

PORT
of
TYNE

PORT OF TYNE ANNUAL REVIEW 2015





ANNUAL REVIEW 2015

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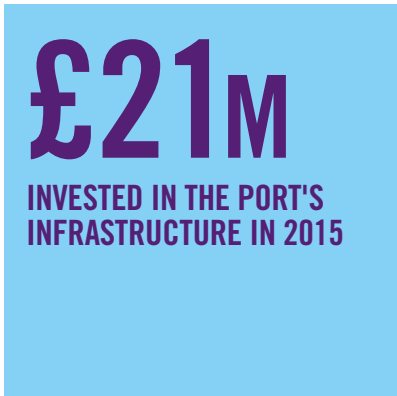
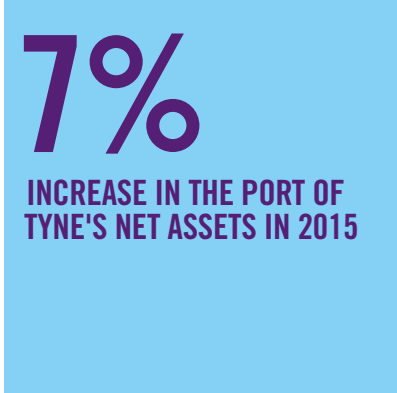
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CHAIRMAN'S STATEMENT



2015 STATISTICS



“THE PORT IS COMMITTED TO RE-INVEST ALL PROFITS GENERATED FOR THE BENEFIT OF ITS STAKEHOLDERS. AROUND £27M WAS RETURNED IN BENEFIT TO THESE STAKEHOLDER GROUPS DURING THE YEAR.”

IN 2015 THE PORT DELIVERED A STRONG OVERALL PERFORMANCE WITH FURTHER VALUE ADDED FOR STAKEHOLDERS.

2015 was a record year for investment. The Port has continued to increase the scale and potential of the business and the £21.2m invested in infrastructure, including the major extension to the main industrial quay, Riverside Quay, and further improvements to the car terminals, will increase business opportunities and add value for the Port and its customers.

I am pleased to report that the net assets of the business increased during the year by 7% to £116m primarily due to profit generation, including the increase in property valuations, being reinvested in capital projects.

The financial performance of the business during the year was impacted by a reduction in the level of cargo handled, mainly reflecting a fall in UK imported coal volumes. Profit before Tax for the year was £6.0m, turnover was £58.8m and EBITDA was £13.3m.

The performance of the Port in 2015 had a significant impact on the economy of the North East region. The annual assessment by consultants Arup shows that the Gross Value Added (GVA) by the Port to the region increased by 27% to £710m. This was driven by a 30% increase in the number of full-time jobs supported directly or indirectly by the Port, which rose to almost 14,500. The Port's International Passenger Terminal continued to contribute over £50m to the GVA, supporting the travel and tourism sector in particular.

The Port is committed to re-invest all profits generated for the benefit of its stakeholders. Around £27m was returned in benefit to these stakeholder groups during the year.

Included in this is the annual donation of 1% of profits to the Port of Tyne Community Action Fund. This, alongside other community engagement activities, has supported community, sport, cultural or business groups that help young people gain a foothold into employment, enhance community activity, or make environmental improvements. In 2015, as assessed by the London Benchmarking Group, the Port's investment in community helped 566 organisations, directly engaging with over 600,000 people across the North East region and as a result the Port won two highly regarded regional community awards during the year.

Other highlights were achieving the internationally recognised Health and Safety standard OHSAS: 18001. I am particularly pleased to report that the Port's health and safety record improved again during the year, with the number of injuries recorded decreasing by almost half to 22, and the level of reported near-misses rising, which is an excellent indication of continuing positive change in culture and behaviour, supported by all of our employees.

And of great importance and particular pride, the Port was awarded the status of Investors in People Champion in 2015, having been awarded Gold the previous year.

The Port will use this accolade to develop and support its people and also assist other businesses looking to achieve cultural change.

It is significant that this was achieved during a time of great challenge and change and demonstrates the ability and the commitment of the employees to embrace major organisational and cultural transformation; they are to be commended for this.

There are of course further challenges and opportunities ahead in 2016 and the Port is focussing on continuing to be a dynamic force supporting the economic growth of business, industry and trade of the North East region and UK plc.

David Appleton and John Hudson left the Board during 2015 and I would like to thank them for the contribution they made. We welcome two new Board members: Mark Preece, who joined in July, and Marie Glanville, who joined the Board as the Port's Chief Financial Officer in June.

On behalf of the Board, I would like to thank all of our stakeholders, not least our employees, for their considerable commitment to the continued success of the Port of Tyne and I look forward to working together in 2016 to continue towards our vision of a £100m business.

Hilary Florek
Chairman

THE PORT OF TYNE AT A GLANCE

THE PORT OF TYNE IS A VITAL COG IN THE ECONOMY OF NOT JUST THE NORTH EAST REGION, BUT OF THE UK AS A WHOLE. IT IS A GATEWAY TO A WORLD OF TRADE AND PLAYS A MAJOR PART IN KEEPING GOODS AND PROSPERITY MOVING AROUND THE COUNTRY AND THE GLOBE.

FROM BULK CARGOES OF RENEWABLE FUELS TO THE SHIPPING, STORAGE AND DISTRIBUTION OF GOODS FOR LOCAL, NATIONAL AND INTERNATIONAL COMPANIES, THE PORT PROVIDES AN EVER-INCREASING RANGE OF SERVICES TO HELP BUSINESSES COMPETE AND SUCCEED.



- KEY:
- STEPHENSON ENTERPRISE PARK
 - HOWDON
 - ROYAL QUAYS ENTERPRISE PARK
 - WHITEHILL POINT
 - INTERNATIONAL PASSENGER TERMINAL
 - TYNE DOCK ENTERPRISE PARK
 - TYNE DOCK
 - PORT ESTATE BOUNDARY

1
INTERNATIONAL
PASSENGER
TERMINAL

78k
SQ METRES OF
WAREHOUSING

3,420
METRES OF
POTENTIAL
BERTH SPACE

3
CAR TERMINALS

613
ACRES OF LAND

189
DISTRIBUTION
TRUCKS AND
TRAILERS

STRUCTURE AND GOVERNANCE

The Port of Tyne is a trust port – a statutory body that is governed by legislation and controlled by an independent board.

There are no shareholders or owners and any surplus that the Port makes is ploughed back into the organisation for the benefit of its stakeholders, who principally consist of its customers (including all river users), employees, the Government, businesses and the local community.

The Port of Tyne has statutory responsibility for conservancy and safe navigation for a 19 mile stretch of the River Tyne, and three miles of sea outside of the piers. The organisation's principal activities are the provision of cargo and passenger handling services, alongside storage and distribution services.

MISSION AND VISION

MISSION

To create a vibrant and sustainable Port of Tyne for the benefit of the national and regional economy and to ensure that the Port is handed on in a better condition to future generations.

VISION

To be a £100m business, recognised for outstanding customer service and being a great place to work, where employees are highly engaged and share in the success of the organisation.

VALUES

All of the Port's activities are informed by a set of key values.

CUSTOMER FOCUS

Understanding the needs of customers and identifying where value can be added to mutual benefit.

PEOPLE FOCUS

Recognising the vital role of people within the organisation and training, developing and rewarding all who work for the Port in a challenging, supportive and safe environment.

FUTURE FOCUS

Developing the business and investing in its long-term future and sustainability.

BUSINESS AREAS

Activity at the Port of Tyne is focussed around five distinct business areas, plus its Marine Services operation.

CONVENTIONAL & BULK CARGO

The Port of Tyne is internationally renowned as a handler of energy products as well as handling other cargoes such as grain, steel and scrap metal. Its accessibility at all states of the tide, plus the depth of the river channel, means that it can accommodate 83% of the world's bulk carrier fleet.

CRUISE & FERRY

The Port operates the Port of Tyne International Passenger Terminal on the north side of the river, which provides both a port of call and turnaround (start and finish point) port for cruise vessels and a daily ferry service to Amsterdam.

CAR TERMINALS

The Port of Tyne is recognised as one of the most versatile and efficient car handling terminals in the UK. With three car terminals, one on the north side of the Tyne and two on the south side, the Port of Tyne handles around 600,000 vehicles per year destined for markets across the globe.

LOGISTICS

The Port of Tyne's logistics operation offers customers a one-stop-shop for integrated shipping, storage and distribution activities. Regular shipping services connect the Port to Felixstowe, Grangemouth, St. Petersburg, Rotterdam and beyond. The Port's state-of-the-art container terminal handles goods from ship to warehouse and then onwards via the Port's distribution fleet.

ESTATES

The Port's land and property portfolio covers over 250 hectares and includes commercial premises, ranging from office accommodation and commercial units to industrial sites, all within the boundary of the secure Port estate. The Port also has land available for commercial development, on both north and south banks of the river, with over 30 hectares of this designated as part of the North East's Local Enterprise Partnership Zone.

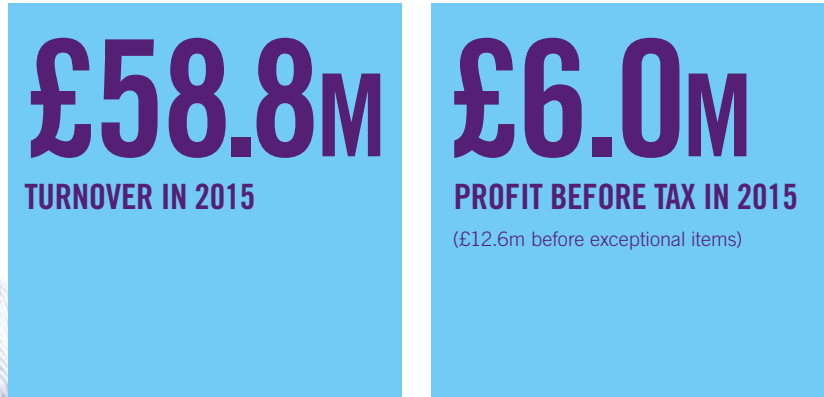
MARINE SERVICES

The Port of Tyne is responsible for the safe navigation of vessels on the river and three miles out to sea. Within Port limits, it oversees and monitors shipping movements 24 hours a day. The Marine Services team provides pilotage and information for all river users, including docking instruction and notice of berth availability.



CHIEF EXECUTIVE’S REVIEW

FINANCIAL PERFORMANCE IN 2015



“THE PORT’S CONTRIBUTION TO THE REGIONAL ECONOMY HAS CONTINUED TO GROW WITH THE SUPPORT OF PARTNERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS.”

IN 2015 THE PORT DELIVERED A SATISFACTORY PERFORMANCE DESPITE RECORDING A FALL IN CARGO VOLUMES.

Total River Tyne cargo volumes of 5.0m tonnes were 26% lower than 6.7m tonnes recorded in 2014, which had been the second highest since 1989, primarily due to a reduction in the level of imported coal.

As a result of lower cargoes being handled, turnover decreased by 18% from £71.5m in 2014 to £58.8m in 2015. Profit before Tax of £6.0m was achieved, which is stated after the deduction of exceptional expenditure of £6.6m and includes the positive movement in the value of investment property of £6.5m. In 2014 Profit before Tax on the same basis was £12.9m.

During the year the Port continued to invest in its infrastructure to improve capability and capacity. A record £21.2m was spent in 2015, including £15.1m on the £25m project to extend the Port’s main Riverside Quay, scheduled for completion in 2016. Additionally £1.8m was invested in expanding by 10 acres the car terminal used by Nissan for the storage of vehicles.

In 2015, 1.4m tonnes of coal was handled, compared with 2.7m tonnes in 2014 and a peak of 4.9m tonnes in 2013. The year-on-year fall is attributable to the prevailing market conditions, with less demand due to weather conditions, lower prices associated with alternative fuel sources such as gas and oil and the commencement of a structural shift away from coal-fired electricity generation. During the year several coal-fired power stations announced their closure, added to which the Government has announced that all such electricity generation is expected to cease by 2023, providing a bleak outlook for the future importation of coal.

A total of 3.5m tonnes was handled by the Conventional and Bulk Cargo business area in 2015 compared to 5.0m tonnes last year. Coal was the main contributor to the decrease, added to which wood pellet volumes at 1.4m tonnes were down from the record 1.9m tonnes in the previous year, returning to a level reflective of the design capacity of the facility. Scrap metal, steel and grain accounted for 0.5m tonnes, an increase of over 20% compared to the previous year, with grain volumes increasing almost fourfold.

The number of cars handled across the Port’s three car terminals, which provide storage for Nissan, the Volkswagen Audi Group and Höegh, was slightly lower than last year at 581,000 units. The volume of Nissan exports remained strong and as a result the business retained its position as the UK’s No.2 car exporting port.

There has been a continued increase in the number of passengers using the Port’s International Passenger Terminal for both the daily Newcastle to Amsterdam route, operated by DFDS Seaways, and by a variety of cruise operators calling at the Port. 635,000 passengers travelled through the terminal, including a record 587,000 ferry passengers and a further 48,000 cruise passengers on the 30 cruise ships that visited the Port in 2015.

Whilst total income in the Logistics business area, (comprising containers, warehousing and distribution) remained at a similar level to 2014, container volumes decreased by 6% to 47,000 TEUs (Twenty-foot Equivalent Units).

Reflecting the lower overall volume of bulk cargoes handled in the year, the gross tonnage of ships entering the River Tyne decreased by 8% to 25.7m tonnes in 2015, with the number of vessel movements falling by 14% to 2,816.

Exceptional expenditure during the year included the cost of a reorganisation of the business, undertaken to consolidate the operational business areas and provide increased efficiency and enhanced customer service. With the reduction in coal imports experienced in 2015 and the future uncertain, cargo handling operations required further restructuring to ensure the business remained fit for the future. Approaching 50 employees left the business as a result. Assets previously used exclusively for coal handling were also written down as an exceptional item.

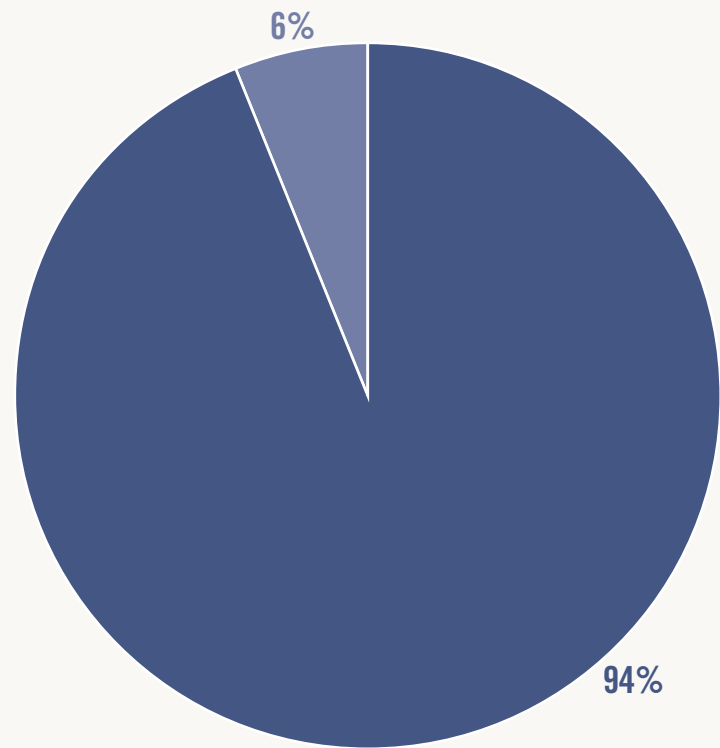
Overall the Port’s contribution to the regional economy has continued to grow with the support of partners, customers, employees and other stakeholders and I would like to record my thanks to all of them for their commitment and effort in helping us meet the challenges ahead.

Andrew Moffat
Chief Executive Officer

PERFORMANCE AT A GLANCE

TOTAL TONNAGE HANDLED

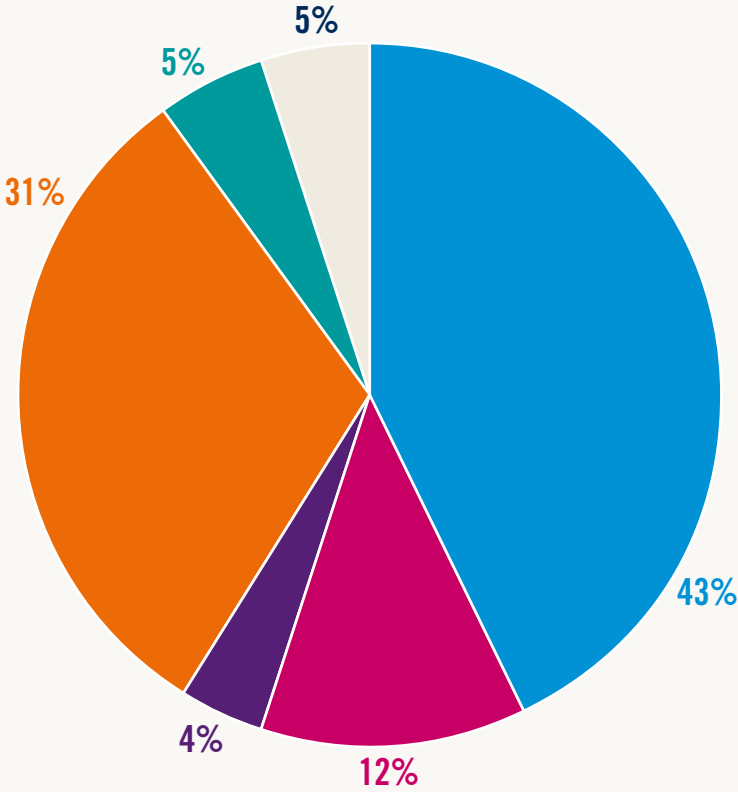
2015: 5.0M TONNES



VOLUMES HANDLED BY:	2015
PORT OF TYNE BERTHS	4.7M
THIRD PARTY BERTHS	0.3M

TURNOVER BY BUSINESS AREA

2015: £58.8M



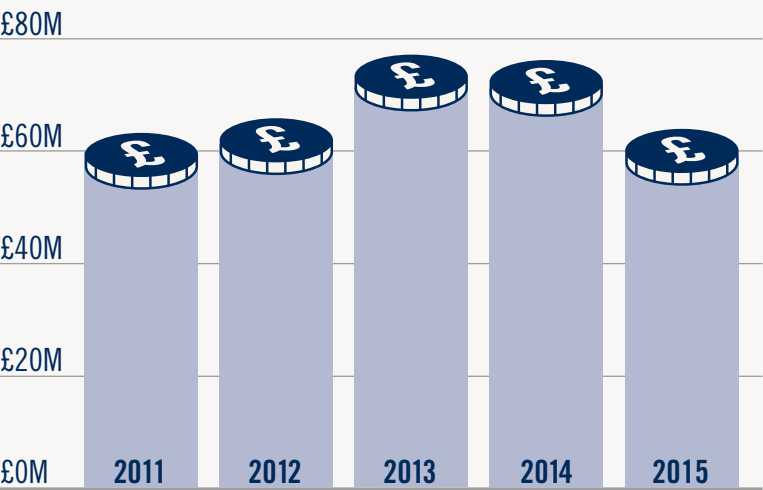
BUSINESS AREA:	2015
CONVENTIONAL & BULK CARGO	£25.1M
CAR TERMINALS	£7.2M
CRUISE & FERRY	£2.6M
LOGISTICS	£18.0M
ESTATES	£2.8M
THIRD PARTY ACTIVITIES	£3.1M

KEY FINANCIAL INDICATORS

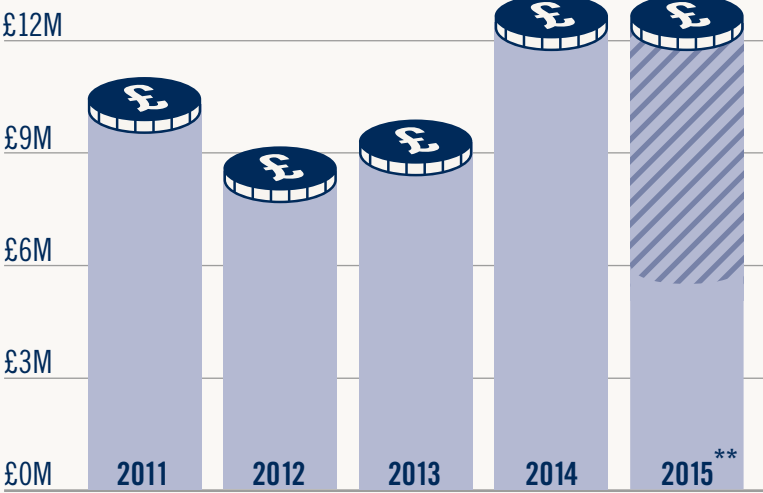
Profit before Tax for 2015 was £6.0m, turnover was £58.8m and EBITDA was £13.3m.

The Port invested £21.2m in infrastructure and net assets increased by 7% to £116m primarily due to profit generation, including the increase in property valuations, being reinvested in capital projects. 2015 was the first year of new accounting rules requiring inclusion of the movement in valuation of the Port’s investment property. Where applicable, figures for previous years have been adjusted.

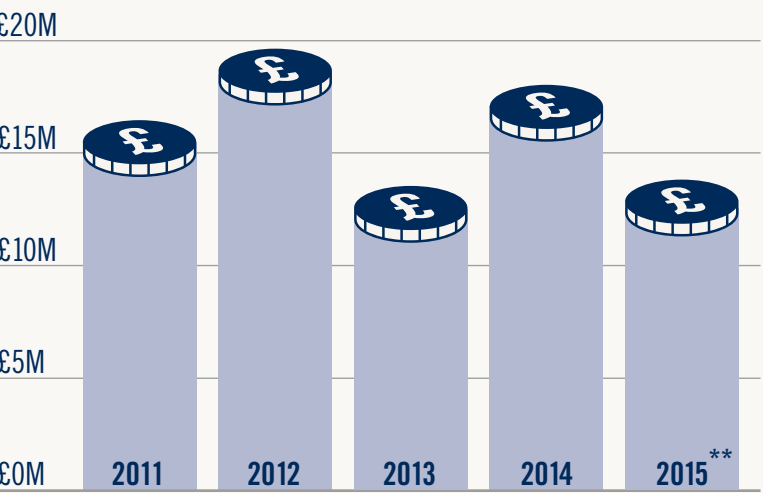
TURNOVER £58.8M IN 2015



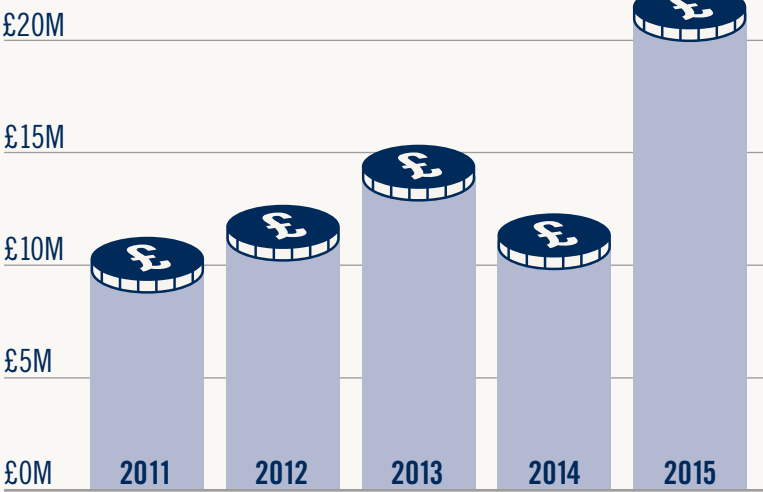
PROFIT BEFORE TAX* £12.6M IN 2015



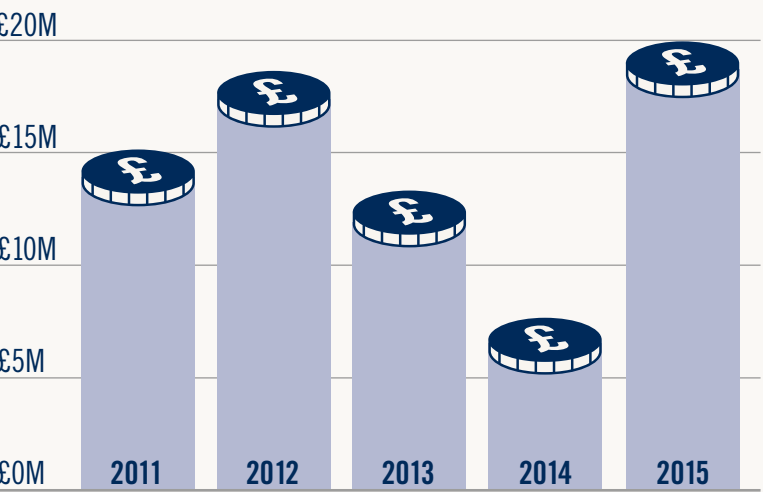
EBITDA*** £13.3M IN 2015



CAPITAL EXPENDITURE £21.2M IN 2015



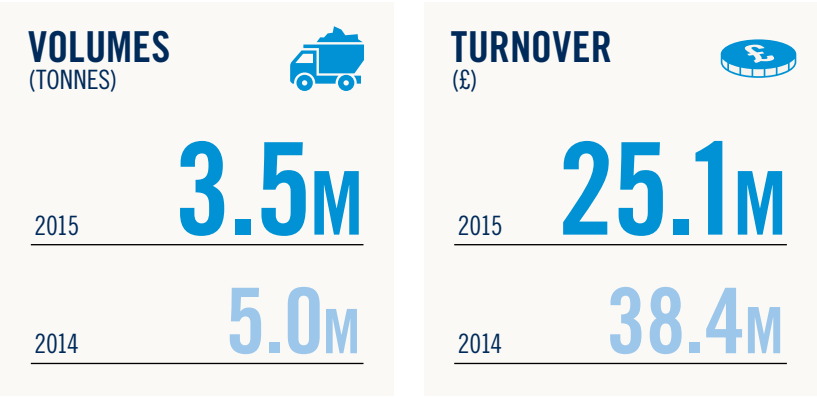
CASH FLOW FROM OPERATING ACTIVITIES* £18.4M IN 2015



*Restated under of FRS102 **Excluding exceptional costs ***Earnings before interest, tax, depreciation and amortisation

CONVENTIONAL AND BULK CARGO

THE INVESTMENT MADE IN RECENT YEARS TO ACCOMMODATE THE INCREASING SCALE OF NEW SHIPS HAS BENEFITTED BOTH THE PORT AND ITS CUSTOMERS.



The Port has continued to invest in infrastructure to ensure it can meet the requirements of its customers now and in the future. Construction of a new 125m extension to Riverside Quay is due for completion in 2016. This £25m investment will increase the Port’s bulk cargo handling capacity.

The development will also enhance the Port’s capacity to handle wood pellet, building on the expertise it has gained in this cargo since the first shipment in 2010.

There is also the additional potential for further wood pellet handling, storage and transportation facilities which will enable the Port to support more than one wood pellet customer.

In 2015 the River Tyne saw 5.0m tonnes of cargo, 94% of which was handled at Port of Tyne owned berths. Over 3.5m tonnes of conventional and bulk cargo accounted for 71% of the total volume of cargoes handled over the Port of Tyne’s quays.

This was a reduction in conventional and bulk cargoes - 30% less than the previous year – and was primarily due to the continued decline in UK imports of coal.

Following the record levels of coal imports handled in 2013, coal volumes fell to 2.7m tonnes in 2014 and to 1.4m tonnes in 2015. There was also a reduction in imports of wood pellet, which at a total of 1.4m tonnes was 0.5m tonnes less than the record volumes of this cargo handled in 2014.

However scrap metal, steel and grain cargoes rose to a total of 0.5m tonnes, an increase of over 20% compared to the previous year, with grain volumes increasing almost fourfold. The Port also continued to expand the types of bulk cargoes it can handle with the addition of plywood products in 2015.

“The development will also enhance the Port’s capacity to handle wood pellet.”

The ongoing reduction in volumes of coal is the result of reduced demand for coal from the Port’s power-generating customers. This was due to the prevailing market circumstances including the lower cost of alternative fuels such as oil and gas, but also a structural shift away from coal-fired electricity generation. During the year a number of coal-fired power stations announced closure and the Government stated that all coal-fired electricity generation would be expected to end by 2023. It’s therefore unlikely that coal imports will recover and the Port continues to diversify to increase its cargoes of imported materials, such as aggregates and other raw materials for construction work, and forest products, as well as exports of scrap metals, grain and other bulk commodities.



CAR TERMINALS

DURING 2015, THE TOTAL NUMBER OF CARS HANDLED WAS 581,000.

The majority were cars being exported to overseas markets from Nissan's car manufacturing plant in Washington, Tyne and Wear. Imports were handled for the Volkswagen Audi Group and the Renault-Nissan Alliance continues to make the Port of Tyne its regional entry point into the UK for vehicles that are imported from Renault and Nissan plants overseas.

The Port of Tyne has supported Nissan since it began operations in the 1980s and the plant now accounts for a third of all new cars built in the UK. Through its logistics operations, the Port imports vital car manufacturing parts into its container terminal, storing them on site until required and providing the operational infrastructure to support production of the Qashqai and Infiniti models.

During the year further valuable space and facilities were provided for Nissan. The Port invested £1.8m in an extension of the Tyne Car Terminal, providing a further 10 acres of additional land for car storage.

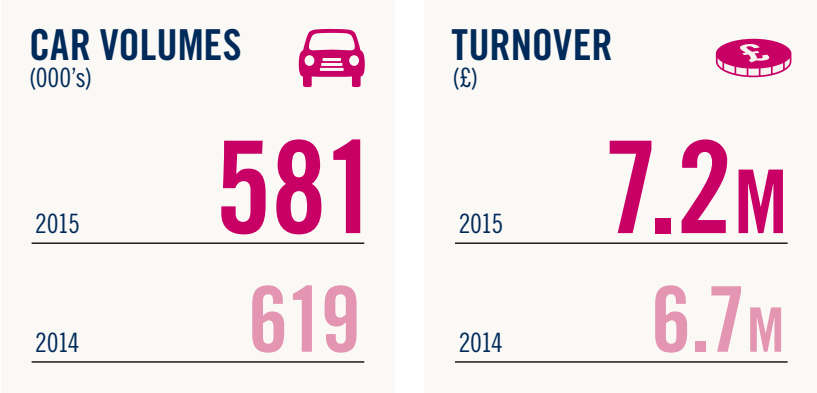
The total volume of cars recorded was 581,000, 38,000 fewer than in 2014. Whilst there was a small increase of 1% in the number of cars imported by the Volkswagen Audi Group, the volume of cars handled through the Nissan and Höegh Northern Transshipment Terminal was lower than the previous year.

The volume of Nissan exports remained strong and according to Automotive Logistics Magazine, which produces the annual European Car Ports report, in 2015 the Port of Tyne was the 13th largest car handling port in Europe. It was also the 2nd largest car exporting port in the UK.

“The Port invested £1.8m in an extension of the Tyne Car Terminal, providing a further 10 acres of additional land for car storage.”

The Port also supported manufacturers of specialist vehicles such as the global brand Komatsu, which continued to export its world famous construction vehicles via the Port.

Working with Hitachi Rail Europe, the Port successfully handled the import of six further train carriages – shells that will be fitted out at Hitachi's new construction plant in Durham.



+10
ACRES OF ADDITIONAL
LAND PROVIDED FOR
NISSAN IN 2015

£1.8M
INVESTED IN CAR
TERMINALS IN 2015



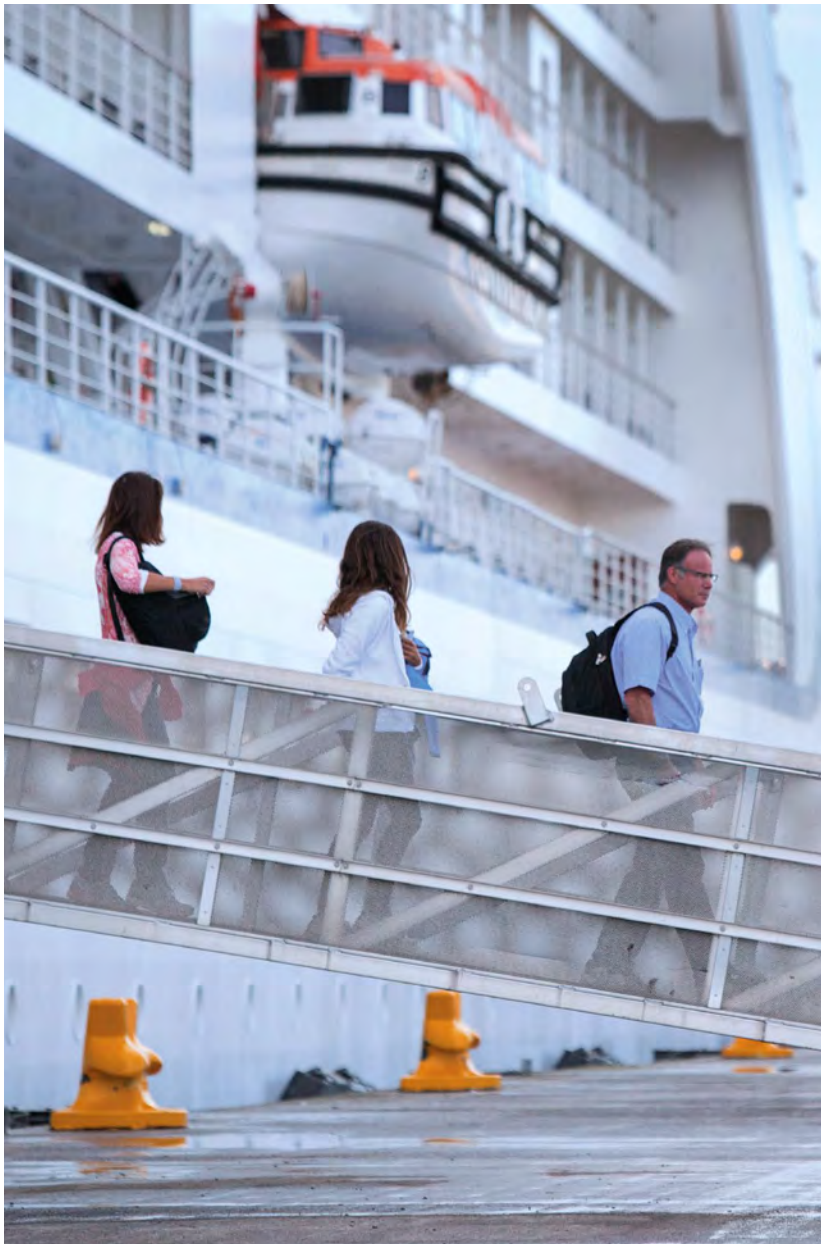
+3%
INCREASE IN PASSENGERS
TRAVELLING THROUGH THE
PORT OF TYNE

£50M
GVA IMPACT ON REGION'S
TOURISM ECONOMY

CRUISE AND FERRY

THE PORT OF TYNE BRINGS IN THOUSANDS OF INTERNATIONAL VISITORS EVERY YEAR, MAKING A MAJOR CONTRIBUTION TO THE REGION'S TOURISM ECONOMY.

PASSENGER NUMBERS (000's)		TURNOVER (£)
2015	635	2.6M
2014	619	2.6M



The Port's International Passenger Terminal welcomes passengers visiting the UK from all over Europe and beyond, and is a vital link in the development of the North East region's tourism sector.

In 2015, the number of passengers travelling through the terminal, either using the daily ferry service or taking a cruise holiday, increased by 3%, with a total of 635,000 passengers using the terminal's services. This included a new record of 587,000 ferry passengers travelling on the daily route operated by DFDS Seaways between the Port of Tyne and Amsterdam.

Many of the world's cruise lines now include the Port of Tyne in their itineraries, including Fred. Olsen, Costa Cruises, Cruise & Maritime Voyages, Holland and America Line, MSC Cruises, P&O, Princess Cruises, ResidenSea, Seaborne and Swan Hellenic. The Port's popularity with these companies is partly because of the appeal of the North East as a destination for visitors and also because of its location. The Port of Tyne is the closest UK port to the Baltics, the Fjords and Russia and is also within easy reach of Morocco, Portugal, Spain, the Canary Islands and the Azores.

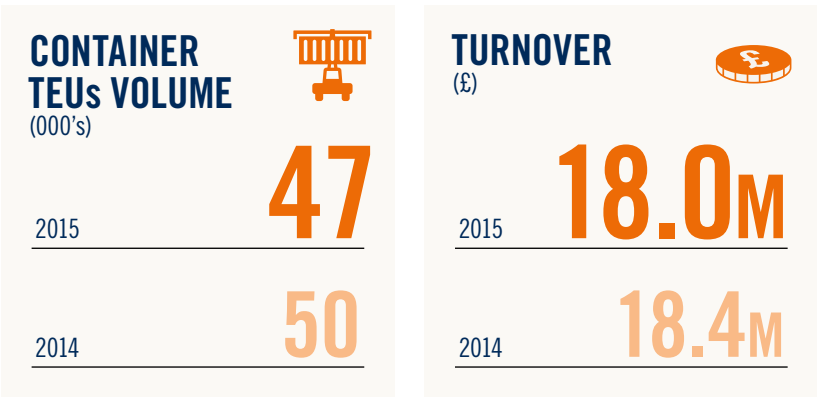
As a result, over 48,000 cruise passengers travelled through the International Passenger Terminal in 2015. Many of those visiting the region take advantage of the North East's numerous attractions, including the UNESCO World Heritage sites of Hadrian's Wall and Durham Cathedral and Castle, the beauty of Alnwick Castle and Gardens, and the city centre of Newcastle upon Tyne, voted the Best UK City 2014.

"Many of the world's cruise lines now include the Port of Tyne in their itineraries."

There has been a passenger service operating from the Tyne for over 100 years, but cruise ships only started visiting the Port 17 years ago. A total of 30 cruise ships called at the Port in 2015, half of which were calling in to visit as part of an itinerary (transit calls) and the other half were starting and finishing their itinerary from the Tyne (turnaround calls).

LOGISTICS

THE PORT’S LOGISTICS BUSINESS SAW STEADY TURNOVER AGAINST INCREASING LOCAL AND GLOBAL COMPETITION.



The Port of Tyne operates regular short-sea feeder container services with Unifeeder, BG Freight and Seago Line, effectively providing access world-wide with import and export connections to Felixstowe, Rotterdam, Bremerhaven, St. Petersburg and Grangemouth.

An in-house distribution fleet of 189 trucks and trailers offers customers next day delivery anywhere in the UK, while on site racked warehousing offers pallet storage for some of the UK’s most well-known brands.

“As a well-equipped and well-connected port, its location offers an alternative to battling through the congested South East and adding thousands of unnecessary road miles to the cost of transportation.”

Warehouse utilisation has remained high at 90%, resulting in steady distribution volumes.

The performance of the Port’s logistics drivers, warehouse and container terminal operatives was rewarded with the NYK UK Haulier of the Year 2014 Hub Category award presented in 2015. The Port’s 100% record in on-time deliveries for the NYK Group, one of its biggest container customers, helped it to beat tough industry competition from all over the country.

The Port of Tyne continues to offer a top quality integrated logistics operation for customers across the North East and increasingly further afield. As a well-equipped and well-connected port, its location offers an alternative to battling through the congested South East and adding thousands of unnecessary road miles to the cost of transportation.

Whist turnover remained steady, container volumes handled through the Port fell by 6% to 47,000 Twenty-foot Equivalent Units (TEUs). In part, this reflects the continuing trend for Nissan to source parts for its Washington manufacturing plant from local suppliers rather than relying on imports. Although this is good news for regional businesses, it has led to fewer imports of containers of automotive parts through the Port of Tyne.

90%

LEVEL OF WAREHOUSE UTILISATION AT THE PORT

100%

PORT’S ON-TIME DELIVERY RECORD FOR THE NYK GROUP



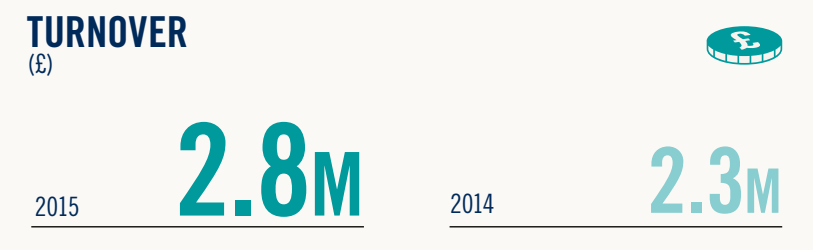


3,420
METRES OF POTENTIAL
BERTHING CAPACITY WITHIN
THE PORT ESTATE

2
NUMBER OF NEW BUSINESS
PARKS WITH ENTERPRISE
ZONE STATUS

ESTATES

THE PORT OF TYNE’S ESTATES PORTFOLIO EXTENDS OVER 600 ACRES AND IS ALREADY HOME TO 100 BUSINESS TENANTS, WITH SITES ON THE NORTH AND SOUTH BANKS OF THE TYNE OFFERING UNIQUE COMMERCIAL OPPORTUNITIES.



Making the best use of the available land within its estate is essential to the Port’s future plans for growth and development, as well as being key to a number of major economic development and regeneration opportunities for the region.

Enterprise Zones are specific geographical areas within the Local Enterprise Partnership’s boundaries which can benefit from a range of incentives for businesses to start up or expand, including enhanced capital allowances and simplified local authority planning processes.



Turnover remained strong in 2015 with an increase of 22% on the previous year. Interestingly the Port’s economic impact survey identified that there was an increase in catalytic jobs supported through the Port’s estate management. This was as a result of an increase in the number of tenants and increase in the average size of tenants’ businesses in recent years, and has significantly boosted the total number of jobs supported by the Port.

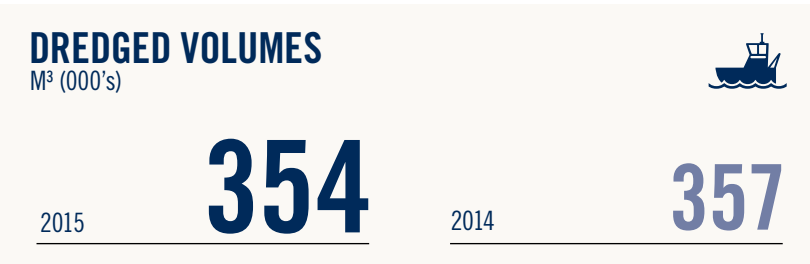
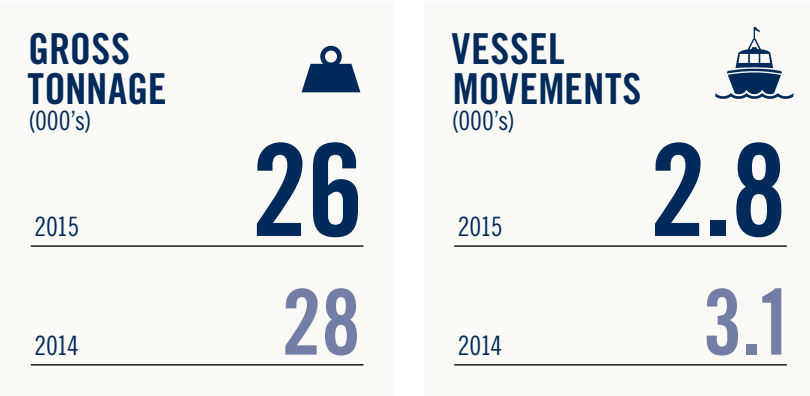
In 2015, terms were agreed for the lease of one of the Port’s premier warehouses, 22,000 sq ft at Tyne Dock, to a regional manufacturer. Two new business parks, both benefitting from Enterprise Zone status were prepared for market. Royal Quays Enterprise Park is a development area of up to 30 hectares in North Shields, less than 3km from open sea. Tyne Dock Enterprise Park in South Shields offers development land of up to 7 hectares, with immediate access to 550m of direct riverside frontage and a mature logistics infrastructure.

“The investments the organisation is making in extending its main Riverside Quay and improving its cargo handling infrastructure are all driving even more value and economic growth from the Port’s physical assets.”

The Port continues to work with the North East Local Enterprise Partnership, the local authorities, national Government departments and agencies to ensure these potential opportunities for investors and developers are promoted for the benefit of the economic development of the region.

MARINE SERVICES

THE PORT’S MARINE SERVICES TEAM WORKS TIRELESSLY TO ENSURE THAT THE RIVER IS OPERATED SAFELY FROM THREE MILES OUT TO SEA TO 19 MILES INLAND.



The Port of Tyne follows the highest levels of UK marine safety guidance, and all its activities adhere to the nationally approved standards developed to improve safety across all of the country's Harbour Authorities.

These are the Health and Safety standard OHSAS: 18001, and the guidelines of the Port Marine Safety Code (PMSC). The Port's compliance with the Code is assured by the operation and audit, both internal and external, of the Port's Marine Safety Management System, which is integral to the business's overall safety management system.

“The pilotage service operated by Marine Services achieved the International Standard for Maritime Pilot Organisations (ISPO) in 2013.”

The pilotage service operated by Marine Services achieved the International Standard for Maritime Pilot Organisations (ISPO) in 2013. It is one of only 17 pilotage organisations accredited world-wide. The ISPO standard, renewed in 2015, is the internationally recognised standard, assuring the highest levels of safety, skills, knowledge and expertise associated with the delivery of pilotage services.

The reduction in coal volumes handled by the Port of Tyne in 2015 has impacted on the number of ships arriving in the River, with total vessel movements falling by 9% compared to 2014, to 2,816. Vessel gross tonnage, which measures both the size of vessels and the cargo capacity they can carry, decreased by 8% in 2015 to 25,711k tonnes.

Maintenance dredging of the River Tyne in 2015 was consistent with a result of a number of flood events necessitating the removal of sediments at 3rd party berths. All material removed from the estuary as part of the maintenance dredging regime was deposited at sea in accordance with licence conditions.

The activity undertaken during the year to maintain depths by the Port of Tyne owned plough dredger, the Sir Bobby Robson, helped reduce the requirement to remove sediment from the river, both in the channel and at Port of Tyne berths.

In addition, a significant amount of capital dredging occurred on the river in 2015 with the removal of 117k cubic metres as part of the Riverside Quay extension works.





HEALTH AND SAFETY

THE PORT OF TYNE STRIVES TO BE A PLACE WHERE SAFETY COMES FIRST AND FOREMOST, AND IN 2015 ACHIEVED THE ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS GOLD AWARD FOR THE SECOND YEAR IN SUCCESSION.



Health and safety at work and for visitors to the Port of Tyne's sites remains of paramount importance and the focus and emphasis throughout 2015 was to embed the principle that all accidents are preventable.

The internationally recognised health and safety standard OHSAS: 18001 which places emphasis on health and safety system management, awareness, reporting, incident investigations and training was achieved by the Port in 2012. In 2015, the Port once more undertook rigorous assessments and received affirmation that it had both complied fully with the requirements of the standard and, just as importantly, had made continual improvements.

The Port has established new initiatives to help change both the behaviour and culture of employees to improve Health and Safety performance. The key message that safety is everyone's responsibility has been reinforced through communications campaigns. Health and Safety performance statistics improved during the year across all metrics indicating that positive changes are continuing.

The continual drive to improve Health and Safety saw the Port attain the Royal Society for the Prevention of Accidents (RoSPA) Gold Award for the second year in succession.

The number of injuries decreased during the year by 22 to 40. Of these, three (one less than the previous year) were reportable to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013,

as they involved an absence from work of more than seven days. The resulting Reportable Injuries per 100 employees was 0.6 which compares favourably to the 1.38 sector statistic published by the Port Skills and Safety (PSS) organisation.

The number of lost time injuries reduced by 18% to 9 and the total number of working days lost decreased to 120 days, from 341 days lost in the prior year. The level of near misses, which is viewed as a positive indicator, increased to 74% of all incidents (2014 – 73%).

“Health and Safety performance statistics improved during the year across all metrics indicating that positive changes are continuing.”

The Port's health and wellbeing promotional programme continued in 2015. This focussed on promoting healthy eating, health assessments and smoking cessation and all were well attended across the business. The campaigns were supported with information, posters and benefits and other activities, such as discounted entry to leisure, arts and sport events and a bike to work purchase scheme continued.

-65%

REDUCTION IN WORKING DAYS LOST DUE TO WORK-RELATED INJURIES

-25%

REDUCTION IN NUMBER OF REPORTABLE INJURIES DURING 2015

ENVIRONMENT

INVESTMENT IN A SERIES OF ENVIRONMENTAL INITIATIVES HAS SEEN THE PORT CONTINUE TO IMPROVE ITS IMPACT ON THE ENVIRONMENT IN 2015.



In 2015, the rigorous standards of the nationally recognised environmental standard ISO: 14001 were maintained, demonstrating that the Port had complied with all relevant environmental legislation.

The Port has committed to the prevention of pollution and the implementation of a programme of continual improvement and environmental monitoring. This includes recording any environmental incidents. 112 environmental incidents occurred during the year, an increase on the 97 reported in 2014. This was due to improved reporting following the roll-out of environmental awareness training across the Port. This increase in reporting is a positive step in preventing further occurrences, and none of the incidents resulted in significant environmental impacts.

Work to reduce CO₂ emissions from the Port, and save energy, continued with further adoption of renewable energy technologies including LED lighting, upgrading power factor correction equipment and converting, gas and oil fired equipment to electricity. There were further installations of wood pellet fired boilers in buildings on the Port estate.

The Clean Tyne Project, undertaken with Newcastle, North Tyneside and Gateshead local authorities, continued in 2015. The Clearwater, the vessel operated by the Port, was deployed to ensure the river remained clear of floating debris.

Work has also continued with partners (Newcastle City Council, Gateshead Council, North Tyneside Council, South Tyneside Council, Northumberland County Council, Eden District Council, the Marine Management Organisation, the Environment Agency, the Tyne Rivers Trust and Natural England) in the River Tyne Steering Group (RTSG) whose objective is to measure the extent, source and movement of sediment in the River Tyne and to identify, propose and implement management solutions.

“The Port has committed to the prevention of pollution and the implementation of a programme of continual improvement and environmental monitoring.”

Financial support from the Local Growth Fund and DEFRA was successfully obtained in 2015 for a range of civil engineering projects in the upper reaches of the Tyne and work continued in 2015 on the review of available options to deal with historic sediment already present within the river system.

112

ENVIRONMENTAL INCIDENTS REPORTED DURING THE YEAR

26

NUMBER OF YEARS THE CLEAN TYNE PROJECT HAS BEEN OPERATING





MAKING A DIFFERENCE IN THE REGION

The impact of the Port of Tyne on the regional economy is measured annually through an Economic Impact Assessment conducted by external consultants Arup. Their report showed that the Gross Value Added (GVA) by the Port to the regional economy increased by 27% to £710m (2014 – £560m). This significant uplift is driven by a 30% increase in the number of full-time jobs in the wider community supported directly or indirectly by the Port, which rose to 14,491 in 2015. This rise was in turn due mainly to a larger number of tenants on the Port's estate, employing greater numbers of people, as well as the impact of the growth of Nissan, one of the Port's key customers.

The Port of Tyne's stakeholders are its customers, employees, the Government, the business community and the local community. The total benefit delivered to the Port's stakeholders in 2015 was £26.8m, a decrease of 7% compared to 2014 (£28.8m), mainly due to a reduced corporation tax charge.

The Port has continued to increase its support for community and business organisations, sponsoring events, and creating its own engagement activities, and won both the North East Business Awards Heart of the Community Award for

Tyneside and Northumberland and Best Arts and Business Partnership in the Newcastle Journal Culture Awards.

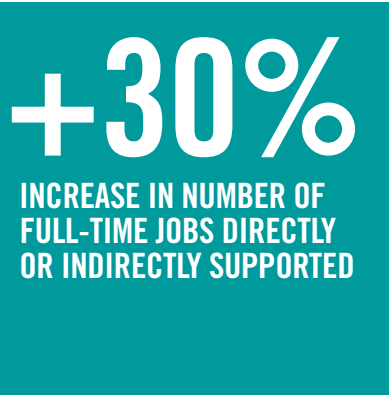
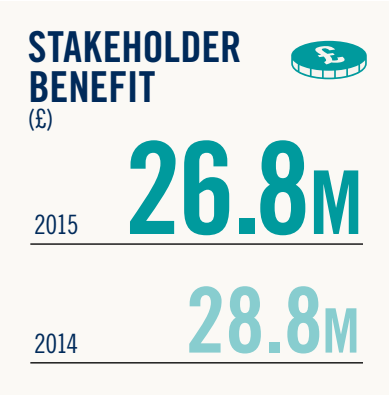
An evaluation of the impact in 2015 of investment made in community engagement during the previous year was assessed against 109 national companies that are part of the London Benchmarking Group. The Port's investment helped 566 organisations, directly engaging with over 600,000 people across the North East region. As a result, the Port of Tyne remained ranked in the top 10 companies for overall contribution to community as a percentage of pre-tax profit, alongside major UK and international businesses.

Benefit provided to Government includes taxes and business rates paid to national and local Government. £7.2m was generated in tax receipts for the Government relating to employee taxation, company taxation and business rates (2014 – £9.0m).

Local community benefit totalled £382,000. This included the annual donation of 1% (£102,000) of Profit before Tax, from the previous year's reported profit of £10.2m (under previous accounting standards) to the Port of Tyne Community Action Fund, which was distributed via an employee panel to over 20 community projects.

Sponsorship of £204,000 was provided for locally organised cultural, sport and community events and a variety of regional business events. Of particular note the Port sponsored Sage Gateshead during its tenth anniversary celebration year which helped facilitate both nationally acclaimed performances and schools participation.

The Port provided 'in kind' services for fund-raising events and staff volunteering, financial support and active participation to the business community through membership of key regional and sector business representative organisations such as the North East Chamber of Commerce, the Confederation of British Industry, the Newcastle-Gateshead Initiative, the Entrepreneurs' Forum and the British Ports' Association.



Pictured: Clockwise from top left, Port of Tyne sponsored football project, West Allotment Community Centre, the Tyne Watch Project, the Port of Tyne Great North Run team



A FOCUS ON OUR PEOPLE

ACHIEVING INVESTORS IN PEOPLE CHAMPION STATUS IN 2015 IS A TESTAMENT TO THE CONTINUING HARD WORK AND COMMITMENT OF THE PORT'S EMPLOYEES.

There were a number of developments in 2015 in support of the people focus value, which is based on the principles of training, developing and rewarding employees in a challenging, supportive and safe environment.

In 2015 the Port announced major changes to its organisational structure creating greater operational efficiencies across the business and ensuring the business was fit for future challenges. As a result the number of full time equivalent posts, comprising direct and indirect employees was 483 at the end of 2015, a reduction of 15%.

The Port continued its rolling programme of apprenticeships and there were six new apprentices appointed in 2015, taking the total

number to 18. This ensures the Port continues to support young people into work and to help build a workforce for the future.

The business continued its programme of cultural change, guided by Investors in People, which is recognised as a benchmark of good practice for improving an organisation's performance through its people.

Having achieved the Investors in People standard in 2011, the Silver standard in 2012, and the Gold standard in 2014, in 2015 the Port was awarded the coveted status of IIP Champion - the first UK port ever to achieve this.

The annual Employee Survey saw a 77% response rate by the workforce, with 383 employees participating. Job satisfaction remains high, with 88% of employees feeling highly motivated, and the number of staff feeling valued by their manager, increasing across the business. Areas for improvement identified continued to be training and development and enhancing manager and supervisor skills.

As one of the UK's leading Investors in People organisations, the Port typically invests £0.6M in training and development each year, equating to around 18,000 hours of training.



FINANCIAL PERFORMANCE

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
Turnover – continuing operations	58.8	71.5
Operating costs	(44.2)	(51.1)
Gross profit	14.6	20.4
Administrative expenses	(7.4)	(8.8)
Before exceptional items	7.2	11.6
Exceptional items	(6.6)	-
Share of operating profit / (loss) in joint venture	-	(0.2)
Total operating profit	0.6	11.4
Gain on revaluation of investment properties	6.5	2.8
Net interest and other expenses	(1.1)	(1.3)
Profit on ordinary activities before taxation	6.0	12.9
Tax charge on profit on ordinary activities	(0.4)	(3.3)
Profit for the financial year	5.6	9.6

Exceptional items in 2015 totalled £6.6m, which related to organisational restructuring during the year and the write down of fixed assets previously used exclusively for coal handling.

Under the new financial reporting regulation FRS102 the movement in valuation of investment properties is now included in the Income Statement.

KEY FINANCIAL INDICATORS

	2015 £m	2014 £m
EBITDA	13.3	17.2
Cash Flow from Operating Activities	18.4	6.7
Capital Expenditure	21.2	11.1

Turnover fell by 18% and as a result, 2015 EBITDA before exceptional restructuring costs decreased by 23%.

£18.4m of cash was generated from operating activities, an increase of 175% in the year, mainly as a result of changes in working capital.

The Port invested a record £21.2m in 2015 in the development of infrastructure to enable business opportunities and improve operational efficiency.

GROUP BALANCE SHEET AT 31 DECEMBER 2015

	2015 £m	2014 £m
Fixed assets	168.8	150.4
Current assets	11.2	19.1
Total assets	180.0	169.5
Current liabilities	(14.9)	(13.2)
Total assets less current liabilities	165.1	156.3
Long term creditors and provisions	(33.2)	(29.2)
Deferred income	(6.3)	(6.9)
Pension liability	(9.7)	(11.7)
Net assets	115.9	108.5
Reserves		
Profit and loss account	85.4	83.9
Non distributable reserves	30.5	24.6
Reserves	115.9	108.5

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
Net cash inflow from operating activities	18.4	6.7
Net cash outflow from investing activities	(21.2)	(9.8)
Net cash inflow from financing activities	2.6	2.7
Decrease in cash in the year	(0.2)	(0.5)
Cash and cash equivalents at 1 January	0.2	0.7
Cash and cash equivalents at 31 December	0.0	0.2

The primary statements presented above are summaries of the full statutory disclosures. The complete Annual Report and Accounts is available via the ‘Downloads’ section of the website www.portoftyne.co.uk.

MEMBERS OF THE BOARD

The Executive Management Team comprises the Executive Directors of the Board, alongside Ian Gibson – Business Assurance Director, Susan Wear – Director of Corporate Affairs, Nolan Gray – Business Development Director and Louise Tinkler, Head of Human Resources.

CHAIRMAN HILARY FLOREK

Hilary Florek is a strategic communications and marketing specialist with extensive experience in both the public and private sectors. Having initially joined the Port of Tyne Board of Directors in 2008, she played the role of Deputy Chairman for over three years before taking on the position of Chairman. Previously PR and Communications Director for the Vaux Group PLC, she established her own marketing consultancy, HFPR Ltd, in 2000. Hilary has served as Non-Executive Director on the boards of the Community Foundation for Tyne & Wear and Northumberland and the County Durham Foundation. She is a former Trustee of the Sunderland Youth Enterprise Trust, was a Board Member of Project North East and is currently a Non-Executive board member at Isos Housing Group.

NON-EXECUTIVE DIRECTORS

DEPUTY CHAIRMAN DR JON HARGREAVES CBE

Jon Hargreaves joined the Port of Tyne Board in 2010 and was previously Chief Executive Officer of Scottish Water from 2002 to 2007, where he oversaw a £2bn investment programme. He is a former CEO of East of Scotland Water, MD of Northumbrian Water and Chairman of British Waterways Scotland, acts as Chairman of the Remuneration Committee for the Port and is also on the Nominations Committee.

MAXINE POTT

Maxine Pott, a Chartered Accountant and Partner of RMT Accountants and Business Advisors in Newcastle upon Tyne, joined the Board in 2011. She is a former Non-Executive Director of the Universal Building Society and Newcastle Building Society and is Chair of the Audit Committee.

EXECUTIVE DIRECTORS

CHIEF FINANCIAL OFFICER MARIE GLANVILLE

Marie Glanville joined the Port of Tyne as Chief Financial Officer in June 2015, and has responsibility for the Port's strategic finance, financial reporting and information technology systems. Before joining the Port, Marie held a number of senior financial roles in North East based PLCs.

CHIEF OPERATING OFFICER STEVEN HARRISON

Steven Harrison joined the Port of Tyne in January 2010. He was previously Managing Director of H J Banks (Mining) Limited. In 2015, following a major organisational restructure of the business, his responsibility was extended to all operational areas of the Port, to encompass conventional and bulk cargoes, logistics, cruise and ferry and car terminals.

CHIEF EXECUTIVE OFFICER ANDREW MOFFAT CBE

Andrew Moffat was appointed Chief Executive Officer in 2008, having previously been Financial and Commercial Director. Andrew joined the Port in 2007 from 3UK, a telecoms subsidiary of the Hong Kong-based multi-national conglomerate Hutchison Whampoa, where he was Chief Finance Officer. Prior to this he held several senior financial and commercial positions within Orange plc, including that of UK Director of Strategy, where his direction and support in the development of business strategies resulted in the growth and success of the Orange Group.

DR ALAN RUTHERFORD OBE

Dr Alan Rutherford joined the Board in November 2010. He was previously Non-Executive Chairman of the National Renewable Energy Centre (Narec). He is a member of the Audit Committee.

MARK PREECE

Mark Preece joined the Port of Tyne in 2015 bringing over 30 years of experience in the maritime and subsea sector. Previously Chief Executive Officer for CEONA Offshore, Mark gained extensive senior management, commercial, operations and business development experience in international oil, gas and offshore renewable energy markets.

NICK WEST

Nick West is the former CEO of Euroports and currently Non-Executive Director at the Deep-sea Container Terminal at Port of Gdansk. Poland's largest container terminal, and Verbrugge International, a port operator based in The Netherlands. He led the development of Euroports from a wide spectrum of cargo operations into holding market-leading positions in handling forest products, speciality dry bulk, and heavy dry bulk sectors. He is a member of the Remuneration Committee.



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