port infrastructure and services with Energy and Excellence.

It is also part of the HR Department's mission to identify ways that staff throughout the organisation can, with MHPA support, engage directly with the community and our stakeholders. MHPA hosts a number of grant-aided organisations that are setting out to deliver significant community projects. These include: Rising Tide, Sunderland Trust, Pembrokeshire Coastal Forum, Pembrokeshire Marine SAC and the Milford Haven Waterway Environmental Surveillance Group. We also have a Community Support Committee with members drawn from throughout the organisation that allocates grants to a wide range of recipients. Our staff give their time to support events in the community such as Fishweek and Seafair and many similar projects and activities throughout the year. This level of engagement is entirely consistent with our status as a Trust Port.



to deliver port infrastructure and services



- Blackbridge: The focus for the development of a new deep-water terminal.*
- Deep Water
  - Proximity to road and rail access
  - Access to gas, fuel products and high voltage electricity distribution systems

# with energy and excellence

## Deep Water Port

In 2010 the Port handled 31.4 million tonnes of oil and 10.5 million tonnes of gas, together representing some 20% of the UK's energy products throughput.

LNG clearly made a substantial contribution to growth in throughput but Chevron and SemLogistics also operated at high levels during the year. Murco refinery was out of operation for a period during the course of the year due to a programme of major investment in refining capacity and other refit work. The sale of Chevron's Pembroke refinery to Valero is anticipated to be completed in the second half of 2011.

Gas throughput at certain times of the year is constrained by bottlenecks at key locations in the National Grid pipeline connecting Milford Haven to inland markets. Planning consent for necessary works to deal with these bottlenecks has now been granted and when the works are completed, the overall throughput capacity of the Port for LNG will improve.

MHPA has worked closely with RWE on dredging and other marine works issues in connection with the ongoing construction of the new Pembroke 2 gigawatt gas-fired power station. When this power station comes on line, it is expected that the gas will be supplied through the Port. Its location at Pembroke is based on the ready access to the National Grid's 5 gigawatt capacity high voltage network. The combination of deep water, established port infrastructure and services, and the availability of underutilised distribution networks (gas, petroleum products and electricity connecting Milford Haven to the hinterland) make a strong economic and

environmental case for further investment in power generation capacity in the vicinity of the Port.

Whilst the Haven is a natural deep Waterway, maintenance dredging is periodically required in varying locations to maintain depth in the channel and alongside the berths. A moderate dredging programme therefore took place towards the end of 2010 to preserve working depths on certain Chevron berths and at Pembroke Port.

Work continued in 2010 on the planning of a new deep-water terminal based around the Blackbridge site. The Port and Pembrokeshire County Council have initially undertaken appropriate wildlife studies as a required precursor to the preparation of a full environmental impact assessment for the proposed berth construction. Blackbridge is the only remaining site offering the full complement of attributes necessary for a successful commercial development; access to deep water; brownfield development land; proximity to other industrial areas; appropriate road and rail access and ready access to the gas, fuel products and high voltage electricity distribution systems feeding the UK's population and industrial centres.

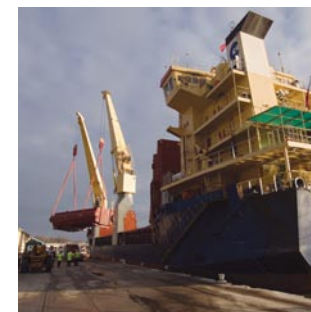
Quick entry and exit to the Port without the need to transit lock systems, together with port charges that are generally lower than other major ports, all help to maintain the competitiveness of our major trading partners and result in the delivery of energy to the end user at a lower cost and with less overall environmental impact. Milford Haven Port is a vital strategic asset for the UK economy as a whole.

## Short Sea Port

Short Sea Port activities include cargo handling and ferry operations at Pembroke Port and fish landings at Milford Docks. The trading environment for the Short Sea Port remained subdued during 2010. The environment for operators on the Irish Sea has also been difficult, due to the prevailing economic climate in Ireland and elsewhere and significant amounts of overcapacity. We are therefore delighted to have been able to work with Irish Ferries to secure a long term commitment for the use of the Ferry Terminal.

Animal feed volumes were below expectations for the year. The Port continues to handle project cargoes, lay ups and other general cargoes. The level of resource made available for business development has been increased and although it is early days, there are some positive signs. For example, the Port handled its first consignment of road salt in early 2011. Pembroke Port is the base for a number of marine engineering related businesses such as Mustang Marine Ltd, Unit Engineers & Constructors Ltd and Milford Haven Ship Repairers. MHPA is planning to invest in support of these businesses' growth plans and there is a strong prospect that Pembroke Port will develop as a significant centre of excellence for marine engineering activity.

The Short Sea Port at its Milford Docks base continues to be the largest fishing port in Wales, with 3,935 tonnes of fish landed during the course of 2010. We continue to see fish being an important mainstay for Milford Docks going forward.



Top: The Statoil Heat Exchanger, built at Pembroke Port by Unit Birwelco over a nine month period and then transported via a heavy-lift ship to Norway.

Right: Milford Marina  
In partnership with Cardiff Marine Group, our joint venture - Pembrokeshire Marine Group is expecting to invest in improved service provision for customers at Milford Marina.

Works include the rejuvenation of berthing pontoons and a new dry stack berthing facility with a launch-on-demand service.



# delivering through investment

## Marine Leisure

Milford Marina is the core business unit in our marine leisure sector. Occupation of the Marina has remained high despite the recession and we believe that overall, yachting and leisure boating has significant additional potential in the Milford Haven area. In 2010 we entered into a partnership agreement with Cardiff Marine Group to increase the promotion of Milford Docks as a centre for marine leisure activities. We are currently investing in extensive refurbishment of the marina's berthing pontoons with further investment to follow as the market develops. We have also developed a dedicated website to promote marine leisure:

[www.pembrokeshiremarinegroup.com](http://www.pembrokeshiremarinegroup.com)

This will see further enhancements in its functionality in 2011. Ultimately, we have identified that the future for Milford Docks will be based on marine leisure and fishing, with heavier marine-related engineering being relocated to Pembroke Port.

MHPA continues to promote cruise calls to Milford Haven. In 2010 the port had four cruise calls and has eight calls booked for 2011. This activity is currently not profitable for the Port, however it does make a significant contribution to the Pembrokeshire economy with over 2,000 visitors disembarking to visit attractions. There is no doubt that the real potential for cruise calls will only be realised with a general purpose deep-water berth, but such a facility cannot be justified on the basis of cruise activity alone.

## Milford Haven Ship Repairers

Milford Haven Ship Repairers (MHSR) performed well in 2010, although the market

remains challenging with vessels having ever-longer intervals between required dry dockings. The business unit remains in fierce competition with facilities on a Europe-wide basis. MHSR has two slipways at Pembroke Port and is looking to extend its alongside, call-out and smaller vessel repair and refit activities.

We have strengthened the MHSR team at supervisor level and are increasing the number of core trades supplied in-house. MHSR plays a central role in the provision of maintenance services to other parts of the Port. For example, our team at MHSR planned and implemented the dry-docking and refurbishment of the mitre lock gates at Milford Docks during the course of 2010, which was completed without causing disruption to users of the Marina and commercial facilities at Milford Docks.

[www.milfordhavenshiprepairers.co.uk](http://www.milfordhavenshiprepairers.co.uk)

## Quayside Estates

As Pembrokeshire's single largest provider of commercial office and industrial space, our property division, Quayside Estates, did well during 2010 to maintain total rental income despite the challenging economic conditions prevailing generally in the commercial property sector. Quayside Estates' presence in the regional property market has been enhanced with the launch of its own website:

[www.quaysideestates.co.uk](http://www.quaysideestates.co.uk)

This is expected to be an essential tool in attracting interest for vacant space.

The level of vacancy within the Quayside Estates portfolio is moderate, with higher-end office space proving to be the most challenging to fill at the present time.

## Community Engagement

2010 saw a substantial amount of community-related activity. In this context it is important to understand that MHPA is not just a corporate entity, but an organisation comprising 200 individuals, all of whom have their own networks and particular interests in charitable causes. From top to bottom, individuals have championed causes and willingly given their time and effort to supporting their communities in a wide range of ways.

MHPA is supportive of volunteering in the community and encourages its employees to volunteer through its Employer Supported Volunteering policy. In addition to community benefits, volunteering is seen as a development opportunity for the individual taking part. Under the volunteering policy, employees can apply to be released for a proportion of work time each year to undertake volunteering activities. A number of employees have taken up this opportunity and many others carry out a range of volunteering activities in their own time.

MHPA is intimately bound up with the community in which we are based. We do not wish to make community engagement something that is delegated to a specialist PR department but something that we do on a daily basis. Therefore, we are currently re-writing our policies in order to further support members of staff who want to do more for their community and engage with other organisations and people around them.





MHPA also hosts a number of European-funded projects:

- Rising Tide is a €2m, three year programme focused on regeneration of coastal communities, building a strong body for maritime heritage in Wales and Ireland, and training that aims to provide people that are not in employment, education or training, with the skills and confidence to enter into the workplace.



- The Sunderland Flying Boat Visitor Centre was established in 2008 to create a unique educational visitor attraction in Pembroke Dock with the purpose of preserving artefacts from Sunderland T9044, which sunk on the Milford Haven Waterway on a stormy November night in 1940, and telling the story of this iconic aircraft's long association with the area.

- The Pembrokeshire Coastal Forum does unique work on drawing together coastal communities on issues of common interest, whether related to the protection of wildlife, the promotion of economic activity, or the possibilities for tidal and other forms of green energy.

- Seafair Haven, the biennial celebration of boats and yachting, took place in 2010 and drew in over 200 participants who brought their craft to the Waterway for a week-long sailing and celebratory event.



*During 2010 MHPA invested a total of £735,000 into the local community through projects such as Rising Tide, Sunderland Trust, Milford Museum and the Torch Theatre as well as through donations made following applications to our Community Investment Fund and Community Support Committee.*

MHPA also makes a substantial contribution, not only in cash but also in support and commitment, towards the Torch Theatre, Waterfront Gallery, Milford Museum, the Seal Sanctuary, the Pembrokeshire Marine Special

Area of Conservation and the Milford Fisherman's Memorial Trust. In connection with our role as Harbour Authority we provide substantial support to Dyfed Powys Police, the Mission to Seafarers, the Apostleship of the Sea and the Maritime Volunteer Service.

In 2010 MHPA once again ran its Scholarship Scheme with four students winning £1,000 each to help support their studies. This year, the scheme has been extended to include providing the winners with internships at Milford Haven Port - these will take place in the summer of 2011. As they seek to enter the job market, the graduates will find that demonstrating initiative by attaining worthwhile experience is just as important as their degrees.

In addition to the corporate and individual efforts outlined above, MHPA donates money to a wide range of organisations. In 2010 we created two separate funds: the Community Support Committee - for sums up to £500, which is managed entirely by a committee of eleven members of staff - and the Community Investment Fund, which considers applications up to £3,500 that usually relate to projects closely aligned with MHPA's status as a Trust Port.

#### **MHPA as a Trust Port**

MHPA is first and foremost a commercial organisation generating economic activity and secure, long-term employment. This is achieved through our own investment and the investment of others using the Port. The establishment of the two LNG terminals are excellent examples - together they have invested over £1 billion to put in place

nationally important infrastructure focused on the provision of cost-effective and clean energy to the UK economy. Why Milford Haven? South Hook LNG and Dragon LNG and, indeed, the major oil terminals are here because the Port's deep water facilitates the safe handling of large ships.

Our mission is to identify activities that may be brought into the area through the provision of new and cost-effective port infrastructure and services. The achievement of this objective depends on effective consultation and engagement with our stakeholders. Within this annual report we are therefore setting out a new Trust Port section - which includes a statement of our objectives and strategy to stimulate a two way dialogue with our stakeholders.

We look forward to working more closely with all our partners around the Haven in 2011 to strengthen further the economic contribution of the Port of Milford Haven.



# delivering through people



Above: MHPA's 2010 Scholarship Scheme winners Ceri Smith and Rhydian Bell pictured with the Scholarship selection panel. Not pictured are winners Thomas Gwilliam, Mark Harris and panel member Colin Evans.

Left: Students participating in the Rising Tide training programme at Mitec, Pembrokeshire College

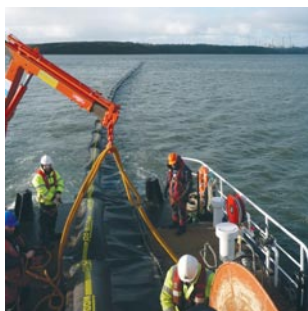
# MHPA and the Environment



It is of the utmost priority to MHPA that it achieves the highest standard possible on matters relating to Health, Safety and the Environment (HSE). The legislation relating to HSE is extremely diverse and complex and includes particular requirements in the MHPA Acts to:

- Prevent or reduce the discharge of oil, or the risk of discharge of oil, into the water
- Have regard to the desirability of preserving natural beauty, conserving flora and fauna and ensuring an easy passage for ascending salmon and sea trout

In addition to the legislation, the overriding interest of Milford Haven Port is that operations are not disrupted by injuries and environmental incidents. The processing and delivery of energy products to industry and people in their homes on a cost-effective and reliable basis is a fundamental requirement of a modern economy and encompasses the creation of a logistics and processing network that stretches from the oil or gas field right through to the light switch. The overall environmental impact of achieving these objectives is minimised by enabling the use of the largest and most cost-effective vessels available, processing on a large scale, and delivery through pipelines, coastwise shipping and high capacity electrical grids. The Port of Milford Haven, with its deep water and pipeline and national grid infrastructure, is central to the efficiency and security of this international network. The challenge for Milford Haven as a port going forwards, is to deliver these wider economic and environmental benefits whilst controlling, and indeed reducing, the immediate impact on the Waterway and the local environment within Pembrokeshire.



The Port has therefore invested in systems and procedures to identify risks, plan our activities so as to reduce or eliminate risks and to respond effectively should, despite all efforts, contingencies occur.

The objective of the HSE department is to provide expertise, training and internal audit of the established systems in support of line managers, without alleviating the responsibility at every level, to ensure our operations are safe and environmentally secure. In 2010, HSE was given a clear focus with the appointment of Alan Furlong as HSE Director and the staffing and resources for the management of the Safety and Environment Management System (SEMS) are being increased. However, HSE continues to be a line management responsibility.

## Security

Security procedures are governed by The International Ship and Port Security (ISPS) code and are vigorously tested by TRANSEC (an executive arm of the Department for Transport) throughout the year. Port security is an important element of the national security infrastructure and is particularly designed to protect the travelling public from security threats. The implementation of Port Security Regulations (2009) for Milford Haven is progressing, with the Designation Order being prepared for implementation through Parliament. Full implementation of the regulations is planned to be in place by 2012. MHPA continues with its membership of the All Wales Portals Group, National Maritime Security Committee Working Group and is Chair of the Milford Haven Port Facility Security Officer's Working Group.

The decision was taken in 2010 to strengthen our security systems including investment in CCTV and other security infrastructure. We anticipate completing this during 2011.

## Health and Safety

2010 saw the continued downward trend of all accidents across the organisation. Six accidents in total occurred throughout the year (there were eight in 2009). Of these six, only two were lost time accidents. The Port's target accident rate for 2010 was one lost time accident per 100 employees. The actual rate was 0.95 - less than half the industry rate (benchmark) of two for 2010. This low accident rate can be attributed to the raised level of health and safety awareness among all staff. Monthly health and safety tours are undertaken by management and employee representatives, with any deficiencies being identified and rectified in a timely manner. Regular toolbox talks and lessons learnt, alongside the formal Health and Safety Committee meetings, are additional ways in which health and safety awareness is maintained and improved across our operations.

MHPA's historical approach of maintaining separate systems for Safety and Environmental Management Systems (SEMS) has been updated. The systems are being integrated into a single Safety and Environment Management System (SEMS). Complexity is the enemy of effectiveness and by creating a single system, driven by the maintenance of a constantly reviewed risk register, staff have a simplified set of reporting and management procedures that drives the process of carrying out risk assessment. This leads to the adoption of appropriate procedures that minimise the risk of every activity.

# delivering responsibly

Embedding a risk averse culture is being supported by the introduction of online and mobile management tools to make the overall system more accessible, less bureaucratic and more auditable. All of our activities are closely scrutinised by the Health and Safety Executive and are also externally audited. The last audit took place in December 2009. Once the revised procedures are fully bedded in, they will continue to be audited on a regular basis as a constant check that our systems are robust, fit for purpose and effective.

## Environment

Protection of the environment is written into our constitution, and is also an inextricable part of being a port that our customers, and other port users, can rely on. In 2010 (as in previous years) we reviewed our environmental policy and this is set out in full opposite.

In addition to our own policy, we are influenced by the introduction of a consistent and substantial flow of new environmental rules, regulations and designations, and it is no easy task to understand the rules in all their complexity, or reconcile the differing requirements.

## External Influences

2010 was again a year in which changes, or imminent changes, to environmental regulatory legislation featured as a source of concern and uncertainty. The emergence of the draft secondary legislation subsequent to the Marine and Coastal Access Act 2009, generated a series of consultations and liaison panel participation. MHPA participates in the liaison group associated with the determination of the Welsh Marine Conservation Zones - representing the Welsh

Ports sector interests. Similarly, we attend the Water Framework Directive (WFD) liaison panel for the Western Wales River Basin Management District, which continues with a focus on the implementation of the programme of measures. The requirement for WFD compliance for maintenance dredging within coastal water bodies, as part of the marine consenting process, further complicates an already difficult process, particularly within the European Designated Special Area of Conservation (SAC). This designation occurred in 1997 against the background of the Waterway being a regularly dredged and active Port. The objective of the designation is to achieve consistent improvement in the quality of the environment from the status at that time with particular reference to the conservation of specific features of interest.

Dredging disposal licensing, some aspects of which are likely to be exempted from the new marine licence - applicable from April 2011, is administered from Cardiff and the Welsh Assembly Marine Consents Unit. The Welsh variant on the secondary legislation has yet to be finalised, although the outcome of similar consultation and regulatory changes occurring within England are generally fairly good pointers as to what is likely to occur in Wales. The development of a Marine Planning Framework for Wales is another area of forthcoming coastal and marine legislative change with which we, as an individual operator and as a sector, will need to fully engage.

External influences work in both directions and we therefore participate in the British Ports Association (BPA) and the

## Environmental Policy Statement

It is the policy of MILFORD HAVEN PORT AUTHORITY to ensure that our business practices protect the welfare of our employees and the communities in which we operate. This Environmental Policy is applicable to all MHPA employees and is also encouraged within our tenants, contractors and operations within the Port. It is based upon the principle of Best Available Technology Not Entailing Excessive Costs.

We will seek to attract and develop sustainable port operations and to minimise impacts on the environment. We will promote shipping as the mode to transport offering the least overall environmental impact and will operate the Port in accordance with procedures designed to prevent incidents that may cause environmental damage.

MILFORD HAVEN PORT AUTHORITY has adopted the following principles to implement our Environmental Policy for all its Marine and Commercial operations. This document is available to all interested parties.

- **To Endorse** the principles contained within the European Sea Ports Organisation's Environmental Code of Practice.
- **To Conserve** the natural environment of the Haven, continue to promote its sustainable use, and to protect it, particularly in respect of oil pollution.
- **To Respond** immediately to any environmental incident or threat within the Port by utilising appropriate personnel and equipment.
- **To Design** our management systems or equipment, to minimise our environmental impact especially the consumption of non-renewable resources, waste generation, pollution control and energy use.
- **To Monitor** and report on our environmental performance with the aim of achieving continuous improvement.
- **To Communicate** this policy to, and foster environmental responsibility amongst our staff; provide appropriate training and encourage initiatives to enhance and improve our environmental performance.



Figure 1. MHPA Total CO<sub>2</sub> Emissions 2010

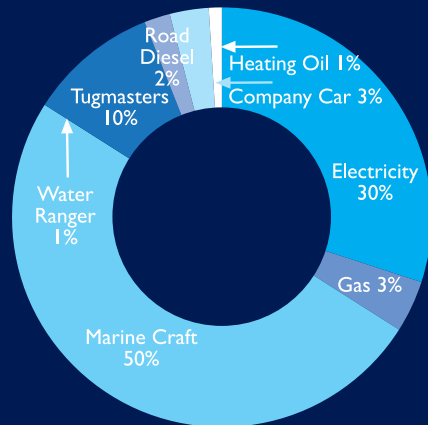
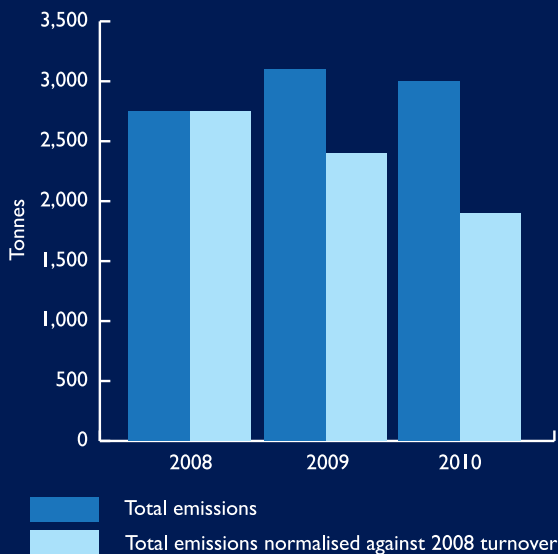


Figure 2. MHPA Total CO<sub>2</sub> Emissions 2008-2010



Environmental Policy Group that sits with the UK Major Ports Group as a joint mechanism for sector dialogue and political exchange. Similarly, we participate in the Confederation of British Industry (CBI) Wales Environmental Committee meetings and the Wales Coastal Maritime Partnership, which presents opportunities to convey sector concern or viewpoints through to the Welsh Assembly Government.

During 2010 we began developing our response to the Defra Climate Change Adaptation Reporting Direction which, as a port handling more than 10 million tonnes of cargo per annum, was submitted on 31st March 2011. We are required to identify possible effects and remedial measures on the basis of a series of possible effects of climate change by 2050, such as a rise in sea level and assumptions about change in ambient temperatures. We have therefore held internal workshops to establish which climate change-related risks we face and identify appropriate adaptation where necessary. This will be progressed in the first quarter of 2011.

#### Internal reform and novel developments

The overarching change to our approach to environmental management within MHPA has been the decision to amalgamate the Environmental Management System (EMS) with the Safety Management System (SMS), as described previously.

2010 saw the re-organisation of the Environmental Management Committee (EMC) which is the core mechanism for progressing environmental issues within MHPA. The amalgamation of the separate Environmental Representatives meetings with

the EMC, which has been expanded to include the operations managers, has improved communications and reduced the bureaucratic load.

In August 2010, MHPA again submitted a set of environmental performance data to the European ECOPORTS Foundation, for analysis under the Self Diagnosis Methodology (SDM). This has provided a clearer insight into the areas for focused attention to align our environmental management procedures with the Port Environmental Review System (PERS) - developed as one of the management tools available within ECOPORTS. From 2011, ECOPORTS Foundation will come within the umbrella of the European Sea Ports Organisation (ESPO), whose Environmental Code of Practice is endorsed within our own Environmental Policy Statement. The implications of these developments are that we are setting out to comply with externally specified and industry specific standards for environmental performance, and when we are in full compliance and the new procedures are fully embedded within the organisation, we will move on to subjecting ourselves to regular external audit.

Further refinement and population of the MHPA Aspects and Impacts Register occurred in 2010. This document is the starting point for the structured approach to assessing environmental as well as all other risks throughout the organisation, and the means of minimising our impact.

Along with most other industrial sectors, ports are generating information that contributes to the wider understanding of sources of

emissions and their carbon footprint. At MHPA, we have been gathering such data for a number of years and incrementally improving emissions-related data-gathering procedures, leading to a more comprehensive understanding of the impact of our mix of diverse activities across the organisation.

To summarise the 2010 data, figure 1 shows Total CO<sub>2</sub> emissions generated across the organisation. Notably the marine craft (pilot and patrol duties) account for 50% of our emissions of 1,506 tonnes of CO<sub>2</sub> due to marine diesel consumption. 30% of our emissions are generated indirectly as a consequence of our electricity consumption, and the third highest contributor at 10% is the red diesel consumed primarily by the Pembroke Port 'tugmaster' tractor units which load and unload the unaccompanied ferry freight.

The trend in total emissions over recent years in figure 2 shows an increase in total CO<sub>2</sub> emissions, however if this is normalised against our annual turnover (busier years generate more emissions) then the trend shows a year-on-year relative decrease.

As they generate such a large proportion of our emissions, the marine craft warrant further consideration. Each vessel is routinely monitored for a range of parameters, including fuel consumption. The 2010 marine craft emissions are shown in figure 3 and are broken down into the relative proportion contributed by each vessel. The trend in marine craft emissions over the last six years (shown in figure 4) reflects the introduction of newer generation vessels over 2006 and 2007 in order to meet operational and safety criteria.

## Energy

At the end of 2010, we initiated a scheme to further investigate and monitor our utilities consumption across MHPA. A team of Environmental Champions was established, made up of staff representatives from across the organisation. They started with our electricity consumption, which accounts indirectly for 30% of our carbon footprint, using a combination of the data generated from our limited number of half-hourly meters, combined with information from clip-on monitors. The intention is to reduce wastage, identify areas for improved efficiencies and investigate where alternative working practices can potentially reduce consumption. The Champions will feed information through to their respective site/operations managers, who then report to the bi-monthly EMC meetings where there are discussions on issues such as utilities usage and potential for savings as well as setting achievable improvement targets.

## Marine Pollution Incidents

Figure 5 shows the average number of oil spill incidents per decade that have occurred within the Waterway over the last 50 years. The trend continues downward and constant vigilance further reinforces our determination to minimise the risk to the environmentally sensitive habitats within the Waterway.

## Staff Awareness

2010 saw the roll-out of a more extensive programme of raising environmental awareness amongst our staff. Ten members of staff attended two trial training sessions and, based upon their feedback plus further input into the course content from the Environmental Manager, a third party training provider is likely to deliver a series of training events over the coming two years.

The wider agenda is an ambition to broaden the awareness of environmental matters amongst industrial, public and private sector workers, initially in the local area and, ultimately, in a manner analogous to the Safety Passport concept that was developed in South Pembrokeshire, to offer the training as a recognisable standard of achievement.

Figure 5. Average number of oil spillage incidents on the Waterway 1960-2010

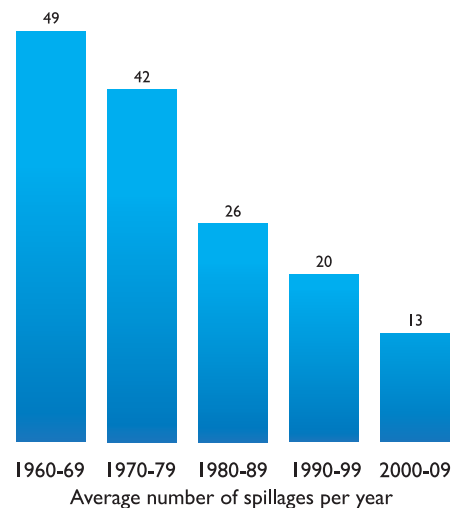


Figure 3. Marine Craft CO<sub>2</sub> Emissions 2010

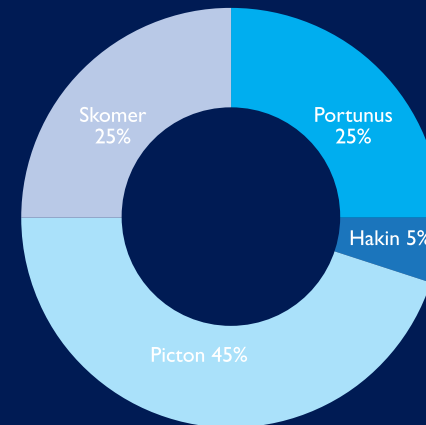
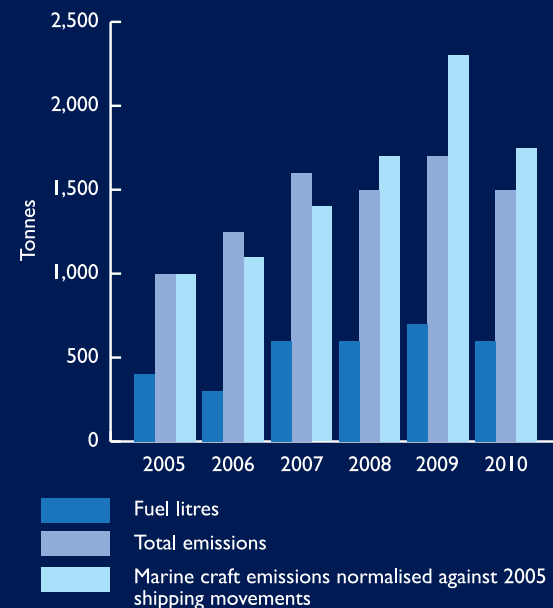


Figure 4. Marine Craft CO<sub>2</sub> Emissions 2010



# The Port



# delivering excellence

Located within the deep water port are five major energy terminals - Chevron Refinery, Murco Refinery, South Hook LNG, Dragon LNG and SemLogistics.

## Oil Refineries

The Murco Refinery on the north shore and Chevron on the south shore together process in excess of 15m tonnes of crude oil per annum. In addition to petrol and diesel, the refineries produce propane and butane for cooking and heating, kerosene for aircraft and fuel oil for ships, the power and manufacturing industry and domestic heating.

Refinery	Max Production (BPD)	Berths	Depth	Employees	Ship Arrivals (PA)
Chevron	270,000	8	5.6-18.1m	600	1,216
Murco	108,000	3	7.5-15.7m	370	337

## Tank Storage

SemLogistics, located on the north shore, with its 52 above ground storage tanks accounting for almost 25% of the UK's independent tank storage is Britain's largest petroleum tank farm.

	Capacity (Barrels)	Berths	Depth	Employees	Ship Arrivals (PA)
SemLogistics	8.7m	2	9.4-16.3m	64	163

## LNG Terminals

The new LNG Terminals were commissioned in 2009 and 2010 was their first full year of operations. During the year the Port handled 100 ships headed for either the South Hook or Dragon terminals, amounting to 9.7m tonnes. LNG is now providing about 40% of the UK's total gas consumption and about 27% of that is being imported through Milford Haven. It is estimated that by 2020 the UK's import dependency on gas is likely to exceed 70% which highlights the strategic importance of the Port and the need to continue investing in port infrastructure and services for the future.

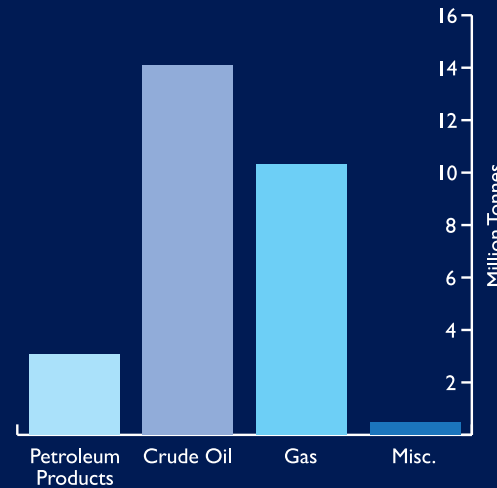
LNG Terminals	Capacity (Tonnes)	Berths	Depth	Employees	Ship Arrivals (PA)
South Hook	15.6m	2	16.9-18.1m	88	78
Dragon	4.4m	1	13.2m	65	22

Together, these five major marine terminals receive cargoes from the North Sea, North and West Africa, the Middle East, Asia and Europe and re-deliver finished products to international destinations including Ireland and continental Europe, north-east USA, west Africa and, of course, the UK.

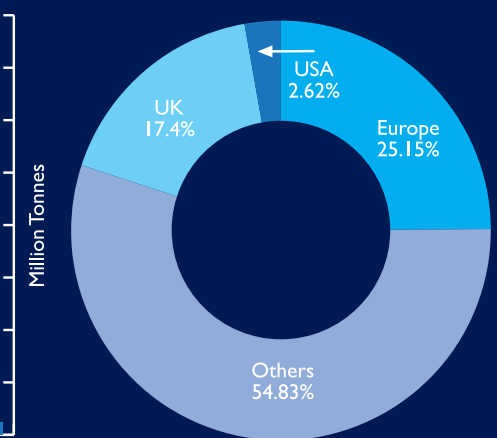
To enter the Port, some of the larger vessels require two pilots supported by four and sometimes five of the most powerful harbour tugs in the UK. It is the skill of MHPA's marine team that enables these vessels to safely come into and out of the Port. It takes about five years to train a first class pilot and Milford Haven Port is committed to ensuring there are fully trained pilotage and launch teams, supported by state-of-the-art communications available at all times.

With this exceptional expertise we are able to ensure the continued safe operation of Milford Haven Port, 24 hours a day, seven days a week - a truly **world class operation**.

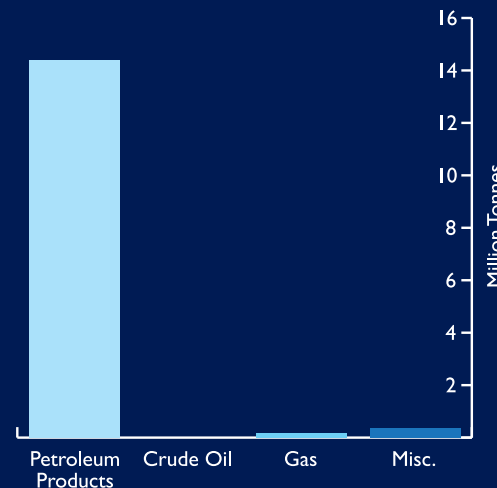
Cargoes into Milford Haven 2010



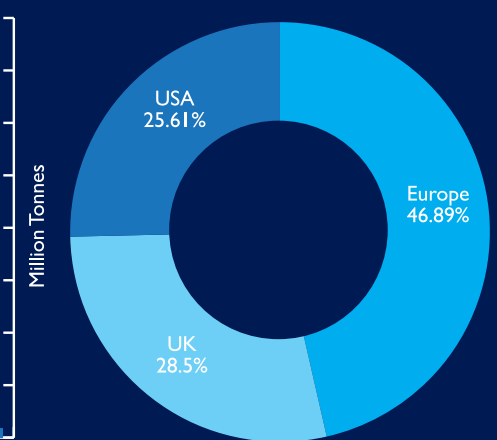
Cargoes into Milford Haven 2010



Cargoes from Milford Haven 2010



Cargoes from Milford Haven 2010



# The Waterway





# delivering in a unique location



*The Milford Haven Waterway - where industry and leisure happily coexist*

# Milford Docks and Marina

## Milford Docks

Milford Docks has long been regarded as a fishing port that brought prosperity and fame to the town of Milford Haven. With almost 4,000 tonnes of fish landed in 2010 Milford Docks is the largest fishing port in Wales.

The Docks have first class berthing and unloading facilities, with experienced labour available 24/7.

## Milford Marina

With some 328 berths, complemented by an established business and retail community on the quay side, visitors to Milford Marina are guaranteed a relaxed and friendly atmosphere and access to a range of first class facilities.

During 2011 berthholders and visitors will benefit from a programme of investment which will include the rejuvenation of berthing pontoons and a new dry-stack berthing facility with a launch-on-demand service.

### Milford Docks and Marina (lock entrance 21m beam)

Fishing Vessels	578
Fish landed (2010):	3,935 tonnes
Marina Berths:	328
Marina accreditations:	4 Gold Anchors (Yacht Harbour Association)

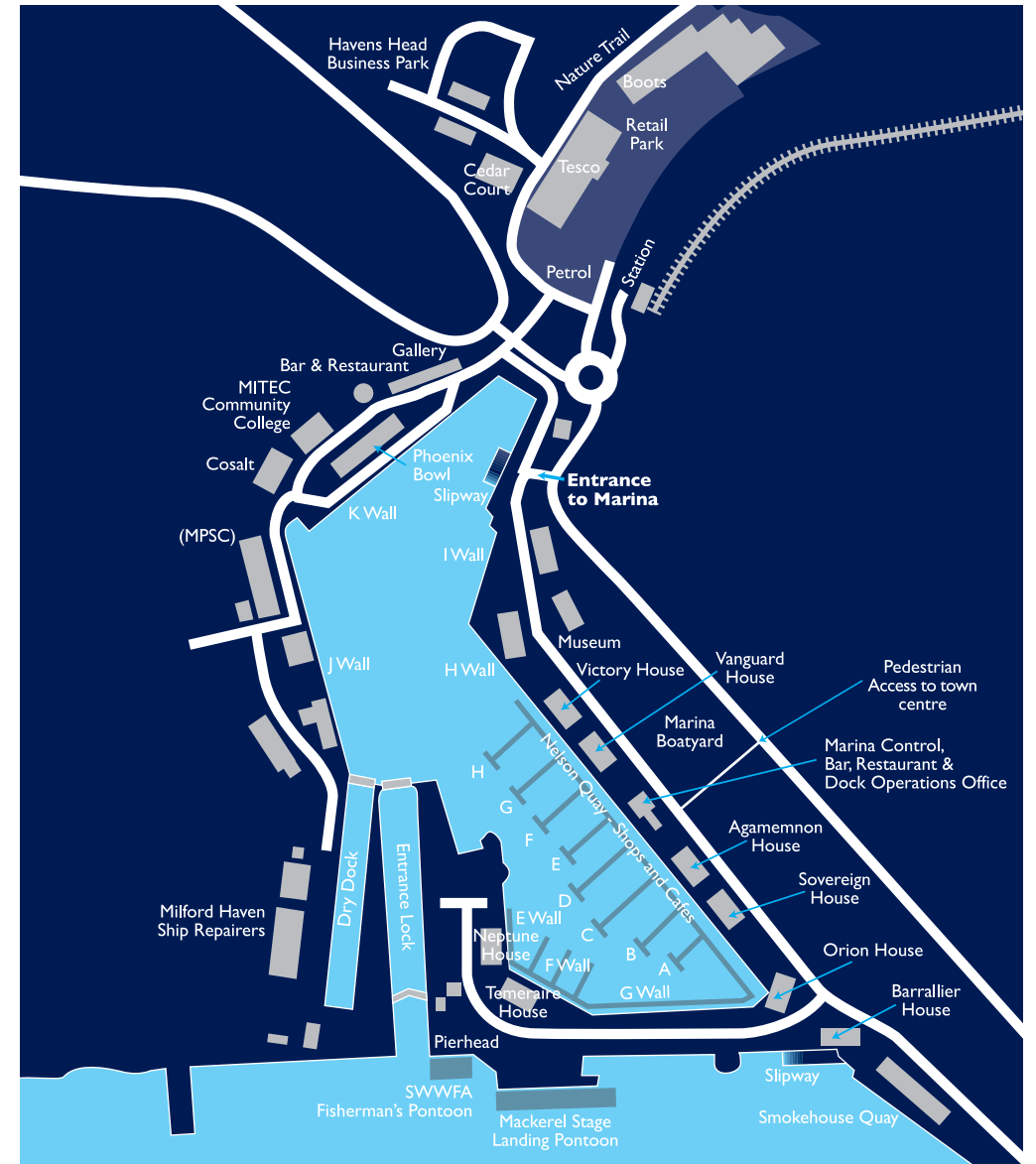
Jetty	Quay Length	Max. LOA	Control Depth
H Wall	70m	70m	4.5m*
I Wall	70m	25m	2.5m*
J Wall	200m	75m	5.5m*
K Wall	150m	100m	7.5m*

\* when there is 7.6m over cill 4.3m above CD

### Milford Haven Ship Repairers

Dry Dockings (2010):	19
Vessels Serviced (2010):	197 (alongside repairs)
Slippings (2010):	15

Dry Dock	Quay Length	Max. LOA	Control Depth
Dry Dock	184m	180m (19m beam)	7.5m





Milford Marina has 328 berths, an on-site boat service and maintenance facility and shops, cafes and restaurants on the quayside. Find out more by visiting our dedicated marine leisure website [www.pembrokeshiremarinegroup.com](http://www.pembrokeshiremarinegroup.com)

# Pembroke Port

Situated on the UK's west coast with a growing reputation for operational flexibility and project management, Pembroke Port offers a cost effective and professional service to a range of diverse clients.

can provide facilities for the developing renewable sector, as well as continuing to deal with cargoes, engineering works and offering storage and laydown areas.

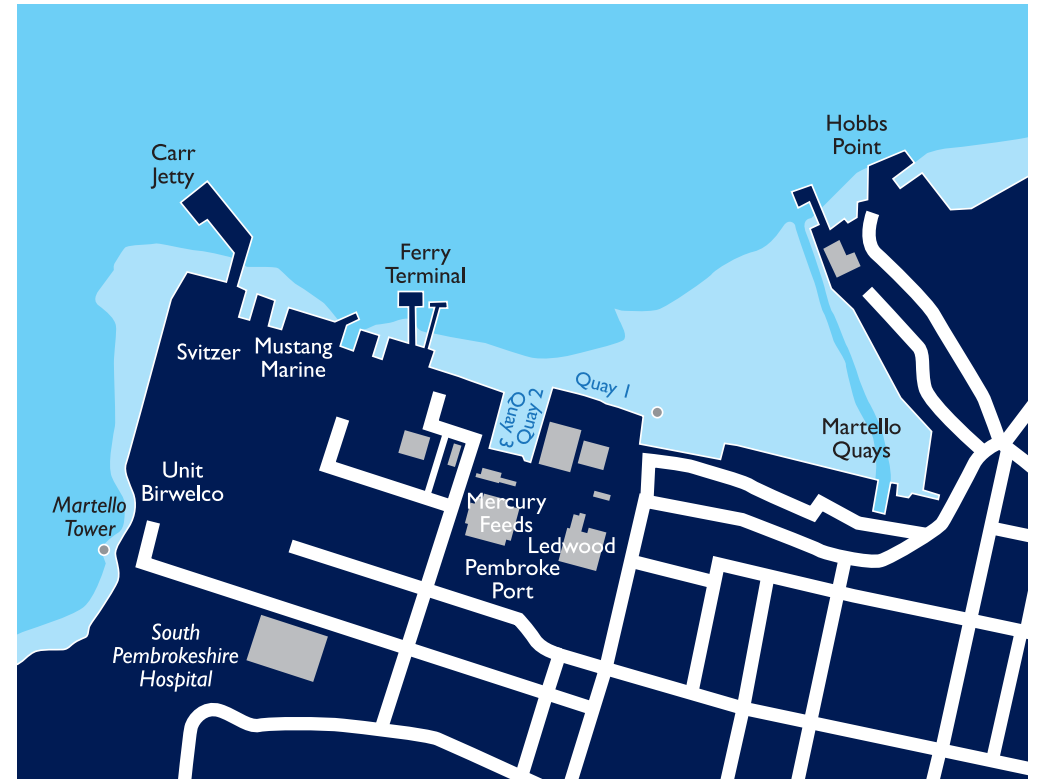
At the centre of the UK's developing energy infrastructure and with a long history of servicing the oil industry and more recently gas, Pembroke Port

Uncongested roads lead through to the motorway network.

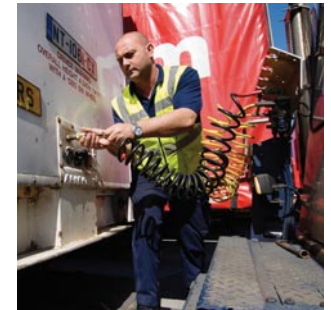
## Pembroke Port

Ferry Passengers:	325,000
Ferry Freight:	62,000 Ro Ro units
Cargo handled at Pembroke Port (Quay 1):	67,000 tonnes

Jetty or Quay	Quay Length	Max. LOA	Control Depth
GATE 1 Quay 1	180m	168m	8.1m
GATE 1 Quay 2	100m	96m	6.1m
GATE 1 Quay 3	60m	30m	2.0m
GATES 2 & 3 Pembroke Dock Ferry Terminal	190m	185m	6.8m
GATE 4 Slipway 1	78m	(18.5m Beam)	
GATE 4 Slipway 2 (cradle) SWL 150 tonnes	88m	(9m Beam)	
GATE 4 Carr Jetty	2 berths	151m	5.2-9.7m



# delivering quality services



Amongst the cargo handled at Pembroke Port are the following commodities:

- AFS animal feed
- sea dredged aggregates
- road salt
- timber
- specialist cargoes e.g. fabrication units, refinery structures

# Building Pride in the Port



# Trust Port

Milford Haven Port Authority is a statutory entity that was brought into existence by a specific Act of Parliament - The Milford Haven Conservancy Act 1958. There have been subsequent Acts of Parliament to amend this original one, with the result that the following encompass the entire body of legislation and consolidate the various acts that constitute the Milford Haven Port Authority in its present form:

Milford Haven Conservancy Act 1983  
Milford Haven Port Authority Act 1986  
Milford Haven Port Authority Harbour Revision Order 2000  
Milford Haven Port Authority Act 2002

Similar to the Memorandum and Articles of Association of a conventional trading company, these Acts are the constitution for the Milford Haven Port Authority, defining what MHPA may or may not do, and how it governs itself in terms of appointing its Board and conducting its affairs. The Acts confer certain powers on the Authority within the defined port limits, for example in relation to setting the rules for navigation, the power for directing vessels and powers of compulsory acquisition. It also confers obligations, such as the responsibility to maintain, improve, protect and regulate navigation, and powers such as the right to levy charges.

MHPA is therefore an independent statutory undertaking. MHPA does not pay any dividends to third parties and nor does it receive direct budgetary support from government. It is required to survive by investing its cash and trading effectively like any other commercial entity. It does this in competition with other UK and European

ports. Some of these competing ports are Trust Ports like Milford Haven, and a significant number are municipal ports and ports owned by private shareholders.

There are over 100 Trust Ports and similar organisations in the UK, but only a handful can be considered to be major ports like Milford Haven. In addition to the MHPA 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 "Modernising Trust Ports - Second Edition" and referred to generally as MTP2. This guidance, which has no legal force, nonetheless authoritatively sets out standards for governance, engagement with stakeholders and commercial operation of the port, with which all Trust Ports are expected broadly to comply. The obligation on MHPA therefore is (1) to comply with the MHPA Acts as a fundamental legal requirement and (2) to operate so far as reasonably practicable and relevant to the particular circumstances of Milford Haven, in accordance with the guidance set out in MTP2. These are all public documents and may be sourced either from the Department for Transport website [www.dft.gov.uk](http://www.dft.gov.uk) or from [www.legislation.gov.uk](http://www.legislation.gov.uk).

The MHPA Acts and MTP2 collectively provide a sound basis for MHPA to identify its stakeholders and define how Milford Haven Port should interact with those stakeholders. The MHPA Acts and MTP2 also provide a solid framework within which MHPA has determined its objectives, and its strategy for achieving those objectives.

## Milford Haven Port Stakeholders

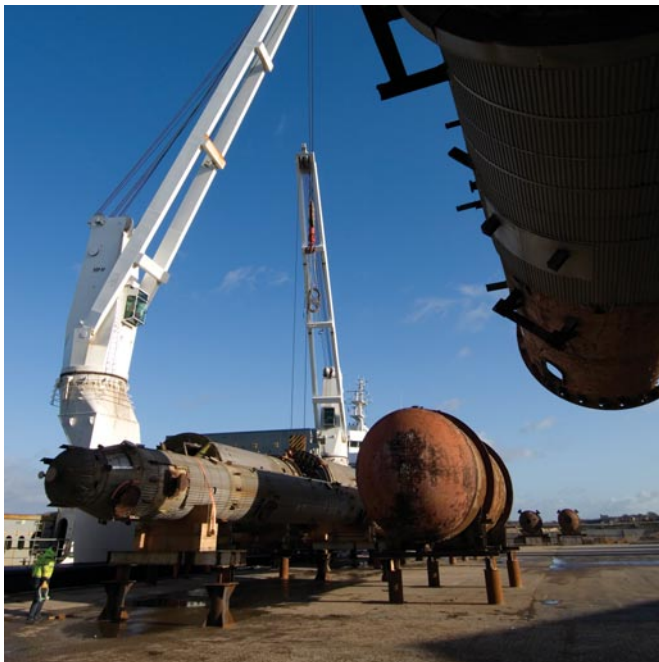
The Port's stakeholders include everybody and anybody who uses or is connected to the Port, or whose livelihood and welfare may be dependent on or affected by the Port - and all bodies or individuals who may represent others in this context. This includes not only local communities, but communities, individuals and representative bodies throughout the country. Some stakeholders are, however, more intimately connected to and dependent on the Port than others and will naturally have the means to have a greater degree of influence - perhaps because they are a major customer or because they have statutory responsibilities of their own.

It will often be the case that the differing interests of stakeholders may conflict, and also may vary over time. MHPA's general policy in relation to communication with stakeholders is as follows:

- MHPA shall set out to communicate its objectives and plans in an open and transparent manner - through publications such as its Annual Report, information provided on the MHPA website and material disseminated through the media.
- MHPA will seek to communicate proactively on a one-to-one basis with major stakeholders on a regular basis.
- Included in the list of stakeholders are bodies comprising elected representatives; in relation to most day-to-day activities MHPA will rely on these bodies and associated elected members to represent the views of stakeholders who would otherwise find it difficult to have a significant influence on MHPA decisions.

We have identified our main stakeholders as follows:

Cadw  
Countryside Council for Wales  
Customers  
Department for Transport  
Dyfed Powys Police  
Environment Agency  
Employees  
Leisure users of the Waterway  
Local Associations  
Local MPs and AMs  
Local Traders  
Maritime and Coastguard Agency  
Milford Harbour Users Association  
Milford Haven Town Council  
National Trust  
Network Rail  
Other professional users of the Waterway  
Pembroke Dock Town Council  
Pembrokeshire Coast National Park Authority  
Pembrokeshire County Council  
Pembrokeshire Fire Service  
Pembrokeshire residents  
Ships Agents  
Suppliers  
The Crown Estate  
The Fishing Industry  
Tourists and visitors to Pembrokeshire  
Towage Companies  
Voluntary Control Bodies  
Waterside Residents  
Welsh Assembly Government



- Senior MHPA members of staff and directors will make themselves accessible to meet with individuals and representatives of other groupings on any relevant issues.
- Where issues or proposals arise which may identifiably affect particular stakeholders, MHPA will seek to form focused consultative groups, and may maintain such consultative groups on an ongoing basis. Examples of these Standing Consultative Groups include the Port Users Group for major customers and ships agents and the Recreation Group relating to leisure use of the Waterway.

#### Milford Haven Port Objectives

The MHPA Acts and the MTP2 guidance collectively lay down the following parameters for directing the Port's business and activities:

- The Port should primarily operate on a commercial basis without distorting the market
- The Port may engage in any commercial activity subject to the proviso that the activity will provide economic, social, cultural or environmental benefits to all or some of the population of Pembrokeshire or any part of Pembrokeshire
- Public Benefit should not be delivered in the form of the payment of dividends but profits should be used to support the long term viability of the Port and, where relevant, deliver public benefit by:
  - Investing in Port infrastructure with a longer term view than would normally be commercially acceptable
  - Investing in Port infrastructure to a higher standard
  - Investing in activities with a lower commercial return than would normally be acceptable but which have other benefits for stakeholders
- Providing employee packages, including

training, above the market rate where this helps to build the local skills base

- Making charitable grants or donations of time
- Making other financial investments with social as well as economic returns

The primary objective for MHPA is to ensure that Milford Haven Port continues to fulfil its role of being a key driver for economic activity and growth in Pembrokeshire. MHPA has played role in the establishment of the two new LNG terminals and the ongoing construction of the new 2 gigawatt Pembroke power station. These are recent examples of the role the Port plays as a foundation for economic activity in the region.

As an expression of this role, MHPA has adopted its new vision - "to deliver port infrastructure and services with Energy and Excellence". Consistent with this vision our objectives are stated as follows:

- To ensure that the Port continues to operate to the highest standards of safety
- To deliver consistent environmental gains
- To deliver public benefit by being a successful commercial entity with a strong ability to finance investment
- To focus investment on the provision of port-related infrastructure and services, particularly where this also stimulates inward investment by other commercial organisations
- To promote the development of additional linkages to Milford Haven Port, including electricity cables and interconnectors, pipelines, and road and rail infrastructure
- To expand the range of commodities handled through the Port and reduce the Port's and the region's dependence on petroleum products.

#### MHPA Strategy - Short Sea

Delivering on these objectives will depend on ensuring we have personnel with the right skills within the business, as well as the knowledge and market experience, to create and exploit commercial opportunities for investment. The Port is now beginning to develop the financial strength to support substantial investment plans, but when it comes to larger schemes we will need to source bank funding and business partnerships like any other business or entity. Our ability to secure that funding will in turn depend on having secured customer contracts for the project in question and on our ability to demonstrate a strong track record of achieving a sustainable and sufficient Return on Capital Employed (ROCE) in everything that we do.

The development of any major project is a highly iterative and costly process. This risk is reduced, however, where the project relates to land assets already controlled by MHPA. Accordingly our strategy is based on maximising the potential of our existing assets at Milford Docks and Pembroke Port. During 2010 we have set a clear direction for these two important port assets as set out below

- To facilitate the development of Milford Docks into a vibrant centre for the marine leisure and fishing sectors
- To facilitate the development of Pembroke Port into a centre of excellence for marine and renewables engineering, and stevedoring services including ferry operations
- To facilitate the effective and appropriate development of our non-port-related landholdings



# delivering for the future

The speed with which these strategies unfold will of course depend on market developments and the strength of the economy as a whole.

## MHPA Strategy - Deep Sea

For the Deep Water Port, we engage extensively with the major corporations that own and operate multi-billion pound world class facilities located here on the Haven, namely Chevron and its successor Valero, Murco, SemLogistics, South Hook LNG and Dragon LNG. The role of any port is to stimulate inward investment, which occurs infrequently and is only achieved after substantial investment of resources over a prolonged period. It then naturally falls to these organisations to be the primary driver of continued growth, sometimes working in partnership with the Port and always dependent on its smooth and faultless operation - day in, day out.

The profitability and sustainability of these operations is linked to their ability to maximise utilisation of their infrastructure, including the deep-water berths. For the Deep Water Port, our strategy is therefore driven by seeking to work with these customers to help them maximise the utilisation of their berths, land, infrastructure, market presence and skills, in the interests of growing the level of economic activity in the area.

All of these berths are designed around the handling of bulk liquids and cannot be readily adapted for other trades. Therefore the development of a new deep-water terminal will be instrumental in establishing trades that will survive and grow to safeguard against the decline in importance of oil as a commodity.

The final element of our strategy, therefore, is to promote the development of a new deep-water terminal at Blackbridge - on the north side of the Waterway near SemLogistics and Dragon LNG. It will take a considerable amount of time and money to make this prospect a reality. We are at the stage of developing sound and cost effective engineering proposals and undertaking certain environmental studies as a pre-cursor to undertaking a full Environmental Impact Assessment.

The advantages of Blackbridge are that it is a brownfield site, it offers access to 17m depth of water and it is closely adjacent to the heavily industrialised SemLogistics and Dragon LNG sites. It is also the only such site with the possibility of straightforward connection to all of the following links - road, rail, gas pipeline, fuel products pipeline and high voltage electricity distribution. A new general purpose berth at Blackbridge should also help Milford Haven realise its full potential as a cruise destination, with an alongside berth for the largest cruise ships afloat. Our strategy for the Deep Water Port can therefore be summarised as follows:

- To work closely with existing infrastructure owners and operators to help them achieve increased asset utilisation, continued commercial growth and ongoing inward investment
- To introduce new deep-water trades to the Port of Milford Haven, based on the development of new general purpose deep-water berths
- To support the creation of additional linkages to Milford Haven Port

## Stakeholder Annual Meeting

MHPA will hold an annual meeting during the course of 2011. This trial introduction of an annual meeting is a reflection of our commitment to continuing engagement with stakeholders, which includes consultation on the objectives and strategy of Milford Haven Port. Anyone who wishes to attend this meeting must register beforehand. The procedure for registering will be set out on our website in advance:

[www.mhpa.co.uk](http://www.mhpa.co.uk)



*The Blackbridge Deep Water Site on the north shore.*

# Governance



## The Milford Haven Port Authority Board

The Milford Haven Port Authority Act 2002 provides for a Board consisting of a non-executive Chairman, up to nine other non-executive members and up to three executive members (the Chief Executive and currently the Harbourmaster and Finance Director). At present all the non-executive appointments are made by the Secretary of State after a competitive selection process.

Under this regime two non-executive positions are filled by competitive selection following consultation with Pembrokeshire County Council; two after consultation with our major customers; and one after consultation with organised labour (currently taken to be the TUC for Wales). The other five non-executive members, including the Chairman, are selected after wide and open advertising and against an appropriate job description.

Non-executive members in all categories are sought so as to provide a mix of experience on the Board including, but not exclusive to, port management, shipping, navigation, environmental conservation, finance, commercial, legal, water related leisure, local

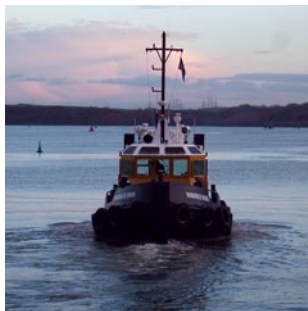
government and organised labour. The current mix is evident in the profiles of members given on pages 35 and 36. Each appointment is normally for a three year term, extendable for a further three years; whilst in office members owe duty solely to MHPA and do not in any way represent the interests of other parties. Board members are required to formally accept this duty before appointment. The means of selection of members is in accordance with guidelines laid down by the Government for all trust ports and follows what are commonly termed "Nolan principles". The duties of a Board member are akin to those of a director of a company, in particular to be accountable for the proper exercise of the organisation's statutory functions, the identification and setting of business policies, its 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.

The Board meets regularly (at least six times a year) and most members are also involved in committee work or serve in other capacities which require a similar time commitment. Whilst the Board has not appointed a senior independent director as

recommended by the Higgs report, the Deputy Chairman is appointed by the Board itself to serve a similar purpose (provide sufficient challenge to the Chairman and act as a focus for the views of non-executive members to be fully taken into account). The non-executive members do meet together on a regular (but not frequent) basis without the executive members and on occasion without the Chairman to review general workings of the Board.

A register of members' interests is maintained including landholdings, shareholdings and other responsibilities and appointments together with the requirement to identify any issues that could be perceived as a conflict of interests. MHPA also maintains a hospitality register for all Board members and managers. These are made available to our auditors. Within its procedures, the Board has a requirement to declare and a means of dealing with any conflict of interests with members.

All members take part in a detailed induction programme and are required to participate in other relevant training.



### Board Committees

Whilst the Board operates a number of committees (as identified below) to support its functions, there must be a clear identification of matters that should remain reserved for the Board alone and those that can be delegated to a relevant committee. There is also a clear statement outlining the different responsibilities of the executive Senior Management Team (SMT), which is accountable to the Board for managing the business in accordance with clearly laid out policies. The Board is also responsible for determining those policies, monitoring performance, ensuring the necessary support framework is in place, but must not become involved in the management of the business itself. These guidelines are contained in a comprehensive set of governance documents which are reviewed and updated on a regular basis or as required (for example when new guidelines are issued by government).

Copies of the terms of reference of the Board committees, the job descriptions of Board members and the matters reserved for the Board are available on request from the Chief Executive.

### The Audit Committee

The Audit Committee comprises three non-executive members of the Board with the Chief Executive and Finance Director in attendance.

Details of membership and participation in meetings are given in the table opposite.

Its terms of reference allow it to consider any matter relating to the financial affairs of MHPA and include the monitoring of financial reporting, accounting policies, matters relating

to the auditors, the adequacy of MHPA's internal financial controls and, at the request of the Board, reviewing and monitoring MHPA's risk management systems.

### The Remuneration Committee

The Remuneration Committee consists of not less than three non-executive members including the Chairman and Vice Chairman with up to two other non-executive members. The Chief Executive acts as Secretary to the Remuneration Committee.

Members are identified in the table opposite.

The primary duties of the Remuneration Committee are to determine the remuneration of the senior managers and the fees and emoluments of non-executive members and of non-executive directors of any subsidiary companies. No member of the committee takes part in the decision-making process about his/her own remuneration or other benefits.

The Committee is also charged with ensuring that senior remuneration policies facilitate the employment and motivation of senior personnel and that such administration operates on a best practice basis; it also ensures that levels of Board remuneration and expenses claimed are detailed in the Annual Report.

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

### The Executive

The Chief Executive and the SMT are accountable to the Board for the implementation of Board policy and the management of the business and affairs of MHPA. The SMT meets regularly as a group.

The profiles of SMT are included on pages 39 and 40.

### Attendance at meetings in 2010

	Board	Audit Committee	Remuneration Committee
<b>Total number of meetings</b>	<b>6</b>	<b>2</b>	<b>5</b>
John Allen-Mirehouse	6		
Mark Andrews	6		
David Benson	6		5
Fiona Birt-Llewellyn	6	2	5
Alec Don	6	1	
Dan Fellows	6		5
Anne Hughes	4		
Gareth Lynn	6	2	
Richard Pugh	6		
Ray Rankmore	6		4
Janet Reed	6	1	
Paddy Walsh	6		



# Board Members

Top Row:

Ray Rankmore, Paddy Walsh

Middle Row:

Dan Fellows, Gareth Lynn

Bottom Row:

Anne Hughes, Fiona Birt-Llewelin,

Jan Reed, John Allen-Mirehouse,

David Benson (Chairman)

The Board, under the MHPA Act 2002, provides for a non-executive Chairman, up to nine other non-executive members and up to three executive members.



#### David Benson Chairman

Taking on the role of Chairman during 2007, David Benson has brought to Milford Haven Port Authority a wealth of experience and expertise that spans many aspects of the global transportation industry. With particular knowledge of technical, marketing and operational facets of port, train and ferry services at multi-national levels, David's stewardship of the Authority is underpinned by a strong sense of commercial realism, together with an approachable management style.

David has held senior positions in a number of internationally recognised companies including Passenger Marketing Director for P&O Ferries Ltd, Chief Executive of the Venice-Simplon-Orient Express, Director of Virgin Atlantic Airways and Chairman of the Great North Eastern Railway. David was Senior Vice President Passenger Transportation for Sea Containers Ltd before he retired from full time employment in 2006. David is a non-executive director of Wightlink Isle of Wight Ferries Ltd where he chairs the Risk and Audit Committee. He also sits on the North European Advisory Committee of RINA, the Italian Classification Society.

As Chairman, he sees his role as focussing on achieving improved financial results in order to provide economic and social benefits for the local stakeholders; also to provide funds for investment by the Port and for maintaining the Port infrastructure to a high standard for current and future users.

#### Dan Fellows OBE, DL

Currently Vice Chairman of the Authority, Dan Fellows was appointed to the Board in 1997. He retired a few years ago as Branch Officer of the Transport & General Workers Union in West Wales and lives in Milford Haven.

He is founder and Chairman of the Investing in Pembrokeshire Society, Vice Chairman of Pembrokeshire College, a former Member of the Welsh Development Advisory Board, a Member of the Objective One Pembrokeshire Partnership Management Board, a Director of DFA Advisors Ltd and a Director of DFA International Alliance Ltd. In May 2008, Dan was elected as a County Councillor.

Dan is also Chairman of the Authority's Remuneration and Marine Committees and a Trustee of one of the organisation's Pension Schemes.

#### Jan Reed OBE

In 2005, after 33 years, Jan Reed retired from the post of National Manager for Wales for British Gas. Previous appointments include Non-Executive Director of the Welsh Development Agency, Council Member and Chair of the Wales Confederation of British Industry and Board Member of Business in the Community.

Current posts include Acting Chair of the Wales Committee of the BIG Lottery Fund and a Trustee of the Welsh Scout Council. Jan was awarded the OBE for services to Economic Development in Wales and is committed to aiding the growth and development of the Port, having become a member of the Board in September 2007.

She is a member of the Audit Committee.

#### Ray Rankmore

Ray Rankmore was appointed to the Authority's Board in December 2005. Having started his career as a marketing professional over 47 years ago, Ray has undertaken every role possible in marketing - from being a FMCG salesman to Group Marketing Director of a number of blue-chip multinationals.

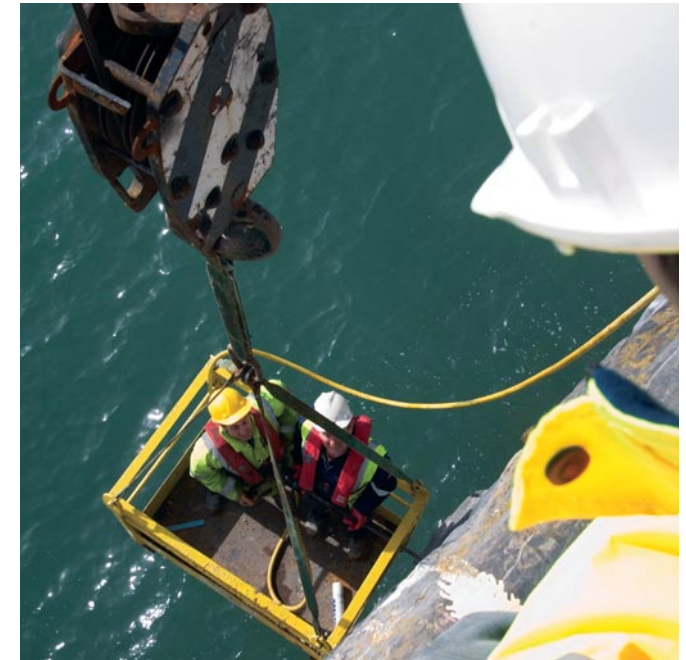
Following his successful career in marketing, Ray made the transition into general management, but continued his key focus on business development. His experience covers a diverse variety of businesses both in the UK and overseas.

Companies for whom Ray has worked during his career include Kimberly Clark, The Marley Group, American Safety, Xerox, BT, The Thomas Cook Group, The Prestige Group, and Inchcape. Ray is currently Chairman of Bedford Hospital NHS Trust, as well as a member of the Authority's Remuneration Committee.

#### Gareth Lynn

Gareth is the founder of one of Wales' leading firms of independent accountants. Living in Cardiff, he is a Director at KTS Owens Thomas Limited, a firm of chartered accountants, auditors and business advisers based in the city.

He trained and qualified with Ernst & Young before setting up his own practice in 1990 with two colleagues. They have grown the firm over 20 years into one of Wales' leading independent accountancy and business advisory practices. He provides financial and commercial advice to a diverse range of





private sector clients and works closely with a number of large public bodies in both Wales and England in respect of audit assurance and risk management.

Gareth joined the Authority's Board in July 2008 and is the Chairman of the Authority's Audit Committee.

#### **Fiona Birt-Llewelin**

As a senior HR professional with over 20 years experience at Board level, Fiona has brought significant experience to the Board, having joined in 2008.

Fiona is currently consultant to a legal search firm in London and was previously HR Director at Capital Consulting. Her career began in a recruitment consultancy in London during the 1980's. Fiona was quickly promoted to the Board, helping to develop the company into a plc, prior to its sale in 2000. She moved to global consultancy TMP Worldwide, taking on a number of consultancy assignments before joining the British Horseracing Board as Recruitment and Training Director in 2003.

Fiona is a member of the Authority's Audit and Remuneration committees and lives in Pembrokeshire.

#### **Paddy Walsh**

In March 2009, Paddy Walsh was appointed as the ninth non-executive Director.

Paddy has worked for Irish Ferries for over 35 years, in a number of ports on the West Coast of Wales and England, working in Ship and Port Operations Management since 1980.

He was responsible for managing Irish Ferries' investment in and redevelopment of their UK port operations in Holyhead and Pembroke Dock in the 1990's, which was required to suit the latest generation of superferries and substantial increase in business and throughput.

Following a restructuring of the company in the late 1990's, Paddy also served as the General Manager for the vessel "Isle of Inishmore" and their operations in Pembroke Dock and Rosslare.

Paddy re-located to Pembrokeshire in 1998 and is currently working as the UK Ports Manager for Irish Ferries, with responsibility for their operations in Pembroke Dock and Holyhead. He is also responsible for HR, for all of Irish Ferries UK based staff, including the Call Centre in Liverpool.

Born in Birkenhead, of Irish parents, Paddy was educated by the Christian Brothers at St Anselm's College, Birkenhead, before starting his career in shipping in Liverpool in 1973.

Paddy lives in the village of St Florence with his wife Maria and two of their four children.

#### **John Allen-Mirehouse**

John Allen-Mirehouse is one of the two members appointed through a competitive selection process after consultation with Pembrokeshire County Council, for which he has been a Councillor for a number of years and is currently Deputy Leader.

He was re-appointed to the Port Authority Board in 2006 and lives in the village of Angle on the southern shores of the Haven, where he is honorary secretary for the Angle

Lifeboat Station branch. John was High Sheriff for the County of Dyfed 1998/99, is a member of Pembrokeshire Coast National Park Authority and a Deputy Lieutenant for the County of Pembrokeshire.

#### **Anne Hughes**

Having been an elected Councillor of Milford Haven Town Council since 1991, including two periods of office as Mayor of the Town, County Councillor since 2002 and Chairman of Pembrokeshire County Council during 2009/10, Anne has a clear understanding of the local context in which the Authority operates.

Anne's close link with the Waterway goes back to her family connection and ties to its former fishing industry, which commenced with her great-grandfather and his five sons bringing the first steam trawler 'The Sybil' into Milford Haven's new docks.

Anne has now retired from a professional career spanning positions at both local government and health sectors, encompassing managerial and financial responsibility. Throughout her various roles, Anne has gained enormous respect from peers and colleagues for her ongoing community support and active guidance. As a member of various voluntary and community committees, Anne brings to the Board empathy and a detailed knowledge of how the Authority's commercial remits continue to interact with community groups across Pembrokeshire. Anne is from Milford Haven and continues to live in the town.



*Some of the larger vessels handled at Milford Haven Port require two pilots on-board, supported by four and sometimes five of the most powerful harbour tugs in the UK.*



---

# Senior Management Team

*Top Row:*  
*Alan Furlong, Vidette Swales*  
*Middle Row:*  
*Dick Moore, Richard Pugh*  
*Bottom Row:*  
*Mark Andrews, Alec Don, Andrew Brown*





### **Alec Don** Chief Executive

Alec's career spans both corporate finance and substantial experience of leading major businesses in the port/infrastructure sector.

On completing his degree Alec went to work for merchant bank Robert Fleming handling flotations, takeovers, mergers and fundraisings. One transaction in the early 1990's was the Mersey Docks & Harbour Company's acquisition of the port of Sheerness. He made an impression and was asked to join MDHC as planning and strategy manager, moving swiftly to director of planning.

Following several years with the Mersey Docks and Harbour Company he was appointed as Chief Executive of the Maputo Port Development Company in Mozambique. As CEO of this newly formed company Alec led the organisation to complete concessioning of the Port in 2003. This led to a substantial reconstruction programme and the establishment of an independently owned and operated port, generating substantial volume growth and inward investment.

Returning to the UK in 2004 as Director of the Port of Liverpool he was responsible for one of the UK's most successful and diversified ports handling over 30 million tonnes of cargo per annum.

Alec now leads Milford Haven Port Authority, the third largest port in the UK by volume. He brings with him a mix of skills, experience and abilities to drive the business along and achieve long term value through leadership and change. He has now also been appointed a trustee of the MHPA Pension Fund and is a trustee of the Pembroke Dock Sunderland Trust.

### **Mark Andrews** Harbourmaster

Mark is a Yorkshireman by birth who went to sea at 17 with Houlder Brothers, serving in a wide variety of vessels from reefers (refrigerated cargo) to tankers, but specialising ultimately in LPG (Gas) Carriers.

Having obtained his Master's Certificate, he came ashore in 1983 to commence a career within the port industry with the Medway Ports Authority at their Port Control based at Sheerness in Kent.

He subsequently transferred into pilotage and was authorised to pilot vessels in the Thames Estuary and Medway up to 100 metres in length. In 1990 he took up a shore appointment with the Medway Ports Authority as Assistant Harbourmaster, being promoted to Deputy Harbourmaster in 1993.

In 1995 Mark took up his duties as Harbourmaster with Milford Haven Port Authority. He is a past President, but current council member of the UK Harbourmasters Association, a member of the International Harbourmasters Association, as well as the Nautical Institute and the Energy Institute. Mark also chairs the BPA Marine & Pilotage Committee, and the Milford Haven Waterway Environmental Surveillance Group.

### **Richard Pugh** Finance Director

Currently Finance Director, Richard was appointed the Finance Manager in March 1995 from the public services industry, becoming a Board Member in February 2003. He is a member of the Institute of Chartered Accountants in England and Wales, and was previously a partner in

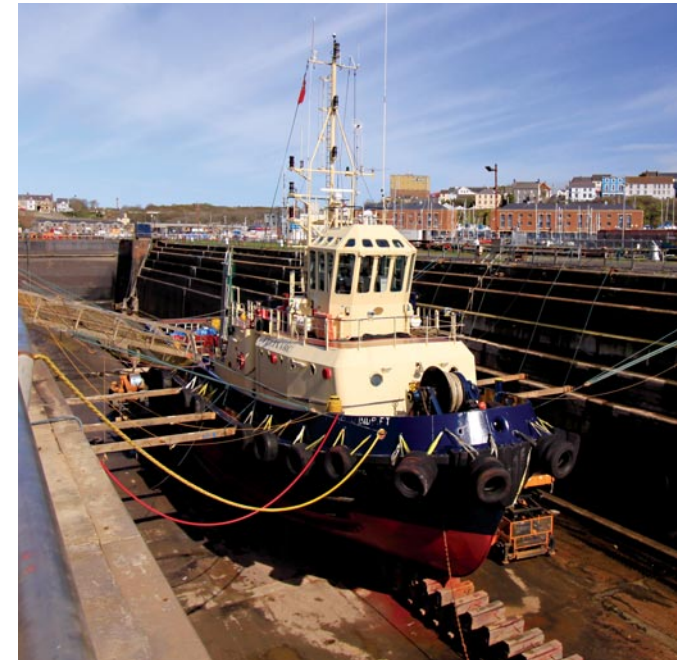
Llewellyn Davies Chartered Accountants, responsible for the Authority's audit in the period 1982-87. Richard has also been the Finance Director of an Unlisted Securities Market company and worked in most regions of the UK, with responsibilities in France and Germany. Born in Pembrokeshire and a social Welsh speaker, Richard served in the Territorial Army for 17 years.

Richard is Secretary to two of the Authority's pension schemes, and an alternate Director of the Pilots National Pension Scheme. He is Chairman of the Investment Panel of the Pembrokeshire Lottery, a Director of Haven Credit Union and Chairman of Ledwood Mechanical Engineering. Richard recently served as District Society President of the South Wales Society of Chartered Accountants and as Chairman of the Strategy Board for Wales for the ICAEW. He is also a member of the Institute of Welsh Affairs and of the CBI Wales Council.

### **Andrew Brown** Engineering Director

Andrew's career started with British Rail in 1970 in the Chief Civil Engineers' Office, Euston, gaining design and site experience through various BR departments. In 1976 he gained a BSc degree in Civil Engineering, and in 1979 joined Pynford Ltd as Structural Surveyor specialising in foundation engineering. As Technical Sales Manager, he was subsequently responsible for developing and marketing innovative structural repair technologies.

Following this, Andrew worked in the works departments of Preseli and South Pembrokeshire District Councils before joining the Authority as Port Engineer in 1990. He managed the Milford 2000 Dock





Redevelopment project and was appointed as General Manager of The Milford Docks Company in 1991, and then as Group Development Manager, he project managed the extension and refurbishment of Pembroke Dock Ferry Terminal.

Following seven years as Managing Director of The Milford Docks Company, with responsibility for the Authority's commercial operations, Andrew was appointed to Engineering Director in 2005. Andrew is a member of the BPA Engineering Working Group.

Outside of the Authority he is a Governor of Pembrokeshire College and has recently become a trustee of the Pembroke Dock Sunderland Trust.

**Alan Furlong** Health, Safety, Security and Environment Director

Alan joined MHPA as Personnel & Safety Manager in September 1996. Since then he has progressed through the Group to his current role.

Previous appointments have included twenty three years in the Electricity Supply Industry at several locations including Pembroke Power Station, Heysham 1 and 2 Nuclear Power Stations, Sizewell and Transfynydd Nuclear Power Stations. He also spent several years in the manufacturing and construction industries, in a variety of posts including Senior Executive Projects, Site Manager and Safety Adviser.

He is a member of the Ports Skills & Safety group, a recognised trade association within the Port Industry. Alan was born in Pembrokeshire, being a native of Milford Haven, and is currently Chairman of Governors at a local primary school.



**Vidette Swales** HR Director

Vidette was appointed as MHPA's Human Resources Director in January 2011. She joined MHPA in 2001 to provide a generalist HR service to the Authority. During her time in this role Vidette was instrumental in helping MHPA to achieve recognition as Investors in People organisation and continues to ensure this standard is retained.

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

As HR Director, Vidette is responsible for developing and implementing an annual agenda for HR which supports the overall business strategy.

**Dick Moore** Marketing Director

Dick was appointed as MHPA's Marketing Director in October 2010. He began his career with Houlder Brothers of London and spent twelve years at sea voyaging throughout the Atlantic and Pacific Oceans, obtaining his Masters ticket in Australia in 1976.

On coming ashore, his first experience of port management was on a small new wharf in the Nigerian Port of Lagos. In 1981 he returned to Europe when he was appointed General Manager of Lovell's Wharf in London. Dick then progressed to play a leading role in the development of Port Sutton Bridge which quickly established itself as a popular east coast port for the North Sea and Baltic short-sea trades.

Dick has worked on a number of UK and international port development projects including the Humber Sea Terminal, Salalah (Oman), Xiamen (China) and Bahrain. From 2001 to 2009 he was Commercial Director at the Port of Maputo in Mozambique, where a fourfold increase in throughput was achieved within six years and the port was successfully re-established as one of East Africa's principal deep water gateways.

Dick brings wide experience of port development, sales and marketing to Milford Haven Port. His skills will strengthen the senior management team and provide a strong focus for growth of the deep water port.

---

# Report of the Board & Accounts 2010

## **Authority Members**

### **Chairman**

D G Benson

### **Vice Chairman**

D Fellows

### **Members**

R Rankmore

J Allen-Mirehouse

A Hughes

J Reed

F Birt-Llewelin

G E Lynn

P Walsh

T Kovar (Retired 31st March 2010)

A J W D Don (Appointed 1st March 2010)

Captain M C Andrews

R L Pugh

A E Sangster (Retired 1st March 2010)

### **Chief Executive**

A J W D Don

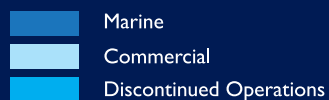
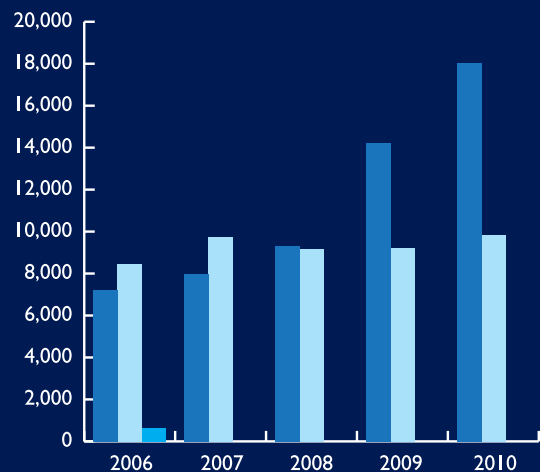
### **Harbourmaster**

Captain M C Andrews

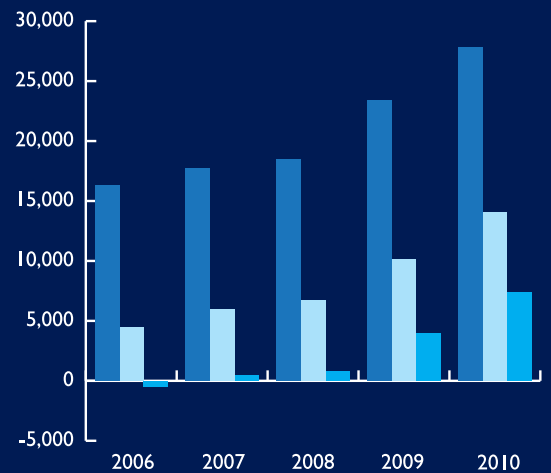
### **Finance Director**

R L Pugh

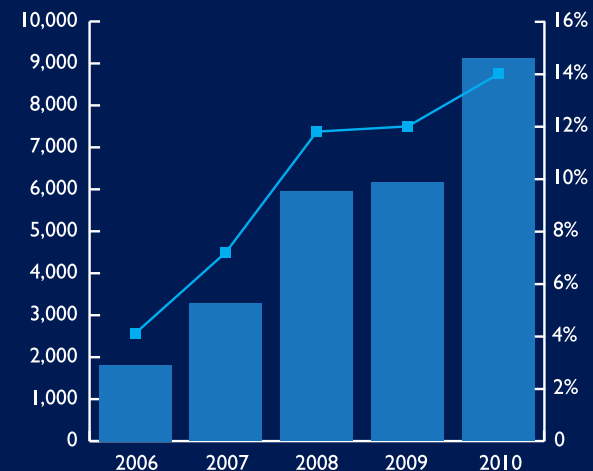
Turnover £000



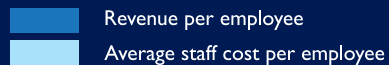
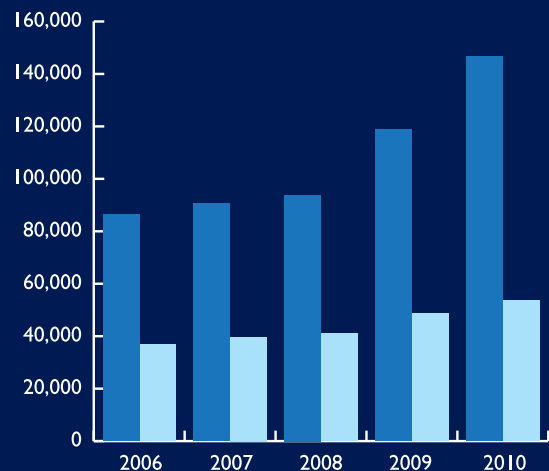
Operating Profitability £000



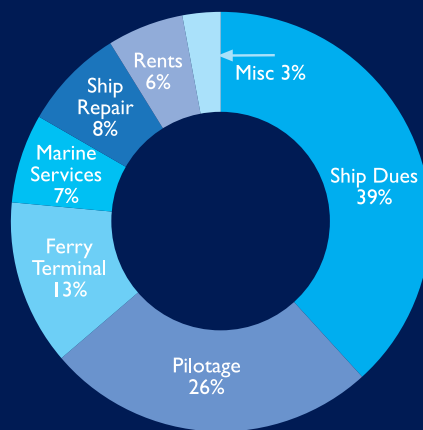
Profitability £000



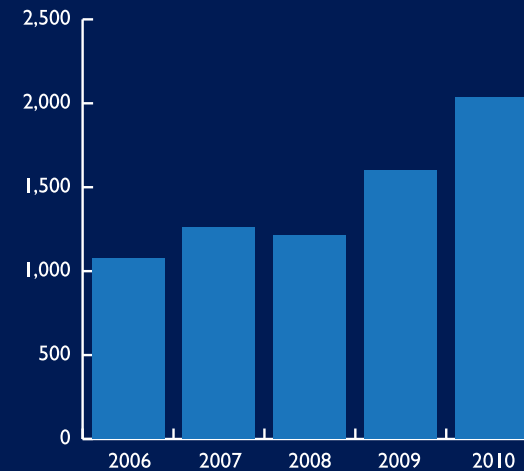
Employee Ratios



Turnover Analysis



Infrastructure Spend £000



# Report of the Board Independent Auditors' Report

The following is an extract from the full Report of the Board as included in the Statutory Financial Statements

## **Authority Members' statement as to disclosure of information to auditors**

The Authority's members confirm that so far as they are aware, there is no relevant audit information of which the Authority's auditors are unaware. They have taken all the steps that they ought to have taken as Authority members in order to make themselves aware of any relevant audit information and to establish that the Authority's auditors are aware of that information.

## **Reappointment of Auditors**

Llewelyn Davies has expressed their willingness to be reappointed as the auditors of the Authority.

## **Statement of Authority Members' Responsibilities**

The Authority's members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Current law requires the Authority's members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority and of the profit or loss of the Authority for that period. In preparing those financial statements, the Authority's members are required to:

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

The Authority's members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority and to enable them to ensure that the financial statements comply with the Harbours Act 1964 as amended by the Transport Act 1981.

They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **D G Benson**

Chairman

25th March 2011

## **Independent Auditors' Report to the Members of Milford Haven Port Authority**

We have audited the Milford Haven Port Authority (Group) financial statements for the year ended 31st December 2010 which comprise profit and loss accounts, balance sheets, statements of total recognised gains and losses, a cash flow statement and the related notes, which have been prepared under the historical cost convention, and the accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of Authority Members and Auditors**

The Authority Members' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Principles) are set out in the Statement of Authority Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared only for the Authority's Members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion, as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Harbours Act 1964 as amended by the Transport Act 1981. We also report to you if, in our opinion, the Report of the Board is consistent with the financial statements, if the Authority has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Authority Members' remuneration and transactions with the Authority is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Group's and the Authority's affairs as at 31st December 2010 and of the Group's and the Authority's profit for the year then ended;
- have been properly prepared in accordance with the Harbours Act 1964, as amended by the Transport Act 1981 and;
- are consistent with the information in the Annual Report for the year ended 31st December 2010.

## **Llewelyn Davies**

Chartered Accountants

Registered Auditors

Bank House

Narberth

25th March 2011

## Profit and Loss Account

For the year ended 31st December 2010

	Notes	Group		Authority	
		2010 £000	2009 £000	2010 £000	2009 £000
<b>Turnover</b>					
Continuing Operations	2	<b>27,838</b>	23,417	<b>27,838</b>	23,417
Cost of sales		<b>13,742</b>	13,263	<b>13,742</b>	13,263
<b>Gross Profit</b>		<b>14,096</b>	10,154	<b>14,096</b>	10,154
Operating expenses (excluding exceptional item)		<b>6,746</b>	7,585	<b>6,746</b>	7,436
<b>Operating Profit</b> (before exceptional item)		<b>7,350</b>	2,569	<b>7,350</b>	2,718
Exceptional item	3	-	1,395	-	1,395
<b>Operating Profit</b> (after exceptional item)	4	<b>7,350</b>	3,964	<b>7,350</b>	4,113
Profit on sale of share of associate		<b>101</b>	-	<b>2,454</b>	-
(Loss)/Profit on disposal of tangible fixed assets		<b>(11)</b>	135	<b>(11)</b>	135
Share of operating profit in associates		-	(29)	-	-
Dividends received from associates		-	500	-	500
<b>Profit on Ordinary Activities before Interest</b>		<b>7,440</b>	4,570	<b>9,793</b>	4,748
Interest receivable & similar income	7	<b>19</b>	41	<b>19</b>	9
Other finance income	22	<b>(207)</b>	(227)	<b>(207)</b>	(227)
		<b>7,252</b>	4,384	<b>9,605</b>	4,530
Interest payable & similar charges	8	<b>110</b>	145	<b>107</b>	133
<b>Profit on Ordinary Activities before Taxation</b>		<b>7,142</b>	4,239	<b>9,498</b>	4,397
Tax on profit on ordinary activities	10	<b>2,022</b>	807	<b>2,022</b>	693
<b>Profit on Ordinary Activities after Taxation</b>	21	<b>5,120</b>	3,432	<b>7,476</b>	3,704

In order to assist in understanding the Group's and Authority's results, and in view of the materiality of the exceptional item to the previous year's results, the Board believes that it is appropriate to show the operating profit of the Group and Authority before the exceptional item on the face of the profit and loss account as additional information.

The notes on pages 48 to 64 form part of these financial statements.

	Notes	Group		Authority	
		2010 £000	2009 £000	2010 £000	2009 £000
Retained profit for financial year	21	<b>5,120</b>	3,432	<b>7,476</b>	3,704
Actuarial gain/(loss) on pension schemes:					
actuarial gain/(loss) on present value of scheme liabilities:		<b>85</b>	(4,831)	<b>85</b>	(4,831)
actuarial gain on scheme assets:		<b>1,290</b>	1,987	<b>1,290</b>	1,987
	3	<b>1,375</b>	(2,844)	<b>1,375</b>	(2,844)
Movement on unrecognised surplus on MDCSBS pension scheme	22	<b>(81)</b>	118	<b>(81)</b>	118
Movement on deferred tax relating to pension liability	22	<b>(476)</b>	315	<b>(476)</b>	315
Unrealised gains on revaluation of fixed assets	11	<b>8,930</b>	-	<b>8,930</b>	-
<b>Total recognised gains and losses relating to the year</b>		<b>14,868</b>	1,021	<b>17,224</b>	1,293

## Statement of Total Recognised Gains & Losses

For the Year Ended 31st December 2010

	Group		Authority	
	2010 £000	2009 £000	2010 £000	2009 £000
Reported profit on ordinary activities before taxation	<b>7,142</b>	4,239	<b>9,498</b>	4,397
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<b>(259)</b>	(273)	<b>(259)</b>	(273)
Historical cost profit on ordinary activities before taxation	<b>6,883</b>	3,966	<b>9,239</b>	4,124
Historical cost profit on ordinary activities after taxation	<b>4,861</b>	3,159	<b>7,217</b>	3,431

## Note of Historical Cost Profits and Losses

For the Year Ended 31st December 2010

The notes on pages 48 to 64 form part of these financial statements.

## Balance Sheet 31st December 2010

	Notes	Group		Authority	
		2010 £000	2009 £000	2010 £000	2009 £000
<b>Fixed Assets</b>					
Tangible assets	11	<b>54,168</b>	46,141	<b>54,168</b>	46,141
Investment in subsidiaries	12	-	-	<b>1,436</b>	1,436
Investment in associates	12	-	2,463	-	110
		<b>54,168</b>	48,604	<b>55,604</b>	47,687
<b>Current Assets</b>					
Stocks	13	<b>83</b>	69	<b>83</b>	69
Debtors	14	<b>6,464</b>	4,974	<b>6,464</b>	4,974
Current asset investments	15	<b>6,000</b>	-	<b>6,000</b>	-
Cash at bank & in hand		<b>4,411</b>	3,495	<b>4,388</b>	3,484
		<b>16,958</b>	8,538	<b>16,935</b>	8,527
<b>Creditors</b> - amounts falling due within one year	16	<b>6,220</b>	5,400	<b>6,185</b>	5,366
<b>Net Current Assets</b>		<b>10,738</b>	3,138	<b>10,750</b>	3,161
<b>Total Assets Less Current Liabilities</b>		<b>£ 64,906</b>	£ 51,742	<b>£ 66,354</b>	£ 50,848
<b>Creditors</b> - amounts falling due after more than one year	17	<b>1,701</b>	1,887	<b>3,182</b>	3,382
<b>Provisions for Liabilities and Charges</b>	19	<b>1,961</b>	1,875	<b>1,961</b>	1,875
<b>Accruals and Deferred Income</b>	20	<b>5,580</b>	5,959	<b>5,580</b>	5,959
<b>Pension Liability</b>	22	<b>3,069</b>	4,294	<b>3,069</b>	4,294
<b>Reserves</b>					
Revaluation Reserve	21	<b>19,771</b>	10,841	<b>19,771</b>	10,841
Profit and loss account	21	<b>32,797</b>	26,859	<b>32,791</b>	24,497
		<b>64,879</b>	51,715	<b>66,354</b>	50,848
Minority interests		<b>27</b>	27	-	-
		<b>£ 64,906</b>	£ 51,742	<b>£ 66,354</b>	£ 50,848

The financial statements were approved by the Authority members on 25th March 2011, and signed on their behalf by:

**D G Benson**  
Chairman

**A J W D Don**  
Chief Executive

The notes on pages 48 to 64 form part of these financial statements.



**Group Consolidated Cash Flow Statement**

For the Year Ended 31st December 2010

		<b>Group</b>	
	Notes	<b>2010</b>	2009
		<b>£000</b>	£000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit (before exceptional item)		<b>7,350</b>	2,569
Depreciation charges (net of grants released)		<b>1,669</b>	1,588
(Increase) / decrease in stocks		<b>(14)</b>	28
(Increase) in debtors		<b>(1,490)</b>	(1,254)
Increase in creditors		<b>361</b>	1,716
Provision for write down in value of investments		<b>-</b>	149
Difference between pension charge and cash contributions		<b>(614)</b>	(352)
<hr/>			
<b>Net cash inflow from operating activities</b>		<b>7,262</b>	4,444
<b>Dividends received from associate</b>		<b>-</b>	500
<b>Returns on investments and servicing of finance</b>	25	<b>(91)</b>	(126)
<b>Taxation</b>		<b>(1,511)</b>	(194)
<b>Capital expenditure and financial investment</b>	26	<b>(1,155)</b>	(1,979)
<b>Acquisitions and disposals</b>	27	<b>2,541</b>	-
<hr/>			
<b>Cash inflow before financing</b>		<b>7,046</b>	2,645
<b>Financing</b>	28	<b>(153)</b>	(139)
<hr/>			
<b>Increase in cash</b>	29	<b>£ 6,893</b>	£ 2,506

The notes on pages 48 to 64 form part of these financial statements.

## Notes to the Financial Statements

31st December 2010

### I. Accounting Policies

#### a. 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 Accounting Standards and under the historic cost convention. The principal accounting policies, which the Authority's members have adopted, are listed below.

#### b. Basis of consolidation

The consolidated financial statements include the financial statements of the parent Authority and its subsidiary company for the year to 31st December 2010.

#### c. Asset Revaluation

As permitted under FRS 15 'Tangible Fixed Assets' the Authority has adopted a policy of revaluation in respect of its investment/owner occupied property assets and specialised marine assets. Interim valuations are undertaken in year 3 with full valuations undertaken every 5 years by independent qualified valuers.

#### d. Depreciation

The provision for depreciation has been computed as follows:

##### Capital dredging

The policy of the Authority is to depreciate capital dredging on a straight-line basis over a 20 year term.

##### Investment property

In accordance with SSAP 19 the policy of the Authority is not to depreciate investment property.

##### Owner occupied property

The cost of buildings is being depreciated on a straight-line basis over periods of 10 -50 years.

##### Freehold land

Freehold land is not depreciated.

##### Other assets including specialised marine assets

Other assets are being depreciated on a straight-line basis over 3 -50 years.

#### e. Investments in subsidiary undertakings and associates

In the Authority's financial statements, investments in subsidiary undertakings and associates are stated at cost less any provision for impairment.

#### f. Leases

Rentals payable under operating leases are charged to the profit and loss account as incurred.

#### g. Grants

Grants on capital expenditure are credited to a deferred revenue account and credited to the profit and loss account over the life of the asset. Grants relating to revenue expenditure are credited to the profit and loss account in the year to which the expenditure relates.

#### h. Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Cost is based on purchase price plus attributable overhead if appropriate.

#### i. Deferred taxation

In accordance with FRS19, full provision is made for deferred taxation in respect of all material timing differences. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

#### j. Pension Costs

The Group operates a number of pension schemes providing benefits for its employees. Contributions in respect of the Group's defined contribution scheme are charged to the profit and loss account for the year in which they are payable. Costs in respect of the Group's defined benefit schemes are accounted for in accordance with FRS 17 'Retirement Benefits' (note 22).

#### k. Current asset investments

Current asset investments are recorded at historical cost.

**2. Turnover**

Turnover comprises the invoice value of goods and services supplied by the Group within its ordinary activities exclusive of value added tax and intra-group transactions. The analysis of turnover is as follows:

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Ship, passenger and goods dues	<b>14,427</b>	10,199
Marine services	<b>4,017</b>	4,975
Pilotage services	<b>7,097</b>	6,178
Rents	<b>1,569</b>	1,608
Miscellaneous income	<b>728</b>	457
	<b>£ 27,838</b>	£ 23,417

**3. Exceptional Item**

In 2009 as a result of the change in the MHPARBS defined benefit pension scheme (see note 22c) a past service credit arose which was credited against operating expenses. The past service credit represented the reduction in the value of the pension scheme liabilities resulting from the transition to the new Career Average Revalued Earnings (CARE) arrangement from 1st January 2010, where accrued benefits were assumed to be related to future RPI rather than expected (higher) salary increases. This substantially mitigated the 2009 net actuarial loss of £2,844,000 suffered on the present value of the scheme assets and liabilities which appears in the Statement of Total Recognised Gains & Losses.

**4. Operating profit is stated after charging/(crediting):**

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Staff costs (note 6)	<b>10,202</b>	9,613
Depreciation of tangible fixed assets (note 11)	<b>2,048</b>	1,979
Deferred revenue (note 20)	<b>(379)</b>	(391)
Hire and operating leasing charges	<b>148</b>	106
Auditors' remuneration		
- audit of Authority and consolidated accounts	<b>35</b>	34
- audit of Authority pension scheme	<b>2</b>	2
- other services -Authority	<b>2</b>	1
- audit of Milford Docks Company pension scheme	<b>1</b>	1

## Notes to the Financial Statements

31st December 2010 (continued)

### 5. Authority Members' Remuneration

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Fees - Non-Executive Board members	<b>86</b>	83
Aggregate emoluments (excluding defined benefit pension contributions) - Executive Board members	<b>558</b>	478
	<b>£ 644</b>	£ 561

The number of Board members to whom retirement benefits are accruing under defined benefit schemes is 3 (2009 -3).

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Highest paid Board member	<b>227</b>	203

The accrued pension of the highest paid Board member under the MHPARBS defined benefit pension scheme at 31 December 2010 was £1,671 per annum (2009 - £53,994).

### 6. Staff Costs

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Wages and salaries	<b>7,527</b>	7,481
Social security costs	<b>648</b>	711
Other pension costs	<b>2,027</b>	1,421
	<b>£ 10,202</b>	£ 9,613

This includes amounts paid to Authority members as disclosed in note 5.

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

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>Number</b>	Number
Operational staff	<b>134</b>	132
Office staff	<b>56</b>	65
	<b>190</b>	197

**7. Interest Receivable and Similar Income**

	Group		Authority	
	2010 £000	2009 £000	2010 £000	2009 £000
Profit on redemption of 3.5% debenture stock	-	2	-	-
Share of associates' interest receivable	-	30	-	-
Other interest received	19	9	19	9
	<b>£ 19</b>	£ 41	<b>£ 19</b>	£ 9

**8. Interest Payable and Similar Charges**

	Group		Authority	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank overdraft and loan	107	133	107	133
3.5% debenture stock	3	2	-	-
Share of associates' interest payable	-	10	-	-
	<b>£ 110</b>	£ 145	<b>£ 107</b>	£ 133

**9. Pilotage**

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

	Group & Authority	
	2010 £000	2009 £000
<b>TURNOVER</b>		
Providing pilotage services	7,052	6,142
Issue and use of pilotage exemption certificates	45	36
	<b>£ 7,097</b>	£ 6,178
<b>EXPENDITURE</b>		
Providing the services of a pilot	2,324	2,301
Providing, maintaining and operating pilot boats	2,064	1,802
Administration and other costs	294	268
	<b>£ 4,682</b>	£ 4,371

## Notes to the Financial Statements

31st December 2010 (continued)

### 10. Tax on Profit on Ordinary Activities

#### a) Analysis of charge in period

	Group		Authority	
	2010 £000	2009 £000	2010 £000	2009 £000
Current tax				
UK corporation tax on profit for the year	<b>2,014</b>	710	<b>2,014</b>	710
Adjustment relating to previous years	<b>(78)</b>	(9)	<b>(78)</b>	(9)
Share of associates' UK corporation tax	-	114	-	-
Total current tax charge	<b>1,936</b>	815	<b>1,936</b>	701
Deferred tax				
Origination and reversal of timing differences	<b>86</b>	(8)	<b>86</b>	(8)
Tax on profit on ordinary activities	<b>£ 2,022</b>	£ 807	<b>£ 2,022</b>	£ 693

#### b) Factors affecting tax charge for period

Group/Authority

The tax charge (excluding share of associates' tax) for the current and prior periods is lower than the corporation tax rate.

The differences are explained below:

	Group		Authority	
	2010 £000	2009 £000	2010 £000	2009 £000
Profit on ordinary activities before tax (excluding share of associates' operating result)	<b>7,142</b>	3,748	<b>9,498</b>	4,397
Profit on ordinary activities multiplied by the applicable Group/Authority rate of corporation tax of 28% (2009 - 28%)	<b>2,000</b>	1,049	<b>2,659</b>	1,231
Depreciation in excess of capital allowances	<b>152</b>	41	<b>152</b>	41
Pension cost relief in excess of pension cost charge	<b>(114)</b>	(425)	<b>(114)</b>	(425)
Permanent differences	<b>(24)</b>	45	<b>(683)</b>	(137)
Adjustment in respect of previous periods	<b>(78)</b>	(9)	<b>(78)</b>	(9)
Share of associates' tax	-	114	-	-
Current tax charge for the period	<b>£ 1,936</b>	£ 815	<b>£ 1,936</b>	£ 701

#### c) Factors that may affect future tax charges

The Group/Authority has tax allowances available to claim against future profits. The Authority makes a significant claim in respect of Industrial Buildings Allowances which are in the process of being phased out. 2011 will be the last year in which the Authority can make such a claim against taxable profits and as a result of the loss of these allowances, future taxable profits may be higher.

Deferred taxation is disclosed in note 19.

## I I. Tangible Fixed Assets

## Notes to the Financial Statements

31st December 2010 (continued)

### Group & Authority

	Investment/owner occupied property assets and specialised marine assets £000	Plant & Equipment £000	Dredging Works £000	<b>Total £000</b>
<b>Cost or Valuation</b>				
At 1st January 2010	40,555	11,876	2,038	<b>54,469</b>
Additions	695	532	-	<b>1,227</b>
Disposals	-	(753)	-	<b>(753)</b>
Revaluation	6,496	-	-	<b>6,496</b>
Reclassification	(68)	68	-	<b>-</b>
At 31st December 2010	<b>£ 47,678</b>	<b>£ 11,723</b>	<b>£ 2,038</b>	<b>£ 61,439</b>
<b>Depreciation</b>				
At 1st January 2010	1,212	5,870	1,246	<b>8,328</b>
Charge for the year	1,197	749	102	<b>2,048</b>
Disposals	-	(671)	-	<b>(671)</b>
Revaluation	(2,434)	-	-	<b>(2,434)</b>
Reclassification	25	(25)	-	<b>-</b>
At 31st December 2010	<b>£ -</b>	<b>£ 5,923</b>	<b>£ 1,348</b>	<b>£ 7,271</b>
<b>Net book value</b>				
<b>At 31st December 2010</b>	<b>£ 47,678</b>	<b>£ 5,800</b>	<b>£ 690</b>	<b>£ 54,168</b>
At 31st December 2009	£ 39,343	£ 6,006	£ 792	£ 46,141

Included in the net book value of investment/owner occupied property assets and specialised marine assets is £210,000 (2009 - £210,000) in respect of long leasehold property.

Investment/owner occupied property assets were valued by DTZ on the basis of market value in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. Atkins valued specialised marine assets on the basis of depreciated replacement cost in accordance with industry specific indexes and guidelines. Both DTZ and Atkins are suitably qualified external valuers. The last full valuation was on 31 December 2010 which resulted in a revaluation uplift of £8,929,953.

If the revalued assets were stated on the historical cost basis, the net book value of those assets would be £26,035,503 (2009 - £26,689,781).

## Notes to the Financial Statements

31st December 2010 (continued)

### 12. Fixed Asset Investments

#### Group

a) Subsidiary companies

Name	Proportion	Nature of business	Country of incorporation
Milford Docks Company	98.20%	Dock Operator	Great Britain
Pembrokeshire Marine Group (Operations) Limited	51%	Marina Operator	Great Britain

The above holdings consist of ordinary shares. Neither Milford Docks Company nor Pembrokeshire Marine Group (Operations) Limited traded during the year.

b) Associate companies

During April 2010 the Authority (Group) disposed of its investments in Ledwood Mechanical Engineering Limited and Williams Marine & Port Services Limited for a combined consideration of £2,541,000 net of legal costs.

#### Ledwood Mechanical Engineering Limited (LME)

The accumulated consolidated reserves of LME were written down at 31st December 2009 to equal the investment sale consideration.

#### Williams Marine & Port Services Limited (WMPS)

The investment sale consideration for WMPS exceeded the accumulated consolidated reserves to produce a surplus of £101,000 which includes the profit on trading up to the date of disposal.

	2010 £000	2009 £000
<b>Share of net assets of associates</b>		
At 1st January	2,463	2,765
Share of retained (loss)/profit for the year after dividend received	-	(123)
Disposal of investment in associate	(2,440)	-
Repayment of loan stock	(23)	(30)
Provision for the write down of investments	-	(149)
At 31st December	£ -	£ 2,463
	2010 £000	2009 £000
Share of turnover	-	4,861
Share of profit before tax	-	489
Share of taxation	-	114
Share of profit after tax	-	374
Share of fixed assets	-	981
Share of current assets	-	3,050
Share of current liabilities	-	(913)
Share of liabilities due after more than one year	-	(220)



## Authority

## Notes to the Financial Statements

31st December 2010 (continued)

### c) Subsidiary companies

	<b>2010</b>	2009
	<b>£000</b>	£000
Investment in group companies		
At 1st January	<b>1,436</b>	1,436
At 31st December	<b>£ 1,436</b>	£ 1,436

### d) Associate companies

	<b>2010</b>	2009
	<b>£000</b>	£000
Investment in associate companies		
At 1st January	<b>110</b>	140
Repayment of loan stock	<b>(23)</b>	(30)
Disposal of ordinary shares	<b>(87)</b>	-
At 31st December	<b>£ -</b>	£ 110

## 13. Stocks

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Work in progress	<b>32</b>	27
Stock of fuel	<b>51</b>	42
	<b>£ 83</b>	£ 69

## 14. Debtors

	<b>Group &amp; Authority</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Trade debtors	<b>5,018</b>	4,008
Amounts owed by associated undertakings	<b>-</b>	31
Other debtors	<b>715</b>	473
Prepayments and accrued income	<b>731</b>	462
	<b>£ 6,464</b>	£ 4,974

No amounts fall due after more than one year.

'Other debtors' include £22,000 (2009 - £237,000) in respect of value added tax.

## Notes to the Financial Statements

31st December 2010 (continued)

### 15. Current Asset Investments

	Group & Authority	
	2010	2009
	£000	£000
Investment portfolio	6,000	-
	<b>£ 6,000</b>	£ -

The investment is shown at historical cost. The market value at the balance sheet date was £6.153m and the market value at the most recent valuation (February 2011) was £5.921m. The Board believes that this is a temporary fluctuation in market value.

### 16. Creditors - amounts falling due within one year

	Group		Authority	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank overdrafts	31	8	31	8
Trade creditors	696	414	696	414
Amounts owed to associated undertakings	-	9	-	9
Social security	196	237	196	237
Other creditors	16	15	2	2
Accruals and deferred income	3,959	3,830	3,938	3,809
Secured bank loan	186	176	186	176
Corporation tax	1,136	711	1,136	711
	<b>£ 6,220</b>	£ 5,400	<b>£ 6,185</b>	£ 5,366

### 17. Creditors - amounts falling due after more than one year

	Group		Authority	
	2010	2009	2010	2009
	£000	£000	£000	£000
Amounts owed to group undertakings	-	-	1,564	1,578
3.5% debenture stock	83	83	-	-
Secured bank loan:				
- between one and two years	197	186	197	186
- between two and five years	661	625	661	625
- after five years	760	993	760	993
	<b>£ 1,701</b>	£ 1,887	<b>£ 3,182</b>	£ 3,382

The 3.5% debenture stock is secured on the undertakings of 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 Milford Docks Company at the discretion of the Directors.

**18. Loans and Borrowing**

a) The Authority was authorised as at 31st December 2010 to borrow sums not exceeding £50 million.

The Authority has provided a guarantee by way of general debenture to its bankers over all its assets.

Secured bank loan

The Authority entered into a loan agreement secured on the property known as Pembroke Port Gate 4 in Pembroke Dock.

b) Under The Milford Docks Act 1981, the Milford Docks Company is empowered to raise finance by the creation and issue of share capital, or by loans or mortgage of the undertaking, or by the creation and issue of debenture stock, or wholly or partly by one or more of those modes up to a maximum of £20 million. The amount raised by the company at 31st December 2010 under these provisions was made up as follows:

	<b>£000</b>
Ordinary shares - paid up amount	<b>1,463</b>
3.5% debenture stock	<b>83</b>
	<b>£ 1,546</b>

In addition to its power to raise finance by the issue of capital and loans, the company is also empowered by The Milford Docks Act 1981 to incur temporary loans not exceeding £5 million.

**19. Provisions for Liabilities and Charges**

	<b>Group &amp; Authority</b>	
	<b>£000</b>	
Provision for Deferred Taxation:		
Balance as at 1st January 2010	<b>1,875</b>	
Charge to profit and loss account		<b>86</b>
Balance as at 31st December 2010	<b>1,961</b>	
	<b>Group &amp; Authority</b>	
	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>1,961</b>	1,875
	<b>£ 1,961</b>	£ 1,875

As regards the Group and Authority, unprovided deferred taxation amounted to £ Nil (2009 - £ Nil).

## Notes to the Financial Statements

31st December 2010 (continued)

### 20. Accruals and Deferred Income

Deferred capital grants

	Group & Authority	
	2010	2009
	£000	£000
Balance brought forward	5,959	6,350
Released to profit and loss account	(379)	(391)
Grants receivable	-	-
	<b>£ 5,580</b>	<b>£ 5,959</b>

### 21. Statement of Reserves

	Group		Authority	
	Profit & Loss Account £000	Revaluation Reserve £000	Profit & Loss Account £000	Revaluation Reserve £000
Balance brought forward	26,859	10,841	24,497	10,841
Profit for the financial year after taxation	5,120	-	7,476	-
Revaluation gain in the year	-	8,930	-	8,930
Actuarial gain on pension schemes	1,375	-	1,375	-
Movement in deferred tax on pension	(476)	-	(476)	-
Movement in unrecognised surplus on MDSCBS pension scheme	(81)	-	(81)	-
	<b>£ 32,797</b>	<b>£ 19,771</b>	<b>£ 32,791</b>	<b>£ 19,771</b>

### 22. Pension Commitments

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

- A defined contribution scheme where the assets of the scheme are held separately from those of the company in an independently administered fund. Pension contributions payable to the fund amounted to £nil (2009 - £115,000). There were no outstanding contributions payable to the fund at the end of the year (2009 - £nil). Employees of the Authority are able to make additional voluntary contributions into this scheme.
- A defined benefit pension scheme (MDSCBS) providing benefits based on final pensionable pay for its fulltime staff. The most recent actuarial valuation on this scheme was as at 1st July 2008. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the return on investments, the rate of increase in salaries and the rate of mortality. It was assumed that the investment returns would be 5% per annum, that salary increases would average 6.2% per annum and that the rate of mortality be based on the A67/70 and PA90 mortality tables.

The pension charge for the year was £26,000 (2009 - £17,000). There were no outstanding contributions payable to the fund at the end of the year (2009 - £nil).

The most recent actuarial valuation showed that the scheme's assets amounted to 105% of the value of the liabilities of the scheme as they fall due. The Authority expects to contribute £30,000 to this scheme during the year to 31st December 2011.

- c. A defined benefit pension scheme (MHPARBS) for its staff. During the previous year the Board made the decision to change this scheme with effect from 1st January 2010 to provide benefits based on either Career Average Revalued Earnings or final pensionable pay. Benefits provided up to 31st December 2009 were based on final pensionable pay. The assets of the scheme are held separately from those of the Authority, being invested in unitised pension scheme investment companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Authority. The contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was as at 1st January 2010. The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investments and the rate of increase in salaries and pensions. It was assumed that the investment returns would be 8.0% per annum, that salary increases would average 4.2% per annum and that pension increases would average 2.6% per annum.

The pension charge for the year was £1,953,000 (2009 - £1,200,000). There were no outstanding contributions payable to the fund at the end of the year (2009 - £nil).

The most recent actuarial valuation showed that the value of the scheme's assets amounted to 76% of the value of the liabilities of the scheme. The Authority expects to contribute £1,971,000 to this scheme during the year to 31 December 2011.

- 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 £86,000 (2009 - £84,000).

This is a multi employer defined benefit scheme and the Authority is unable to identify its specific share of the scheme's assets and liabilities. In accordance with FRS 17, this scheme may be accounted for as a defined contribution scheme, the amounts being charged in the financial statements being the contribution payable to the scheme in respect of the year.

#### FRS 17 Retirement Benefits

The most recent actuarial valuations of the Authority and Milford Docks Company defined benefit schemes have been updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31st December 2010. Scheme assets are stated at their market value at 31st December 2010.

The main assumptions used to calculate scheme liabilities under FRS 17 are:

	2010		2009	
	MHPARBS	MDCSBS	MHPARBS	MDCSBS
Inflation rate	<b>3.6%</b>	<b>3.6%</b>	3.7%	3.5%
Discount rate for scheme liabilities	<b>5.6%</b>	<b>5.6%</b>	5.7%	5.5%
Rate of increase in salaries	-	<b>4.1%</b>	-	5.0%
Rate of increase for deferred pensions and pensions in payment	<b>3.4%</b>	<b>3.6%</b>	3.5%	3.5%
CARE Revaluation	<b>3.4%</b>	-	3.3%	-
The mortality assumptions used were as follows:				
Longevity in years at age 65 for current pensioners:				
- Men	<b>22.1</b>	<b>17.3</b>	22.0	17.3
- Women	<b>25.2</b>	<b>21.7</b>	25.1	21.7
Longevity in years at age 65 for future pensioners:				
- Men	<b>23.1</b>	<b>17.9</b>	23.1	17.9
- Women	<b>26.1</b>	<b>22.4</b>	26.0	22.4

## Notes to the Financial Statements

31st December 2010 (continued)

Reconciliation of market value of scheme assets

	2010		2009	
	MHPARBS £000	MDCSBS £000	MHPARBS £000	MDCSBS £000
1st January	20,735	1,551	17,369	1,347
Expected return on scheme assets	1,328	86	1,182	82
Actuarial gains/(losses)	1,326	(36)	1,794	193
Benefits paid	(831)	-	(833)	(88)
Members contribution	77	-	23	-
Contributions paid by employer	1,953	26	1,200	17
31st December	<b>£ 24,588</b>	<b>£ 1,627</b>	£ 20,735	£ 1,551
Actual returns on scheme assets in the year	<b>£ 2,654</b>	<b>£ 83</b>	£ 2,976	£ 77

The value of the assets in the scheme were:

	Value at 31st December 2010		Value at 31st December 2009	
	MHPARBS £000	MDCSBS £000	MHPARBS £000	MDCSBS £000
Equities	15,958	325	14,202	310
Bonds	2,508	1,302	2,509	1,241
Cash	5,581	-	3,525	-
Annuity Contracts	393	-	415	-
Property	148	-	83	-
Total market value of assets	<b>24,588</b>	<b>1,627</b>	20,734	1,551
Present value of scheme liabilities	<b>(28,906)</b>	<b>(1,426)</b>	(26,778)	(1,406)
(Deficit)/Surplus in the scheme	<b>(4,318)</b>	<b>201</b>	(6,044)	145
Unrecognised surplus	-	<b>(146)</b>	-	(65)
Related deferred tax	<b>1,209</b>	<b>(15)</b>	1,692	(22)
Net pension (liability)/asset	<b>£ (3,109)</b>	<b>£ 40</b>	£ (4,352)	£ 58

The overall expected long term rates of return on the scheme assets are 6.0% (2009 -6.2%) (MHPARBS) and 5.5% (2009 -5.5%) (MDCSBS).

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

	2010		2009	
	MHPARBS £000	MDCSBS £000	MHPARBS £000	MDCSBS £000
1st January	26,778	1,406	22,206	1,084
Current service cost	1,338	28	845	20
Member contributions	77	-	23	-
Interest cost	1,544	77	1,422	69
Benefits paid	(831)	-	(833)	(88)
Actuarial loss/(gain)	-	(85)	4,510	321
Past service costs/(credit)	-	-	(1,395)	-
31st December	£ 28,906	£ 1,426	£ 26,778	£ 1,406

**Analysis of amounts charged to the Group and Authority's profit and loss account:**

	2010		2009	
	MHPARBS £000	MDCSBS £000	MHPARBS £000	MDCSBS £000
Current service costs - (operating expenses)	1,338	28	845	20
Past service cost/(credit) - (exceptional item)	-	-	(1,395)	-
Expected return on pension scheme assets	(1,328)	(86)	(1,182)	(82)
Interest of pension scheme liabilities	1,544	77	1,422	69
Other finance income	216	(9)	240	(13)
Total	£ 1,554	£ 19	£ (310)	£ 7

Current service costs and past service cost/(credit) are included within operating expenses.

**Actuarial gains and losses**

The cumulative amount of actuarial losses recognised in the Group statement of recognised gains and losses is £ 4,677,000 (2009 - £5,971,000).

**Amounts for current and previous four years (MHPARBS and MDCSBS):**

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Defined benefit obligations	(30,332)	(28,184)	(23,290)	(24,815)	(24,453)
Plan assets	26,215	22,286	18,716	21,726	19,956
(Deficit)	(4,117)	(5,898)	(4,574)	(3,089)	(4,497)
<b>Experience adjustments on plan assets:</b>	<b>1,323</b>	1,789	(4,854)	43	432
<b>Experience adjustments on plan liabilities:</b>	<b>(21)</b>	(534)	(218)	(46)	75
<b>Total actuarial gains and (losses) recognised in the Statement of Total Recognised Gains and Losses:</b>	<b>£ 1,294</b>	£ (2,726)	£ (1,909)	£ 1,241	£ 383

## Notes to the Financial Statements

31st December 2010 (continued)

### 23. Capital Expenditure

Capital expenditure contracted for as at 31st December 2010 but not provided for in the financial statements amounted to £nil (2009 - £nil).

### 24. Related Party Transactions

On 6th April 2010 the Authority sold its shares in its associate company Ledwood Mechanical Engineering Limited (LME) to Diamwnt Limited for £2,150,000 and as of that date LME became a subsidiary of Diamwnt Limited. RL Pugh who is a member of the Authority's Board and Senior Management Team has a significant shareholding in Diamwnt Limited and is also a director of Diamwnt Limited. Following 6th April 2010 LME was charged rent of £38,461 and service charges of £2,246 by the Authority in respect of the occupation of one of its properties and at the balance sheet date £10,201 was owed to the Authority.

The following summarises the Group's transactions up to the point of the sale of the investments in associates, all of which were on an arms length basis, to its associated undertakings:

	Group	
	2010	2009
	£000	£000
Services provided to associated undertakings	45	119
Services received from associated undertakings	24	107
Dividend receivable from associated undertakings	-	500

Details of investments in associate undertakings and amounts owed to and by associated undertakings are set out in notes 12, 14, 16 and 17.

### 25. Returns on Investments and Servicing of Finance

	Group	
	2010	2009
	£000	£000
Interest received	19	9
Interest paid	(110)	(135)
	<b>£ (91)</b>	<b>£ (126)</b>

### 26. Capital Expenditure and Financial Investment

	Group	
	2010	2009
	£000	£000
Payments to acquire tangible fixed assets	(1,227)	(2,546)
Receipts from sales of tangible fixed assets	72	567
	<b>£ (1,155)</b>	<b>£ (1,979)</b>



## 27. Acquisitions and Disposals

	Group	
	2010 £000	2009 £000
Receipts from sale of interest in associates (net of legal costs)	2,541	-
	<b>£ 2,541</b>	£ -

## 28. Financing

	Group	
	2010 £000	2009 £000
3.5% debenture stock repaid	-	(2)
Repayment of loan stock by associates	23	30
Capital repayments in respect of bank loan	(176)	(167)
	<b>£ (153)</b>	£ (139)

## 29. Analysis of Changes in Net Debt - Group

	At 1st January 2010 £000	Cash Flows £000	Other non-cash changes £000	At 31st December 2010 £000
Cash at bank and in hand	3,495	6,916	(6,000)	4,411
Bank overdraft	(8)	(23)	-	(31)
Net cash	3,487	6,893	(6,000)	4,380
Current asset investment	-	-	6,000	6,000
Debt due within one year - bank loan	(176)	-	(10)	(186)
Debt due after one year - bank loan	(1,804)	176	10	(1,618)
Debt due after one year - 3.5% debenture stock	(83)	-	-	(83)
Net debt	£ 1,424	<b>£ 7,069</b>	£ -	<b>£ 8,493</b>

## Notes to the Financial Statements

31st December 2010 (continued)

## Notes to the Financial Statements

31st December 2010 (continued)

### 30. Reconciliation of Net Cashflow to Movement in Net Debt

	Group	
	2010 £000	2009 £000
Increase in cash in the year	<b>6,893</b>	2,506
Cash inflow from increase in debt -bank loan	-	-
Cash outflow from decrease in debt (capital repayment)	<b>176</b>	167
Change in net debt resulting from cash flows	<b>7,069</b>	2,673
Other non-cash changes	-	4
Net debt at 1st January	<b>1,424</b>	(1,253)
Net debt at 31st December	<b>£ 8,493</b>	£ (1,424)

### 31. Contingent Liability

The Authority, in common with other competent harbour authorities, has been made aware of a significant deficit in the Pilots National Pension Fund (PNPF). There is currently ongoing litigation in respect of the recovery of this deficit, the outcome of which is uncertain.

### 32. Comparatives

Certain corresponding figures have been amended to make them consistent with current year disclosure policies.



**Chairman**

1958 The Lord Dynevor, CBE MC

1963 The Hon R Hanning Philipps, MBE

1976 T S Roberts

1982 Raymond Cory, CBE

1994 R C Hastie, CBE

2000 D R S Clarke

2007 D G Benson

**General Manager**

1959 J A Sullivan, OBE

1983 R C Livesey, CBE

1987 M J Hyslop MBE

**Chief Executive**

2003 A E Sangster

2010 A J W D Don

**Harbourmaster**

1959 Capt G Dudley, OBE

1986 Capt J E Frost, MBE

1995 Capt M C Andrews



**Milford Haven Port Authority**

[www.mhpa.co.uk](http://www.mhpa.co.uk)

**Head Office:**

Gorsewood Drive, Milford Haven, Pembrokeshire SA73 3ER  
Tel: +44 (0) 1646 696100  
Fax: +44 (0) 1646 696125  
[enquiries@mhpa.co.uk](mailto:enquiries@mhpa.co.uk)  
[www.mhpa.co.uk](http://www.mhpa.co.uk)

**Business Units:**

**Pembrokeshire Marine Group**

Cleddau House, Milford Haven SA73 3AF  
Tel: +44 (0) 1646 696312  
Fax: +44 (0) 1646 696314  
[enquiries@pembrokeshiremarinegroup.co.uk](mailto:enquiries@pembrokeshiremarinegroup.co.uk)  
[www.pembrokeshiremarinegroup.co.uk](http://www.pembrokeshiremarinegroup.co.uk)

**Milford Docks**

Cleddau House, Milford Haven, Pembrokeshire SA73 3AF  
Tel: +44 (0) 1646 696300  
Fax: +44 (0) 1646 696302  
[docks@mhpa.co.uk](mailto:docks@mhpa.co.uk)  
[www.mhpa.co.uk](http://www.mhpa.co.uk)

**Quayside Estates**

Suite 4B, Cedar Court, Milford Haven, Pembrokeshire SA73 3LS  
Tel: +44 (0) 1646 696380  
Fax: +44 (0) 1646 696381  
[enquiries@quaysideestates.co.uk](mailto:enquiries@quaysideestates.co.uk)  
[www.quaysideestates.co.uk](http://www.quaysideestates.co.uk)

**Milford Haven Ship Repairers**

The Docks, Milford Haven, Pembrokeshire SA73 3DJ  
Tel: +44 (0) 1646 696320  
Fax: +44 (0) 1646 696321  
[enquiries@mhsr.co.uk](mailto:enquiries@mhsr.co.uk)  
[www.milfordhavenshiprepairers.co.uk](http://www.milfordhavenshiprepairers.co.uk)

**Pembroke Port and Ferry Terminal**

Port Office, The Royal Dockyard, Pembroke Dock, Pembrokeshire SA72 6TD  
Tel: +44 (0) 1646 623420  
Fax: +44 (0) 1646 623439  
[pembport@mhpa.co.uk](mailto:pembport@mhpa.co.uk)  
[www.mhpa.co.uk](http://www.mhpa.co.uk)



INVESTOR IN PEOPLE



Milford Haven Port Authority



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

Design: rockpooldesign.co.uk Photography: Aurora Imaging, Adrian Owens, Alex Brown, Tom Luddington, Ian Richards, Princes Trust Cymru, Roger Paice and MHPA staff. Print: Forrest Print  
This publication is printed on paper from sustainable forests using vegetable based inks