

PORT
of
TYNE

PORT OF TYNE ANNUAL REVIEW 2017







ANNUAL REVIEW 2017

TABLE OF CONTENTS

INTRODUCTION

CHAIR'S STATEMENT	2
THE PORT OF TYNE AT A GLANCE	4
CHIEF EXECUTIVE'S REVIEW	6
PERFORMANCE AT A GLANCE	8

BUSINESS AREAS

CONVENTIONAL AND BULK CARGO	10
CAR TERMINALS	12
CRUISE AND FERRY	14
LOGISTICS	16
ESTATES	18
MARINE SERVICES	20

BUSINESS IMPACTS

HEALTH AND SAFETY	22
ENVIRONMENT	24
MAKING A DIFFERENCE IN THE REGION	26

BUSINESS OPERATION

A FOCUS ON OUR PEOPLE	28
FINANCIAL PERFORMANCE	30
MEMBERS OF THE BOARD	32

CHAIR'S STATEMENT

2017 STATISTICS

£690M

ADDED TO THE REGIONAL GVA

14k

FULL TIME JOBS SUPPORTED



“LIKE ALL BUSINESSES, THE PORT HAS CHALLENGES AND UNCERTAINTIES AHEAD, BUT THE STRATEGIES ARE IN PLACE TO SEEK AND WIN THE NEW OPPORTUNITIES THAT WILL ENABLE THE PORT TO CONTINUE TO SUPPORT THE ECONOMY, INDUSTRY AND TRADE OF THE UK AND THE REGION.”

I WAS DELIGHTED TO BE APPOINTED AS CHAIR OF THE BOARD IN JULY 2017, SUCCEEDING HILARY FLOREK WHO SERVED BOTH AS DEPUTY CHAIR AND CHAIR.

In 2017, the business continued its transition from the impact of the loss of substantive volumes of imported coal, towards increased wood pellet cargoes which will ensure the business returns to its growth trajectory.

The construction of major new facilities for Lynemouth Power Ltd which progressed to commissioning during the year will facilitate this shift, and support increased volumes over a ten year period.

While this project continued to move forward during 2017, turnover improved across four of the Port's business areas, with the fifth remaining steady, in line with the ongoing strategy to re-establish growth and further diversify.

Total turnover increased by 3% to £47.3m, EBITDA by 13% to £7.6m and reported Profit before Tax was £1.5m. Underlying Profit before Tax, excluding movements in the value of investment property, improved to £0.3m.

Car, Cruise & Ferry and Container business areas all reported year on year volume growth. The Port continued to be the UK's No. 2 car exporting port. The number of ferry and cruise passengers using the International Passenger Terminal increased, breaking previous records, and there was also a record number of cruise ships, which rose to 52 in 2017. Container volumes increased by 8%, reflecting increased business with major shipping lines.

This performance is a tribute to the employees of the Port, who have continued to demonstrate their commitment to the Port's strategies for improvement. Having been re-assessed, the business was once more awarded the Gold Investors in People standard, maintained the industry standards in Health and Safety and Environment, and achieved the Royal Society for the Prevention of Accidents Gold Award for the fourth year.

Within this context it is disappointing to report that six employee injuries (one more than in 2016) were reportable to the Health and Safety

Executive as they involved either specified injuries or an absence from work of more than seven days. Health and safety remains a number one priority and the Port now has a strategic objective to achieve zero harm to all employees and to eradicate reportable injuries as soon as possible.

The Port of Tyne has a remit to support the economy, both regional and national. In reviewing the Port's strategies to return to growth and further diversify, my Board has considered the business risks and challenges as well as the national and local political context. This has included the potential impacts or opportunities related to the UK's exit from the European Union and regional devolution.

A variety of opportunities including the renewable energy, waste management and subsea sectors are considered in the new five year plan, from 2018 to 2022. The Port will take a collaborative approach, extending its business development reach to support the whole of the River Tyne and its users.

It will focus on improving efficiency and delivering innovative solutions to its customers whilst increasing market share in existing sectors and identifying new markets. Over the period of its Strategic Plan it aims to double the value of the business by 2022.

The Port is well-placed to deliver this strategy. In 2017, the new wood pellet facilities and the £25m extension of Riverside Quay were completed for commissioning and these will accommodate new and increased cargo flows. Work continued to prepare two large sites both with Enterprise Zone status, Tyne Dock Enterprise Park and Royal Quays Enterprise Park, and to seek potential new partnerships and opportunities.

The performance of the Port in 2017 continued to have a significant impact on the economy of the North East region. The annual assessment by consultants Arup shows that the Gross Value Added by the Port to the region was £690m, with 14,027 full-time jobs supported directly or indirectly by the

Port. The Port's International Passenger Terminal continued to contribute almost £53m, supporting the travel and tourism sector in particular.

The Port re-invests all profits for the benefit of its stakeholders. In 2017, £24m was returned in benefit to these stakeholder groups during the year, a sum that included the support of projects to help young people, enhance community activity, or make environmental improvements.

We welcomed two new non-executive directors to Board in 2017: Alison Thain and Geoff Brown. Mark Stoner joined the Board early in 2018 as Chief Financial Officer, replacing Duncan Barrie who left during the year.

My thanks go to Hilary Florek, who retired from the Board having made a significant contribution as Board member, Deputy Chair and Chair.

Like all businesses, the Port has challenges and uncertainties ahead, but the strategies are in place to seek and win the new opportunities that will enable the Port to continue to support the economy, industry and trade of the UK and the region.

On behalf of the Board, I would like to thank all of our stakeholders, and particularly our employees, for their hard work, commitment and support, and the contribution they have made to the continued development of the Port of Tyne as we look forward to 2018 and beyond.



L V W Armstrong
Chair

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

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 goes 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

By 2022, we will double the value of our business, be recognised for outstanding customer service, and be a great place to work.

VALUES

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

CORPORATE 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.

INDIVIDUAL VALUES

OPEN

We are transparent and clear in communication; we listen and learn.

EXCELLENT

We take pride in delivering top quality service to the highest professional standards and continuously look for ways to improve.

RESPECTFUL

We treat people fairly, with dignity, consideration and integrity.

RESPONSIBLE

We are all accountable; we are trusted and empowered.

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 renowned as a handler of wood pellet for power production as well as handling other cargoes such as grain, timber products, aggregates and scrap metals. 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.

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.

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.

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, Rotterdam and beyond. The Port's 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 2017

£47.3M

TURNOVER IN 2017

£1.5M

PROFIT BEFORE TAX IN 2017

“THERE HAS BEEN A CONTINUED INCREASE IN THE NUMBER OF PASSENGERS USING THE PORT'S INTERNATIONAL PASSENGER TERMINAL BOTH FOR THE DAILY NEWCASTLE TO AMSTERDAM ROUTE, OPERATED BY DFDS, AND THE GROWING NUMBER OF CRUISE SHIPS CALLING AT THE PORT.”

DURING 2017 THE PORT OF TYNE CONTINUED ITS TRANSITION AND TRANSFORMATION STRATEGY, PURSUING INCREASED DIVERSIFICATION AND THE RE-ESTABLISHMENT OF GROWTH. THE BUSINESS DELIVERED REVENUE EXPANSION ACROSS ITS CONVENTIONAL & BULK CARGO, CAR TERMINALS, CRUISE & FERRY AND LOGISTICS BUSINESS AREAS.

As reported last year, UK imported coal volumes have collapsed since 2013 resulting in River Tyne coal import volumes falling from a peak of 5.0m tonnes to just 32,000 tonnes in 2017. In response the Port has targeted the wood pellet market as a means of replacing the lost coal trade and has undertaken significant investment in infrastructure to enable the handling of up to 1.8m tonnes of wood pellet for Lynemouth Power Ltd (LPL), in addition to its existing wood pellet business for Drax. This will be a vital element of the Port's strategy to restore material growth through 2018 and beyond.

Whilst this major capital project was in progress in 2017, a total of 1.5m tonnes was handled by the Conventional & Bulk Cargo business area compared to 2.0m tonnes in the previous year. This was due to a reduction in the volume of imported wood pellet as other facilities became available elsewhere in the UK. Lower volume was offset by higher revenue related to offshore renewable activity.

The number of cars handled across the Port's three car terminals at 602k units has slightly increased compared to the previous year. The volume of Nissan exports has remained strong and as a result the business has 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 both for the daily Newcastle to Amsterdam route, operated by DFDS, and the growing number of

cruise ships calling at the Port. 720k passengers travelled through the terminal, an increase of 7% compared to 2016, creating records for both ferry passengers (596k) and cruise passengers (124k). The number of cruise ships also increased, by 18%, to a record number of 52 in 2017.

Within the Logistics business area, comprising containers, warehousing and distribution, container volumes increased by 8% to 57k TEUs (Twenty Foot Equivalent Units).

The gross tonnage of ships entering the River Tyne was 27.4m tonnes, similar to 2016 of 27.8m tonnes, and the number of vessel movements in the year remained steady at 2,675 (2016: 2,796).

Total turnover increased by 3% from £45.9m in 2016, to £47.3m in 2017. This improved trading supported an EBITDA of £7.6m (2016: £6.7m), alongside the successful conclusion of several insurance claims.

Profit before Tax, excluding movements in the value of investment property, improved to £0.3m. Including the increase in the value of investment property of £1.2m, which was £2.6m less than the previous year at £3.8m, a Profit before Tax of £1.5m (2016: £3.7m) was reported.

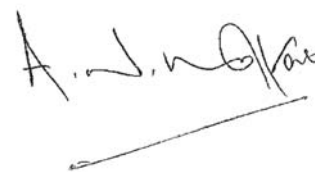
Net cash inflow from operations improved by £3.4m to £3.7m. The largest element of £7.2m capital expenditure incurred was £4.0m invested in the LPL wood pellet handling project which is now approaching conclusion and due to

commence operations early in 2018. To date, total investment in the LPL project, including the required extension of Riverside Quay, amounts to circa £38m and is the principal driver to the increased borrowings level of £41m.

The Port of Tyne, like all ports, is a bellwether of the global economy and the challenge of uncertainty ahead remains. However we have sound strategies in place and our employees continue to be committed to the cultural change that remains key to the business's future success, and a vital component of the future growth that will deliver enhanced value to the Port of Tyne's stakeholders.

With this continued support and that of our customers and all other stakeholders, we look forward to taking advantage of the opportunities that lie ahead.

I would like to place on record my thanks, once again, to all of my colleagues for their continued efforts during 2017.

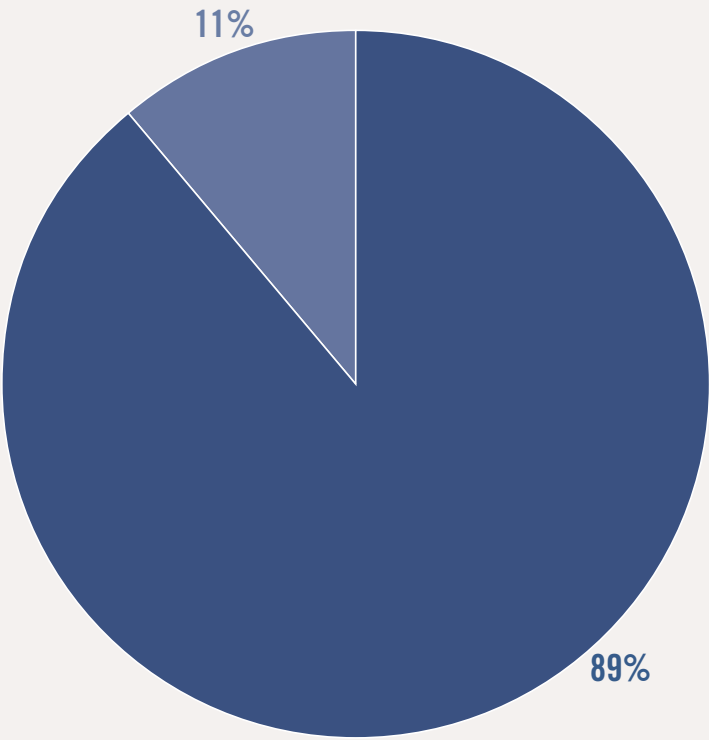


Andrew Moffat
Chief Executive Officer

PERFORMANCE AT A GLANCE

TOTAL TONNAGE HANDLED

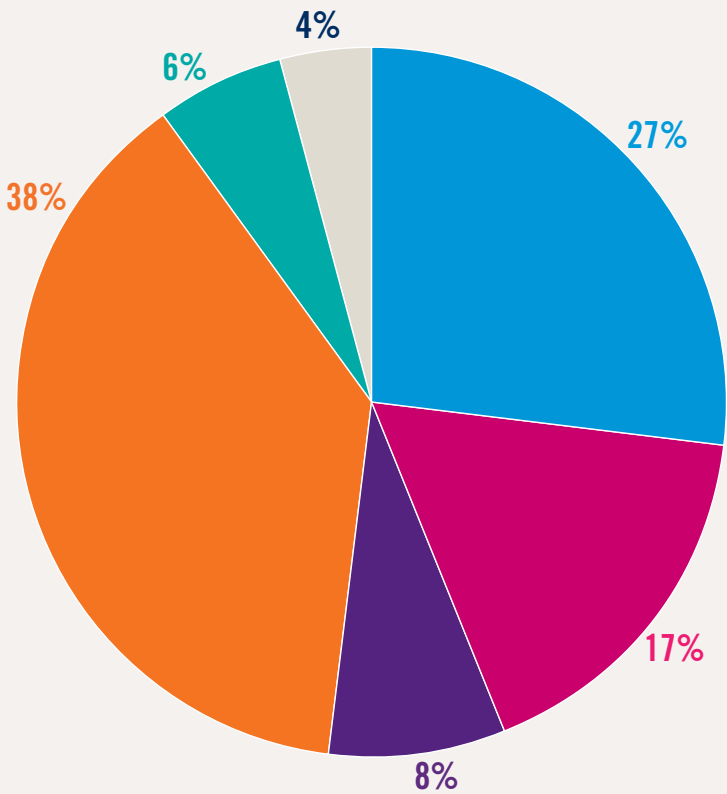
2017: 3.3M TONNES



VOLUMES HANDLED BY:	2017
PORT OF TYNE BERTHS	3.0M
THIRD PARTY BERTHS	0.3M

TURNOVER BY BUSINESS AREA

2017: £47.3M



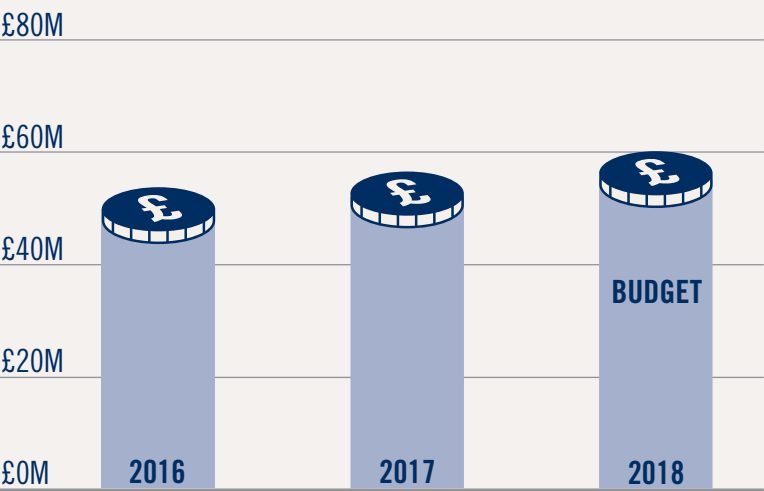
BUSINESS AREA:	2017
CONVENTIONAL & BULK CARGO	£12.6M
CAR TERMINALS	£7.8M
CRUISE & FERRY	£3.8M
LOGISTICS	£18.2M
ESTATES	£2.9M
THIRD PARTY ACTIVITIES	£2.0M

KEY FINANCIAL INDICATORS

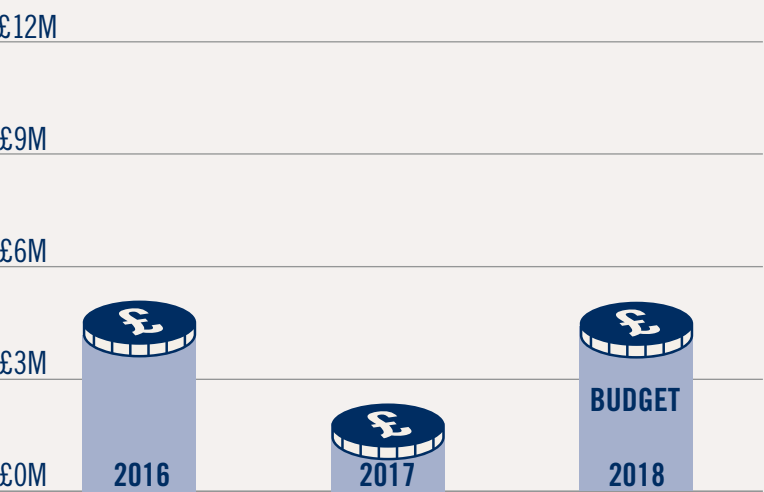
Profit before Tax for 2017 was £1.5m, turnover was £47.3m and EBITDA was £7.6m.

The Port invested £7.2m in infrastructure and net assets were £120m.

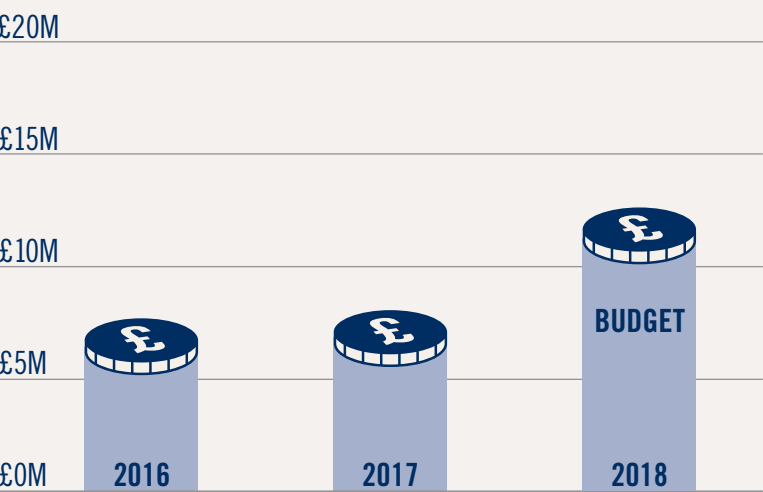
TURNOVER £47.3M IN 2017



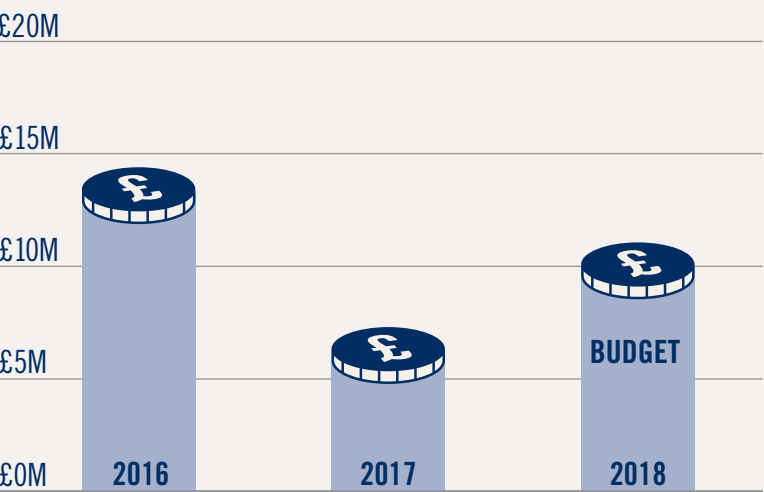
PROFIT BEFORE TAX £1.5M IN 2017



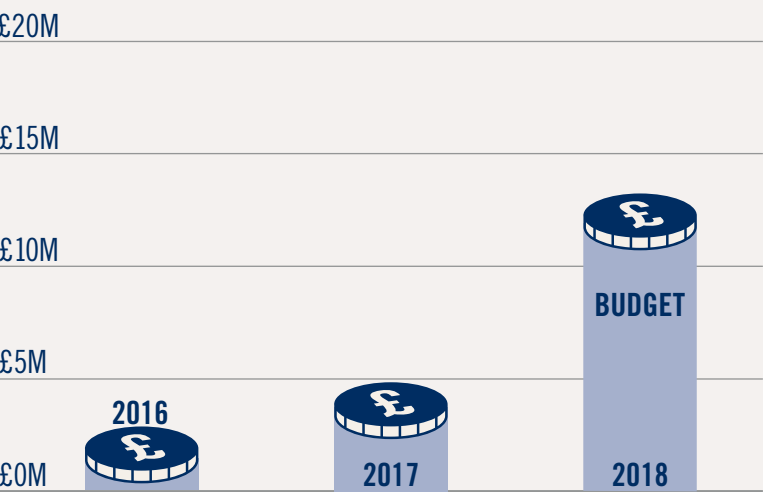
EBITDA* £7.6M IN 2017



CAPITAL EXPENDITURE £7.2M in 2017



CASH FLOW FROM OPERATING ACTIVITIES £3.7M IN 2017



*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.

VOLUMES (TONNES)



2017

1.5M

2016

2.0M

TURNOVER (£)



2017

12.6M

2016

12.3M



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 the new 125m extension to Riverside Quay was a £25m investment which has increased the Port's bulk cargo handling capacity by around 20%. It was critical to winning new business from Lynemouth Power Ltd (LPL) to handle, store and transport up to 1.8m tonnes of wood pellet per year

In 2017 in partnership with LPL, three major storage silos with a total capacity of 75,000 tonnes were constructed, along with 1.4km of enclosed connecting conveyors and dedicated rail infrastructure. Two new eco-hoppers costing a combined £4m were built and commissioned. In total, the Port invested £38m in the new £100m facilities with LPL contributing the remainder.

"The Port also invested around £1m in a new facility for EMR (European Metal Recycling), in the 20th year since EMR moved on to the Port of Tyne estate."

Port of Tyne-owned berths, operated either directly or by third parties, continue to account for most of the cargo handled by businesses located on the banks of the river, with 96% of all river cargo tonnage either loaded or discharged at these berths.

The total tonnage of all cargoes handled across River Tyne berths decreased by 10% to 3.3m tonnes in 2017, mainly due to the reduction in conventional and bulk cargoes which fell by 23% to 1.5m tonnes. This was principally as a result of lower wood pellet imports as other UK facilities came on-line, and volumes for LPL were limited to commissioning requirements only, in advance of electricity generation commencing in 2018. This was offset by increased revenue from offshore renewable activity, which is relatively tonnage light.

Following the fall in coal imports handled to zero in 2016, there was one further shipment of coal at the end of the year. Scrap metal increased by 44% to a total of 0.4m tonnes whilst the Port handled 0.2m tonnes of aggregates and 0.1m tonnes of grain amongst other bulk commodities.

For new customers, the Port's coal conveyor and stocking grounds were converted to handle new cargoes, and the first import of sand for construction purposes was successfully managed. The Port also handled imports of petroleum coke for the first time for a new customer, Oxbow Coal LLC.

Facilities were provided to enable BAM Nuttall to achieve a world-first in design and build of gravity base foundations for offshore wind turbines, using the Port's deep-water quays to add extra ballast ahead of the tow-out to a pioneering development off the Northumberland coast.



1.5M

TONNES OF BULK CARGO
HANDLED BY THE PORT

44%

INCREASE IN SCRAP
METAL CARGOES

CAR TERMINALS

THE BUSINESS HAS RETAINED ITS POSITION AS THE UK'S NO. 2 CAR EXPORTING PORT AND MOVED UP THE RANKINGS TO THE 11TH LARGEST CAR HANDLING PORT IN EUROPE, FROM NUMBER 14 IN 2016.

Following investments of over £2m and further improvements, the Port's car terminal, which services the Renault-Nissan Alliance, covers almost 100 acres in total on the south bank of the Port of Tyne.

On the north bank, the Port's car terminals supporting the import of vehicles for the Volkswagen Audi Group cover 50 acres extending from Whitehill Point at North Shields. A further 6 acres of temporary car storage facilities was made available on the Port's estate at Howdon, Wallsend.

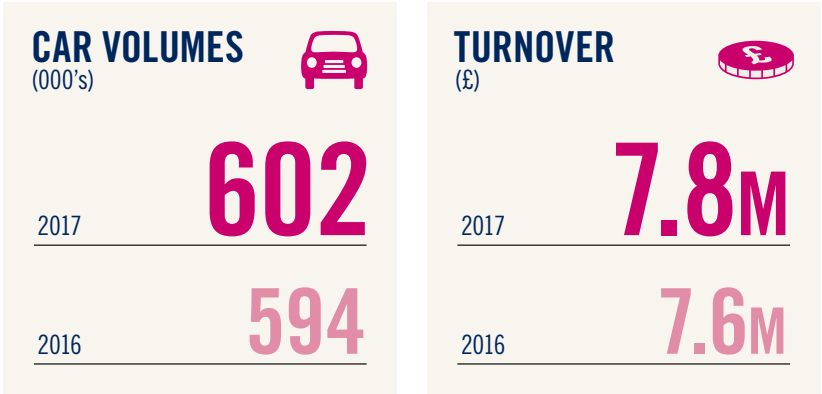
The number of cars handled across the Port's three car terminals has increased compared to the previous year at 602k units. The majority were cars being exported to overseas markets from Nissan's car manufacturing plant in Washington, Tyne and Wear. As a result the business has retained its position as the UK's No. 2 car exporting port and moved up the rankings to the 11th largest car handling port in Europe, from number 14 in 2016.

The Renault-Nissan Alliance continues to make the Port of Tyne its regional entry point into the UK for vehicles that are imported from the 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 at the plant.

"The Port of Tyne will continue to support Nissan's growth plans and ensure that the Port is equipped with the right infrastructure to meet these demands."

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. The Port of Tyne also supports Hitachi Rail Europe, with around 30% of import material destined for the Hitachi Rail Europe plant in Durham coming via the Port of Tyne.





602k

NUMBER OF
CARS HANDLED

#2

PORT IN THE UK
FOR CAR EXPORTS

720k

PASSENGERS TRAVELLING
THROUGH THE PORT OF TYNE

+18%

INCREASE IN CRUISE
SHIPS CALLING AT THE
PORT OF TYNE



CRUISE AND FERRY

THE PORT'S INTERNATIONAL PASSENGER TERMINAL ONCE MORE WELCOMED ITS GREATEST NUMBER OF PASSENGERS AND A RECORD NUMBER OF CRUISE CALLS, INCREASING ITS IMPACT ON THE NORTH EAST REGION'S TOURISM SECTOR.

PASSENGER NUMBERS (000's)



2017

720

2016

675

TURNOVER (£)

2017

3.8M

2016

3.2M



2017 marked a significant year of growth for the Port's passenger operations. As well as record passenger numbers, Marella Cruises (formerly known as Thomson Cruises) returned to the UK and chose Port of Tyne as its only UK departure point.

The impact of the Port of Tyne International Passenger Terminal on the North East economy continued to increase, adding £53m to the regional GVA and supporting 1,643 jobs in the tourism sector.

720k passengers travelled through the Port of Tyne International Passenger Terminal, up 7% on 2016. Cruise passenger numbers increased by 38% to 124k, as a result of the record 52 cruise ships that visited the Port in 2017. DFDS ferry passenger numbers on the Ijmuiden / Newcastle route were at a record level of 596k, up 11k on last year, breaking its own record numbers reported in 2016.

"The Port of Tyne is the closest UK Port to the Baltics, the Fjords and Russia and offers easy access to the Canary Islands, The Azores, Portugal, Morocco and Spain."

Half of the passengers on board are incoming visitors to the region, boosting the local tourism and visitor economy.

Fred. Olsen Cruise Lines continued to make the Port of Tyne the home port for their flagship vessel Balmoral, operating turnaround (or starting and finishing cruises) from the Port while other cruise lines visiting included Regent Seven Seas' luxury cruise ship the Seven Seas Explorer, launched in 2016. This is said to be one of the most luxurious ships ever built. On its visit to the Port of Tyne it brought 750 US passengers to visit the North East.

There has been a passenger service operating from the Tyne for over 100 years and cruise ships began visiting the Port 19 years ago.

The Port of Tyne is the closest UK Port to the Baltics, the Fjords and Russia and offers easy access to the Canary Islands, The Azores, Portugal, Morocco and Spain. The Tyne is not only an excellent choice to start or finish a cruise but it can rival many European ports in terms of easy access to world-class tourist attractions. The North East region is home to several UNESCO World Heritage sites, including Hadrian's Roman Wall and the City of Durham, as well as Alnwick Castle, known as the 'Windsor of the North', recognised as the setting for Hogwarts in the Harry Potter films.

LOGISTICS

THE PORT'S LOGISTICS BUSINESS SAW GROWTH AGAINST INCREASING COMPETITION.

**CONTAINER
TEUs VOLUME**
(000's)



2017

57

2016

53

TURNOVER
(£)



2017

18.2M

2016

17.9M



The Port of Tyne welcomes regular short-sea feeder container services effectively providing access to world-wide markets with import and export connections to Felixstowe, Rotterdam and beyond.

The Logistics business area offers customers an integrated package of container handling, warehousing and distribution. Goods handled through the container terminal include retail products, parts for manufacturing and 40% of the UK's tea imports.

The Port offers unrivalled agility, security and flexibility for shippers, manufacturers and retailers and other customers across the North 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.

Customers can select a bespoke package of logistics tailored to their individual needs from a services that include the Port's 56k m² highly secure warehousing providing 53k racked pallet spaces, next day delivery anywhere in the UK utilising Port of Tyne distribution, pick and pack and re-work services, stock checking and a range of valued added services.

During the year a further warehouse was brought back into operational use and investments were made in plant and machinery, with 60% of the transport fleet replaced and orders placed for new handling machinery. Further improvements were made to operational facilities at the Container Terminal Gatehouse.

“Within the Logistics business area, (comprising containers, warehousing and distribution), container volumes increased 8% to 57k TEUs (Twenty Foot Equivalent units) and turnover slightly increased to £18.2m.”

57k

CONTAINER
TEUs VOLUME

£18.2M

TURNOVER WITHIN THE
LOGISTICS BUSINESS AREA



47HA

OF PORT OF TYNE
DEVELOPMENT SITES
WITH ENTERPRISE ZONES

95k

SQ METRES OF INDUSTRIAL
ACCOMMODATION



ESTATES

THE PORT OF TYNE'S ESTATES PORTFOLIO EXTENDS OVER 250 HECTARES WITH DEVELOPMENT SITES ON BOTH THE NORTH AND SOUTH BANKS OF THE TYNE OFFERING UNIQUE COMMERCIAL OPPORTUNITIES.

TURNOVER
(£)



2017

2.9M

2016

3.0M



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.

The Port of Tyne comprises 250 hectares of land estates with over 3km of potential berthing capacity.

Turnover remained strong at £2.9m in 2017. The Port has over 100 tenants across its sites north and south of the River. Its commercial property portfolio has increased to 250 hectares each side of the Tyne, including 80 hectares of development land, 4,000m² of office space and 95,000m² of industrial accommodation.

New tenants arriving on the estate in 2017 included engineering company Victor Products.

During the year, the Port achieved all the necessary permits to complete the infill of Tyne Dock, which will create in total a further 4.5 hectares of useable land for customers. Further groundworks were undertaken to prepare the site for Tyne Dock Enterprise Park.

A new 25-year lease agreement with Tynegrain, a long-term tenant of the Port, enabled them to complete the construction of a new warehouse for agricultural products.

Two new business parks, both benefitting from Enterprise Zone status continued to be marketed to potential partners. Royal Quays Enterprise Park is a development area of up to 30 hectares in North Shields, suitable for manufacturers requiring port services or sea connections due to its close proximity to open sea with no air-draft limitations. Currently a mix of leased land and brownfield, the site offers a prime location ready for redevelopment.

Tyne Dock Enterprise Park in South Shields offers development land of up to 7 hectares, with immediate access to 550 metres of direct riverside frontage and a mature logistics infrastructure.

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.

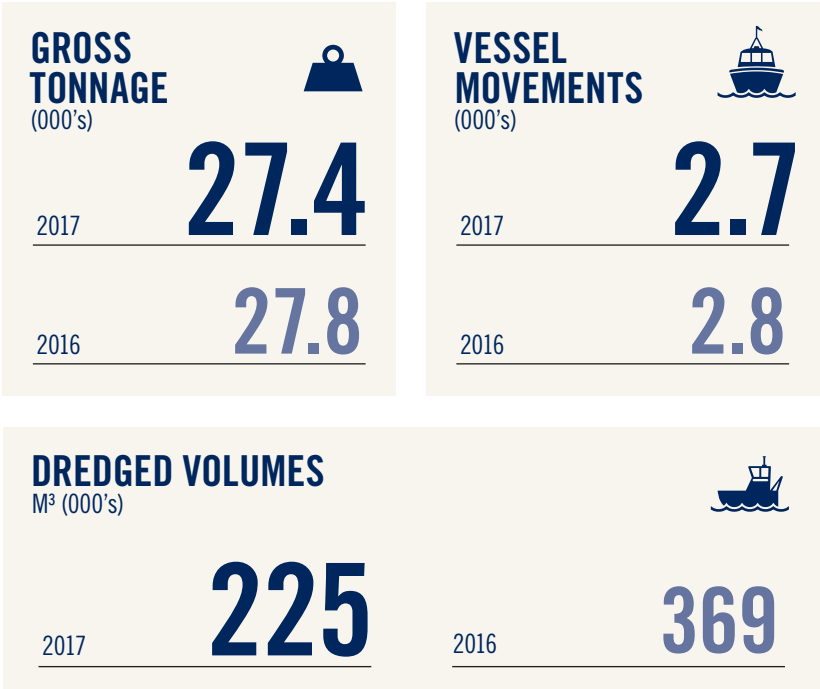
"The investments the organisation is making in extending its main Riverside Quay and improving its cargo handling infrastructure are all driving even more value and economic growth from the Port's physical assets."

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.

With container, RoRo, ferry, bulk cargo, road and rail connectivity, the Port of Tyne offers a superb development infrastructure which supports and enhances the region's strong tradition of heavy engineering.

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 standards. All activities comply fully with the nationally approved standards developed to ensure safety in marine operations. The Port constantly seeks continuous improvements in safety performance in a competent, productive manner whilst conforming to all regulatory and statutory requirements.

These standards are the Health and Safety standard OHSAS: 18001, the guidelines of the Port Marine Safety Code (PMSC) and all appropriate UK marine legislation and industry best practise guidelines. The Port's compliance with the Port Marine Safety 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 organisation's overall safety management system.

The reduction in coal volumes handled by the Port of Tyne has impacted the number of ships arriving in the River since 2015; however, in 2017 total number of vessel movements remained fairly steady at 2,675. Vessel gross tonnage, which measures both the size of vessels and the cargo capacity they can carry, also remained steady at 27.4m tonnes.

The pilotage services operated by the Port have maintained the International Standard for Maritime Pilot Organisations accreditation since 2013. The standard assures the highest levels of safety, skills, knowledge and expertise associated with the delivery of pilotage services. Following an external audit in 2017, the Port was re-certified to the standard and remains one of only eighteen Pilotage organisations holding the standard worldwide.

The activity undertaken during the year to monitor and maintain depths by the Port of Tyne's Conservancy Team using the in-house survey capability and 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. No capital dredging occurred on the river during the year.

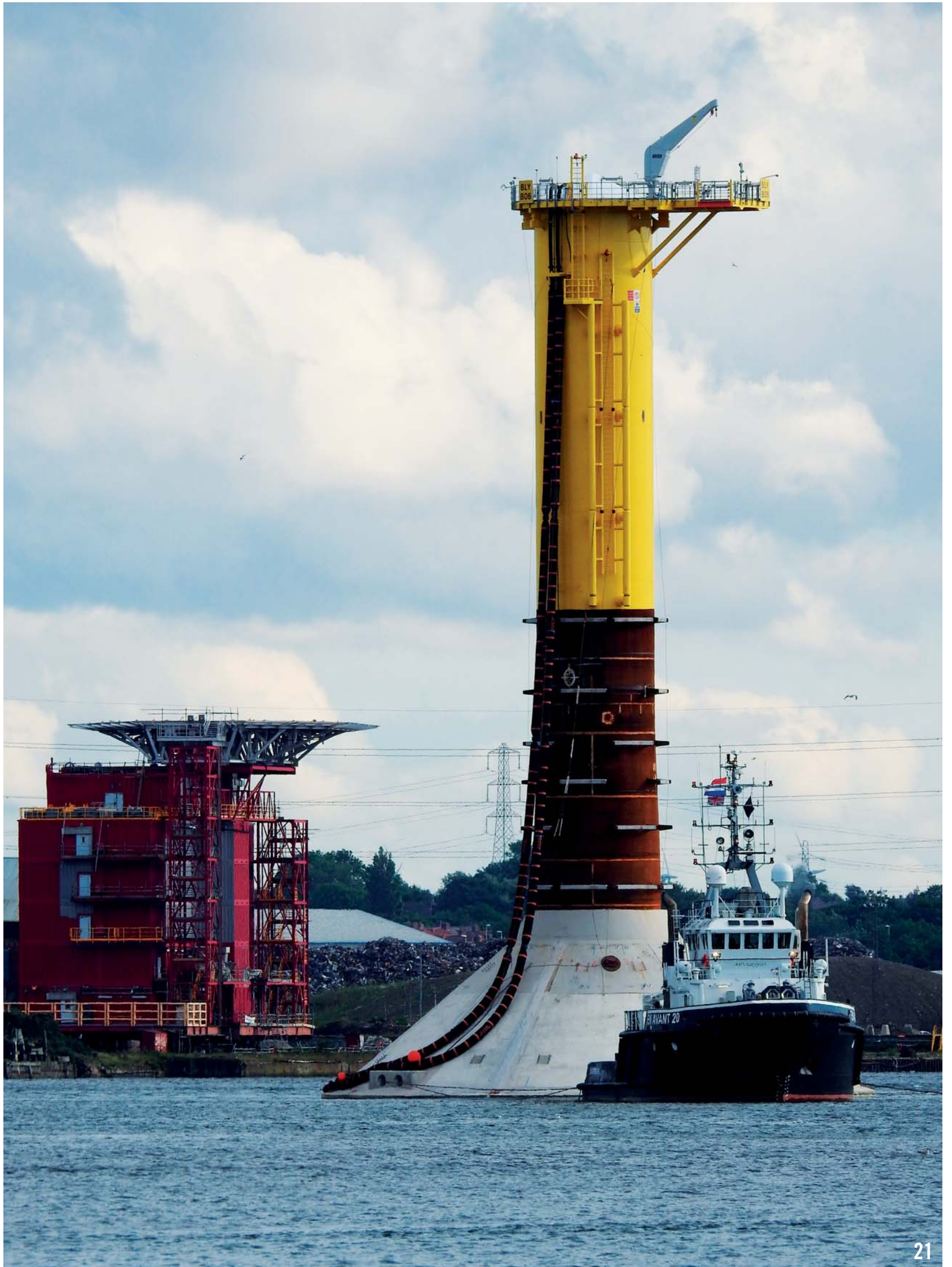
All material removed from the estuary as part of the maintenance dredging regime was deposited at sea in accordance with license conditions.

Following the introduction of further training and development initiatives and Continued Professional Development schemes, staff from both the Pilotage organisation and the Vessel Traffic Service have continued to progress within the organisation, and staff from both disciplines represent the Port at a national level.

“The maritime welfare levy, introduced in 2016, which includes matched-funding from Port of Tyne, continues to be successful with around £16,000 being distributed to the three local seafarers welfare organisations, supporting facilities for visiting seafarers.”



Pictured: Alex Castle, Marine Pilot





HEALTH AND SAFETY

THE PORT OF TYNE STRIVES TO BE A PLACE WHERE SAFETY COMES FIRST AND FOREMOST, AND IN 2017 ACHIEVED THE ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS GOLD AWARD FOR THE FOURTH YEAR IN SUCCESSION.



The Port of Tyne strives to be a place where health and safety come first and foremost, and in 2017 received two awards in recognition of the drive for continuous improvements.

The Port continued to implement new initiatives such as business area specific Point-of-work Risk Assessments and an increased focus in Safety Interactions throughout the year to improve Health and Safety performance. This helped the Port achieve the Royal Society for the Prevention of Accidents (RoSPA) Gold Award for the fourth year in succession.

“The Port’s health and wellbeing promotional programme continued in 2017.”

Since 2012 the Port has held the internationally recognised Health and Safety standard OHSAS: 18001. This sets out the requirements for occupational health and safety management systems and best practice to achieve effective policies, procedures and controls required to secure the best possible working conditions and workplace health and safety.

The percentage of near miss (hazard) reports compared to actual incidents increased to 81%. This is seen as a strong indicator of increased safety awareness. Improving health and safety performance is a strategic objective and the emphasis moving forward will be on building a strong health and safety culture, building on the robust systems and processes in place.

Wellbeing initiatives focussed on promoting healthy eating, health assessments, fitness and exercise and dental health advice sessions were well attended across the business. The campaign’s success achieved the North East Better Health at Work Gold standard – and the Port joined just 28 other organisations in the North East region who have attained the Gold standard.

4

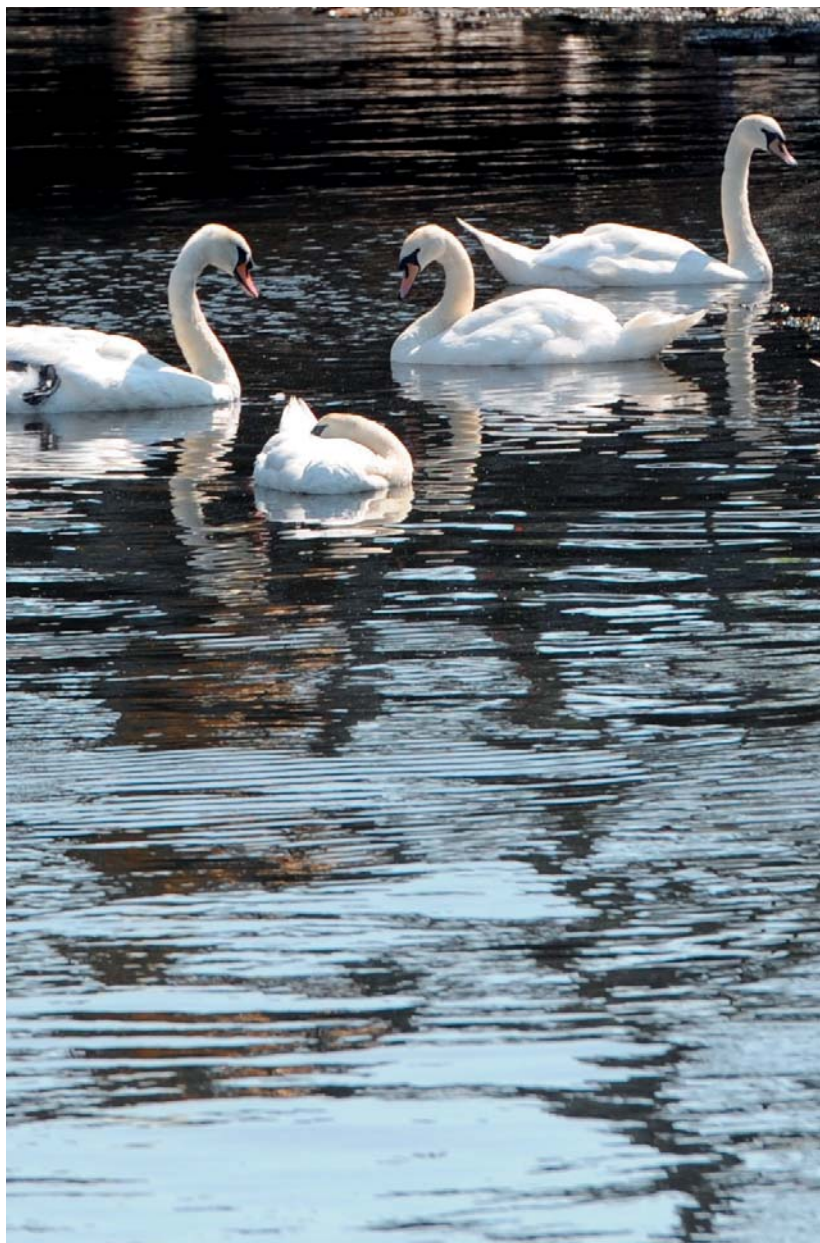
NUMBER OF YEARS THE PORT HAS ACHIEVED THE RoSPA GOLD AWARD

81%

THE PERCENTAGE OF NEAR MISS REPORTING

ENVIRONMENT

INNOVATIONS TO THE PORT'S CARGO HANDLING OPERATIONS RESULTED IN POSITIVE ENVIRONMENTAL IMPROVEMENTS.



In 2017, the Port's environmental management system continued to meet the rigorous standards of the nationally recognised environmental standard ISO: 14001. The standard demonstrates compliance with environmental legislation, a commitment to the prevention of pollution and the implementation of a programme of continual improvement.

An updated and more stringent standard was issued in 2015 and this places more emphasis on continually enhancing environmental performance. During 2018, the Port will transition to the revised standard.

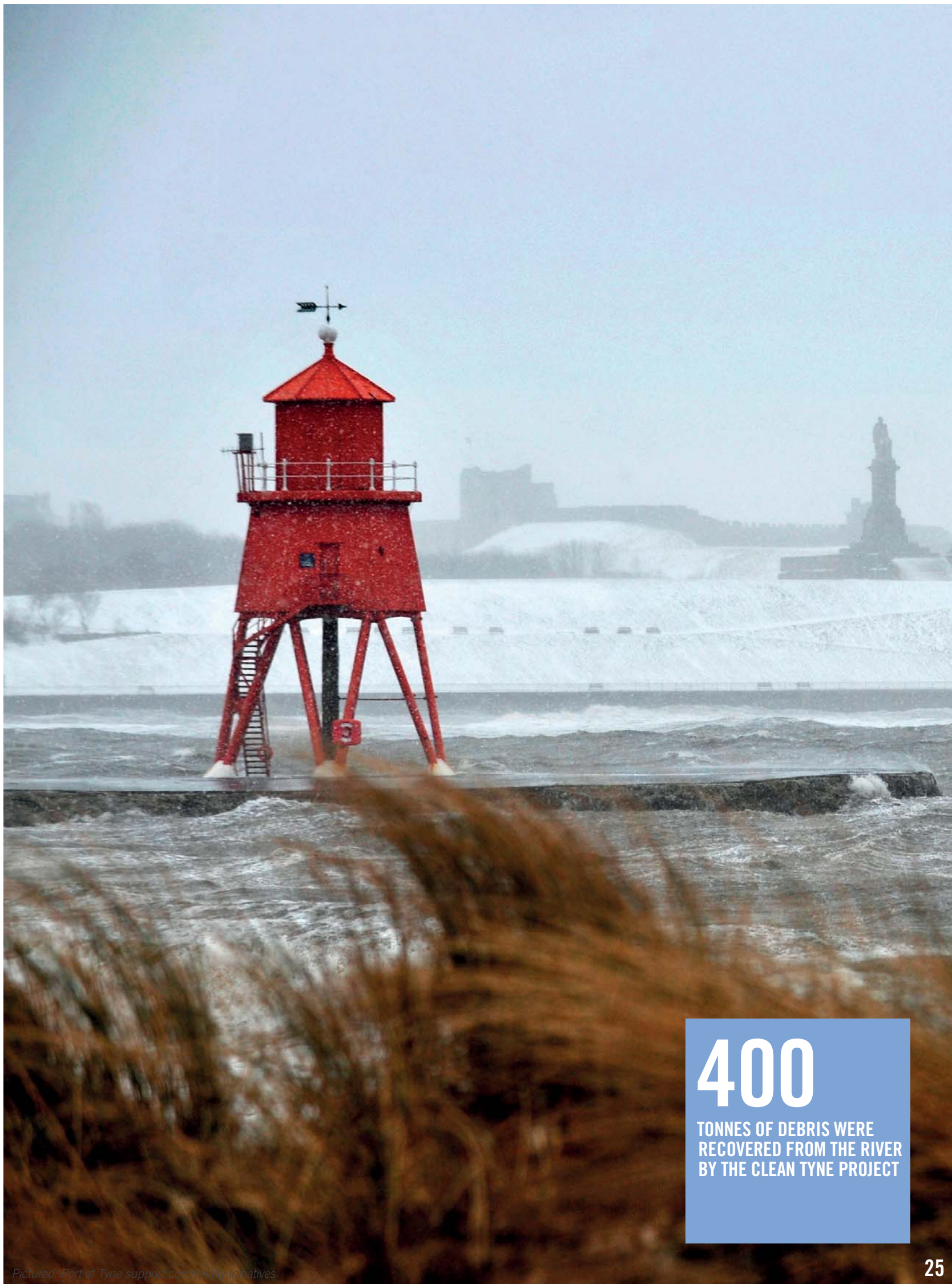
During 2017, the number of environmental incidents remained consistent with the previous year and were mostly associated with a major construction project on the Port's estate. Excluding these, the underlying incident frequency maintained a downward trend. There was also a reduction in the number of environmental complaints, mainly attributable to better control of dust generating cargo handling activities.

The amount of debris collected by Clean Tyne Project, in partnership with Newcastle, North Tyneside and Gateshead local authorities remained at around 400 tonnes removed from the river. 100% of this debris was recycled.

The Port has also continued to play a leading role in the River Tyne Sediments Group (RTSG) which exists to measure and record the extent of contaminated sediment in the River Tyne and to identify, agree and implement management solutions. The partners include 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.

Significant progress continued to be made during the year to reduce the amount of sediment arising from disused mines in the upper reaches of the river flowing into the estuary.

"Work to reduce CO₂ emissions from the Port, and save energy, continued with the installation of LED lighting in a number of port buildings and warehouses."



400

TONNES OF DEBRIS WERE
RECOVERED FROM THE RIVER
BY THE CLEAN TYNE PROJECT



Pictured: Clockwise from top left, Durham County Cricket Foundation, Heritage Open Days, South Tyneside Summer Festival, South Tyneside Summer Festival, Durham County Cricket Foundation, Children North East

MAKING A DIFFERENCE IN THE REGION

The Port of Tyne undertakes an annual independent assessment of its contribution to the local, regional and national economy. In 2017, the Port remained an important local employer with 478 employees directly employed and an additional 14,700 full time jobs supported by its business areas and other Port related businesses.

The Port contributed an estimated £690m in GVA to the wider North East economy – equivalent to about 1.39% of that economy. As part of this total, the Port's International Passenger Terminal continued to contribute around £53m GVA to the region, supporting the travel and tourism sector in particular.

The Port has wider economic and social impact, representing a source of accessible employment for people in the local area, important given that many parts of Tyne and Wear are within the 50% most deprived parts of the country, and some parts are within the 10% most deprived.

The Port is involved in a number of regional businesses initiatives, aimed at driving the region's economy forward, including the NewcastleGateshead Initiative, the North East Chamber of Commerce and the North East Local Enterprise Partnership. It also operates the River Tyne Business Forum, established to remove barriers to business on the

river, and in 2017 successfully campaigned for the heightening of the cross-Tyne electricity pylons, which enabled the wind turbine sector to operate further upriver.

The Port remains committed to supporting education, skills and workforce development, both for its own employees and across the wider area. This includes supporting several schools and Tyne Coast College, and offering a rolling programme of apprenticeships.

Other support for the local community includes providing a number of grants to local community projects donating 1% of profit through its Community Action Fund Employee Panel and sponsorship of public events and celebrations.

Acting as a custodian of the River Tyne, the Port spends its own resources to support public recreational access to the river, its quayside and its heritage assets, including the iconic historic Swing Bridge and the North Shields Fish Quay.

The total benefit delivered to the Port's stakeholders (who are its customers, employees, the Government, the business community and the local community) in 2017 was £24.3m, similar to the previous year's total of £24.7m.

The value of the impact of investment made in community engagement is measured using the London Benchmarking Group metrics. The assessment undertaken during the year relating to the investment made in 2016 was compared with that of 100 national companies from 12 different sectors. The Port supported 628 organisations, directly engaging with over 682k people across the North East region. As a result, the Port of Tyne remained in the top 10% of companies with respect to overall contribution to community as a percentage of pre-tax profits.

Local community benefit totalled £230,000. This included the annual donation of 1% (£3,000) of 2016 Profit before Tax, to the Port of Tyne Community Action Fund at the Community Foundation Tyne & Wear and Northumberland, which was distributed via the employee panel to five community projects.

The Port also actively engages in the local community, providing 'in kind' services such as Port tours, river safety cover for fund-raising events and staff volunteering and active participation to the business community.

STAKEHOLDER BENEFIT (£)



2017

24.3M

2016

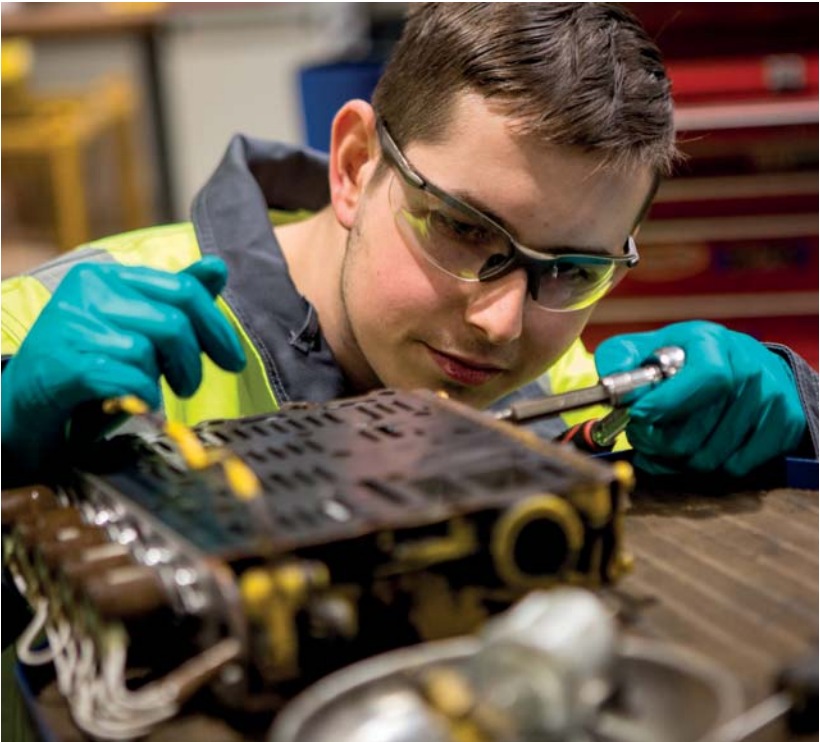
24.7M

£690M

PORT'S GVA TO THE
REGIONAL ECONOMY

682k

NUMBER OF PEOPLE
DIRECTLY ENGAGED
WITH PORT-SUPPORTED
ACTIVITIES



A FOCUS ON OUR PEOPLE

ATTAINING THE GOLD INVESTORS IN PEOPLE AWARD IN 2017 IS A TESTAMENT TO THE CONTINUING HARD WORK AND COMMITMENT OF THE PORT'S EMPLOYEES.

There were a number of developments in 2017 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.

Working in collaboration with employees, a new set of individual values was introduced: open, excellent, respectful and responsible. Work to develop expected behaviours in line with these values continues and will be launched in 2018.

The Port continued its rolling programme of apprenticeships with four new apprentices in a variety of roles appointed in 2017, taking the total number to 20, representing 4% of the total workforce.

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.

The Port has maintained IIP Gold standard since 2014 and in 2017 retained the IIP Gold status against new assessment criteria. The IIP framework drives continual improvement and has been the basis for the ongoing development of training, planning and communications throughout the business.

During the year, the Port of Tyne successfully achieved the North East Better Health at Work Gold Award following an assessment of the initiatives the Port has introduced to address health and wellbeing within the workplace.

Other initiatives included the introduction of an Employee Forum and increasing the editions of the staff magazine 'Tyne Crier' during the year from four to six. The first ever conference for all employees, enabling staff to attend together, was a success with participation from various departments and external guest speakers.

The annual Employee Survey saw an 87% response rate, with 389 employees participating. Job satisfaction remains high, with 83% of employees feeling highly motivated, and the number of staff feeling valued by their manager increasing across the business.

In total the Port invested more than £300k in training and development, ranging from NVQs to an Operational Supervisor and Team Leader Development Programme. This equates to 10,500 hours of training or approximately 23 hours for every employee.

FULL TIME
EMPLOYEES



478

2017

471

2016

87%

RESPONSE RATE
IN THE EMPLOYEE
SURVEY

10.5k

HOURS OF TRAINING
UNDERTAKEN IN 2017

FINANCIAL PERFORMANCE

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £m	2016 £m
Turnover – continuing operations	47.3	45.9
Operating costs	(37.0)	(37.3)
Gross profit	10.3	8.6
Administrative expenses	(8.4)	(7.8)
Total operating profit	1.9	0.8
Gain on revaluation of investment properties	1.2	3.8
Net interest and other expenses	(1.6)	(0.9)
Profit on ordinary activities before taxation	1.5	3.7
Tax charge on profit on ordinary activities	(0.8)	(0.3)
Profit for the financial year	0.7	3.4

KEY FINANCIAL INDICATORS

	2017 £m	2016 £m
EBITDA	7.6	6.7
Cash Flow from Operating Activities	3.7	0.3
Capital Expenditure	7.2	14.6

Turnover during the year has increased by 3% from £45.9m in 2016, to £47.3m in 2017, with four of the Port's five business areas showing improved year on year performance.

As a result, 2017 EBITDA rose by 13% to £7.6m compared to £6.7m in 2016, primarily driven by improved

trading together with the successful conclusion of several insurance claims during the year.

Net cash inflow from operations was £3.7m compared to £0.3m in the previous year, was due to increased EBITDA and favourable movements in working capital.

The Port incurred £7.2m of capital expenditure during the year in the development of infrastructure. The largest element was a further £4.0m invested in the Lynemouth Power wood pellet handling project.

GROUP BALANCE SHEET

AT 31 DECEMBER 2017

	2017 £m	2016 £m
Fixed assets	183.0	180.8
Current assets	13.8	10.8
Total assets	196.8	191.6
Current liabilities	(7.6)	(8.0)
Total assets less current liabilities	189.2	183.6
Long term creditors and provisions	(55.1)	(48.5)
Deferred income	(5.3)	(5.9)
Pension liability	(8.4)	(13.3)
Net assets	120.4	115.9
Reserves		
Profit and loss account	85.4	81.8
Non distributable reserves	35.0	34.1
Reserves	120.4	115.9

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £m	2016 £m
Net cash inflow from operating activities	3.7	0.3
Net cash outflow from investing activities	(7.2)	(15.3)
Net cash inflow from financing activities	3.7	15.1
Increase in cash in the year	0.2	0.1
Cash and cash equivalents at 1 January	0.1	0.0
Cash and cash equivalents at 31 December	0.3	0.1

The primary statements presented above are summaries of the full statutory disclosures. The complete Annual Report and Accounts is available to download on the website www.portoftyne.co.uk.

MEMBERS OF THE BOARD

The Executive Management Team comprises the Executive Directors of the Board, alongside, Susan Wear – Director of Corporate Affairs, Nolan Gray – Business Development Director, Steven Clapperton - Director of Health and Safety, Environment and Marine, Harbour Master and Louise Tinkler, Director of Human Resources.

Hilary Florek, who initially joined the Board in 2008, becoming Deputy Chairman and Chairman, left in June 2017. Maxine Pott left the Board in August 2017, having served six years. Duncan Barrie left the Port in August 2017.

CHAIR LUCY ARMSTRONG

Appointed in July 2017, Lucy is Chief Executive of The Alchemists, a North East-based consultancy which helps businesses increase their development and success. Lucy joined The Alchemists in 2003 after an early career in private equity, corporate development and headhunting with 3i plc, Courtaulds Textiles and Tyzack.

CHIEF EXECUTIVE OFFICER ANDREW MOFFAT CBE

Andrew Moffat was appointed Chief Executive Officer in 2008, having previously been Financial and Commercial Director. He started his career with Northumbrian Water, later joining the telecommunications sector where he held a number of commercial and strategic roles with 3 Italia and within Orange, including UK Director of Strategy and Group Financial Controller. Andrew was awarded a CBE in 2016 for services to the North-East economy and UK ports. He is Chair of CBI North East, a member of the North East Local Enterprise Partnership board and Chair designate of Maritime UK.

NON-EXECUTIVE DIRECTORS

DEPUTY CHAIRMAN 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.

MARK PREECE

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

STEVE CROSLAND

Steve Crosland joined the Board in 2016. A Chartered Fellow of the Chartered Institute of Personnel and Development, he has 20 years of experience specialising in Human Resource practices. Previously he was Director of Human Resources with NetJets Europe and Group Personnel Director for Northern Electric and other leading UK, European and US based companies.

ALISON THAIN OBE

Alison, the former Chief Executive of Thirteen Group, joined the Board in 2017. She is a member of Tees Valley Unlimited, the sub-regional Local Enterprise Partnership, a board member of Darlington Building Society, a council member of the North East Chamber of Commerce and a Governor of Sunderland University. She was awarded the OBE in 2004 and an honorary doctorate in business from Teesside University in 2014.

GEOFF BROWN

Geoff Brown, the former Chair and Global Managing Director of the Halcrow Transportation Board, joined the Board in March 2017. He is a chartered civil engineer with experience in senior executive roles in organisations throughout the UK and internationally. He is a Non-Executive Director of the Mersey Gateway Crossings Board and a Non-Executive Director of Tees Valley Sport.

EXECUTIVE DIRECTORS

CHIEF FINANCIAL OFFICER MARK STONER

Mark joined the Port of Tyne in February 2018. Previously Finance Director at Communis plc, Mark started his career with British Steel, before holding senior positions at Rolls Royce Industrial Power Group, Siemens Microelectronics, KPMG, and Atmel North Tyneside. A Fellow of the Chartered Institute of Management Accountants with over 25-years' practice in corporate finance Mark joined the Port in 2018 with the responsibility for Group financial services, information technology, internal audit and risk management.

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. His responsibility extends to all operational areas of the Port, encompassing Conventional Bulk Cargo, Logistics, Cruise and Ferry and Car Terminals.



Port of Tyne
Maritime House
Tyne Dock
South Shields
Tyne and Wear
NE34 9PT

T. +44 (0)191 455 2671
www.portoftyne.co.uk

 @Port_of_Tyne